Chapter 26

NON-PUBLIC PROPERTY (NPP)

2601 Introduction

2601.1 As Commanding Officers, you are entrusted with Non-Public Property (NPP), including Non-Public Funds (NPF), in support of morale and welfare programs for members, former members and their families.

2601.2 NPP in Canada can trace its roots back to the earliest days of pre-Confederation militia units. Following WWII, in 1950 and using constitutional powers under the 1867 Constitution Act, Parliament codified the NPP regime in the National Defence Act (NDA). In 1968, following unification, NPP operations were consolidated and the CDS established the Canadian Forces Central Fund (CFCF) as the centre of non-public funds and activities. In 1969, Treasury Board (TB) set out the basic principle that “a reasonable level of goods, services and recreational facilities should be available to Canadian Forces personnel in their areas of service. Where those levels are inadequate, the Department’s responsibility as an employer to ensure their availability where practicable and desirable may be discharged through a system of non-public fund organizations”.

2601.3 The National Defence Act (NDA) (sections 2 and 38 to 41) establishes NPP as a unique type of Crown property, assigns its governance to the CDS, and establishes its purpose to provide benefit to serving and former members of the CAF and their families. Essentially, the NDA creates a “trust-like” relationship with the CDS as trustee and serving and former CAF members as beneficiaries. NPP operations are much like a cooperative, with revenues from the many varied activities, such as CANEX and SISIP FS, being retained as NPP to provide programs and services.

2601.4 The NPP accountability framework is different from that of the Public. NPP authorities, responsibilities, accountabilities and the decision-making framework are not generally well understood within the CAF. The NDA specifically states that “The Financial Administration Act (FAA) does not apply to non-public property” thereby establishing a separate and distinct accountability framework for NPP. The NDA provides that NPP can only be used for the benefit of officers and non-commissioned members or former members or their dependants and for any other purpose designated by the CDS. The NDA vests NPP with the CDS and unit Commanding Officers.

2601.5 I have established a comprehensive NPP accountability framework that ensures the effective exercise of the CDS and commanding officers’ fiduciary responsibilities. The NPP accountability framework reflects the requirements of Canadian Generally Accepted Accounting Principles (GAAP) and reflects the principles of prudence and probity upon which the Government of Canada public accountability framework is based.
2601.6 I have issued a comprehensive delegation of financial signing authorities, an NPP contracting policy and other NPP policies as principal elements in the accountability framework. I have established a national NPP accounting system which applies to all NPP programs, activities and funds, unless specifically exempted by policy.

2601.7 I have appointed the Director General Morale and Welfare Services (DGMWS), within the Chief of Military Personnel (CMP), as the Managing Director NPP. The Managing Director NPP is responsible to assist the CDS in the management and oversight of all NPP assets and other resources, programs, and activities. Unit commanders are responsible through their chain of command and the DGMWS, in his capacity as Managing Director NPP, to me for the effective governance of Base / Wing / Ship / Unit funds.

2601.8 To ensure that all entrusted with the management of NPP are provided with the training required to effectively discharge their NPP responsibilities, CFMWS has developed two NPP Certification courses for the financial administration of NPP: the Fundamentals of NPP and the NPP Financial Delegated Authorities and Contracting. As COs, you are required to complete the Fundamentals of NPP Certification which provides an overarching awareness of NPP, inclusive of its unique and distinct accountability framework. It is the certification standard upon which delegated signing authority from the Managing Director NPP (DGMWS) will be granted to you, as Base / Wing / Ship / Unit Commanders who have a Base / Wing / Ship / Unit fund. Details of the course are provided later in this chapter.

2602 Key Considerations for COs

2602.1 Use of NPP. NPP is to be used exclusively for NPP beneficiaries and is not to be used to backfill Public responsibilities. Pursuant to the NDA, the NPP of each unit or other element of the CAF is vested in the CO of that unit or element of the CAF, and may only be used for the purposes set out in the NDA. All other NPP is vested in me, as the CDS, and may be used for any purpose of which I approve while acting in my official NPP capacity IAW the NDA.

2602.2 Base / Wing / Ship / Unit Funds. These have been established at every Base / Wing / Ship / Unit and other self-accounting units within the overall NPP accountability framework and provide the oversight and structure for operating a wide variety of local committees, NPP programs and activities. With the exception of messes, museums, and CANEX, all NPP activities at a Base / Wing / Ship / Unit are managed and accounted by, through or as a subsidiary to the Base / Wing / Ship / Unit Fund.

