Agenda – Council – December 19, 2007

Report - Executive Policy Committee - November 28, 2007

Item No. 2 Red Tape Commission, Recommendation 23 – Internal Financing Charges Policy
File GG-5

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 28, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the policy regarding Internal Financial Charges, as outlined in the report of the Chief Financial Officer dated November 9, 2007, be approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Executive Policy Committee - November 28, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 28, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

On March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission in an expedited manner, in a manner reflecting a list of priorities.

RE: Report on Red Tape Recommendation 23 – Internal Financial Charges Policy

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: November 9, 2007

RECOMMENDATION:

That the policy regarding internal financial charges be approved by Council.

Report Summary

Key Issues:

The Red Tape Commission recommended review of internal charges and preparation of a related policy.

Implications of the Recommendation(s):

General Implications

( ) None

(X) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):
A new policy on internal financial charges will enhance decision making on internal service delivery value.

Policy Implications

( ) No

(X) Yes

Comment(s):
A new policy relating to internal financial charges would need to be approved by Council.

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Report

REASON FOR THE REPORT:

The Red Tape Commission recommended changes in processes and procedures throughout the City. Council has requested that an implementation plan be approved for each recommendation prior to December 31, 2007.

Specifically, Red Tape Commission Report Recommendation #23 recommends that Council approve a policy be adopted for internal financial charges.

HISTORY:

Red Tape Recommendation #23 states:

"Adopt policies to ensure that internal financial charges are fairly priced and consistently applied, reducing the deterrent impact of these charges where the price is inappropriate, while preserving the financial and analytical benefit of the charges themselves."

Further the recommendation provides:

"The Winnipeg Public Service should initiate a review of interdepartmental charges, with the goal of tabling for Council approval a policy for the consistent application of these charges.

The policy should cover any charging, costing and recovery of expenditures incurred in the provision of goods and services between city departments and agencies. The policy should be supported by a Public Service Directive to provide guidance on:

- Goods and services should have interdepartmental charges imposed;
- What costs should be included when pricing interdepartmental charges;
- What process should be used to monitor interdepartmental charges;
- The need for service level agreements and key components of the agreements; and
- When and how departments or agencies can be granted the option to seek external suppliers as an alternative to costly internal service.

This policy should take effect in the next fiscal year."

DISCUSSION:

Attached (Appendix A) is a policy on Internal Financial Charges for consideration and approval.

The policy delegates responsibility to monitor and administer internal financial charges to the CAO.

To that end and in support of the internal financial charge policy, an administrative directive outlining process regarding the administration and monitoring of internal financial charges has been prepared.

The purpose of the administrative directive is to provide additional direction to ensure internal financial charges are fairly priced and consistently applied, reducing the deterrent impact of these charges where the price is inappropriate, while preserving the financial and analytical benefit of the charges themselves.

It recognizes the need that such direction is needed to:

- Provide guidance for the City's departments on internal pricing;
- Ensure consistency across the organization;
- Maximize taxpayer value by ensuring internal goods and services are being provided in an efficient and cost effective manner;
- Ensure appropriate and periodic senior management review;
- Benchmark internal services against other service delivery methods; and
- Preserve the accuracy and understandability of the City's financial reporting.

In delivering its public services, the City recognizes that having all costs of service delivery incorporated into their financial reporting is important to ensuring that the actual cost of delivering that service is understood. Without this information, improper comparisons to other service delivery options will be made, resulting in poor decision making.

At the same time, the City recognizes that internal financial charges should not serve as deterrent to using the public service where the overall business case supports the use of this service. Further, any internal financial charges mechanism should not be difficult to administer as this will result in diminishing value to the City.

Financial Impact Statement **Date:** November 9, 2007

Project Name: Report on Red Tape Recommendation 23 – Internal Financial Charges Policy

COMMENTS:

The recommendation of this report is to approve a Council policy on internal financial charges for the City. There is no associated financial impact identified with this recommendation.

"Original Signed By"
Paul Olafson
Corporate Controller

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

External Consultation With:

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Corporate Controller's Division
Prepared by: Jason Ruby
File No.

COUNCIL POLICY

INTERNAL FINANCIAL CHARGES POLICY

COUNCIL REFERENCE	COMMITTEE JURISDICTION	DELEGATION OF AUTHORITY	ADMINISTRATIVE RESPONSIBILITIES	STATUTORY REFERENCE
Date Min. No.		Chief Administrative Officer	Chief Administrative Officer	By-Law Number(s)

A. POLICY STATEMENT

The City of Winnipeg Internal Financial Charges Policy provides guidance regarding the administration of internal financial charges and is founded on the following guiding principles:

- Goods and services should have internal financial charges imposed when the charges will impact behaviour inside the organization in a positive manner. Specifically, when a charge will facilitate business decision making inside the organization, resulting over time in efficiencies to the Public Service.
- Goods and services should not have internal financial charges imposed when it will impact behaviour inside the organization in a negative manner. Specifically, when a charge will result in a disincentive to using a good or service that is to the greater good of the City.
- Internal financial charges should not be for immaterial amounts.
- Pricing is to be determined between the service provider and customer and in principle, needs to at least cover the costs of providing the good or service.
- Internal financial charges should be monitored on an ongoing basis.
- Service level agreements should only be used when they will add value.

- Internal financial charges, where practical, should be benchmarked to external suppliers.
- Internal financial charges should not have a detrimental impact on the understandability of the City's financial statements.

B. DETAILS

B1. SCOPE OF POLICY

This policy applies to all City departments, funds and agencies, with the exception of Special Operating Agencies (SOA's).

SOA's have a separate governance structure and already have established processes for reviewing their pricing policies.

This policy covers any charging, costing and recovery of expenditures incurred in the provision of goods and services between City departments, funds and agencies (except SOA's).

Goods and services being provided to SOA's from other City departments, funds and agencies are covered by this policy.

B2. DEFINITIONS

Internal financial charges are defined as any charging, costing and recovery of expenditures incurred in the provision of goods and services between City departments, funds and agencies.

The following charges are deemed not to be internal financial charges:

- Goods and services that are also offered to the public at large are not considered to be internal financial charges (e.g. – Corporate Finance receives a water bill).
- Employee benefits charges, including payments to insurance reserves are not considered to be internal financial charges.
- Transfers that are authorized by other Council policy (e.g. – transfers from utilities that are set by Council by-law).

C. ORGANIZATIONAL RESPONSIBILITY/ADMINISTRATIVE DIRECTIVES

The Chief Administrative Officer will have responsibility to monitor and administer internal charges with a view to ensuring that they are fairly priced and consistently applied to maximize efficiencies within the Public Service.

In certain instances, based on business case, the Chief Administrative Officer may grant customer departments the option to seek other methods to procure a good or service, including the option to seek external suppliers.

D. AMENDMENTS

None

E. ADDITIONAL REFERENCES

None

F. REVIEW PROCESS

Reviewed by the Corporate Controller annually.

G. DELEGATED AUTHORITY

Except as otherwise specified in this policy, all authority under this policy is delegated to the Chief Administrative Officer.