2602.3 Security of NPP. QR&O 202.03, CFAO 202-2, and National Defence Security Policy (NDSP) Chapter 8, contain the policies that are applicable to the security of Non-Public Funds. COs are to ensure that the same safeguards are implemented for the security of NPF as for Public funds.
2602.4 CANEX Right of First Refusal. The NDHQ Action Directive 8/89 (D8/89) provides that CANEX shall include all NPP re-sale activities including, but not limited to, department store type merchandise, grocery, food services, vending, petroleum, and special services except: messes, recreational clubs, kit shops as authorized under CFAO 27-8 and other institutes specifically excepted by DG Personnel Services (now DGMWS). Other than these exceptions, the NDHQ Action Directive D8/89 provides that CANEX has the right of first refusal for any new NPP re-sale and consumer service activities contemplated at any Base / Wing / Unit location.

2602.5 Unregulated Activities and Internal Competition. A 1997 Chief of Review Services audit found that a significant number of re-sale outlets (Unit canteens, wet canteens and ‘stand easys’) were operating outside the bounds of departmental policy. They were neither operating IAW the rules and regulations governing public and NPP support for military activities nor were they in compliance with the departmental provision of services policy (DNDP 55). In January 1998, the CDS directed that all activities that take place on Bases / Wings / Units are to be conducted as part of the Defence Services Program within the Public accountability framework, or as a properly authorized NPP activity as part of a national NPP program (such as CANEX, SISIP FS) or under the Base / Wing / Unit Fund, mess or museum and accounted for within the NPP accountability framework. Any other activities were to cease (e.g. Unit canteens). At the same time, the CDS directed that internal NPP competition was to be minimized, that is, NPP entities were not to establish programs and activities in competition with other, existing or national NPP programs and activities. It is important that an appropriate balance be struck between serving our members and generating revenue so that Base / Wing / Unit funds can continue to play a pivotal role in enhancing the quality of life in military communities.

2602.6 Base / Wing / Unit NPP Representational Expenses. The Base / Wing Commander may authorize the use of Non-Public funds to meet obligations to represent the department, the command, or the base provided that:

a. the expenditure is such that it does not qualify for reimbursement from public funds;

b. it is not an expenditure listed below under Alienation of NPP, except that items of a symbolic or commemorative nature may be presented to honoured guests on occasions of special significance; and

c. the cumulative amount does not exceed the maximum for an NPF fiscal year determined by DGMWS.

2602.7 Alienation of NPP. Alienation of NPP means the transfer of ownership of NPP to another party so that the property is no longer NPP. The NPP of the Base Fund shall not be alienated by gifts or donations to private or public institutions, for testimonials or gifts, to relieve an officer or NCM of his/her personal responsibility for loss or damage to NPP, for national appeals for financial assistance or for the provision
of anything connected with religious services. In sum, NPP shall not be used to meet Public shortfalls nor for non-NPP beneficiaries.

**2602.8 Annual NPP Letter of Attestation.** To complete the accountability cycle, COs responsible for the governance of local NPP are to submit an annual letter of financial management attestation to DGMWS.

**2602.9 Branch / Regimental or Group Funds.** These funds are NPP activities whose operations and activities are governed by policies and orders promulgated by the CDS IAW the NDA, Sections 38 – 41. Kit shops are considered to be part of the CF Personnel Support Program and may be permitted available accommodation and personnel as outlined in A-PS-110-001/AG-002. Kit shops, only as authorized IAW CFAO 27-8, may exist outside the CANEX NPP re-sale activities. The accounting for branch, regimental and group funds and property, including kit shops, shall be IAW the procedures in A-FN-105-001/AG-001, Policy and Procedures for NPP.

**2602.10 Provision, Serving and Consumption of Alcohol.** IAW CFAO 27-12, the CO of a Base / Wing / Ship / Unit or other element of the Canadian Armed Forces shall establish and promulgate orders governing the times, locations and conditions for the introduction, serving and consumption of alcohol at their facilities and functions. The objectives of these orders shall be to:

a. promote responsible attitudes and practices to avoid or reduce domestic or social problems and the adverse effects on health and work performance associated with immoderate use of alcohol; and

b. ensure that all reasonable steps are taken to avoid contributing to injury or death resulting from the consumption of alcohol served at CAF facilities or CAF-sponsored functions.

This applies to all CAF facilities and functions including, but not restricted to, messes, CANEX lounges and restaurants, specialty interest clubs and facilities (e.g. golf clubs, curling clubs), social centres, DND armouries, section parties, farewells, and other ad hoc occasions whether held on DND property or elsewhere.

**2603 The Fundamentals of NPP Certification Course**

**2603.1 The Fundamentals of NPP course is available through the ADM (Fin CS) eCourse platform:**

via the DWAN, for personnel with a DWAN account, at: http://ecourse.mil.ca/ecourse/user/

and via the internet, for personnel without a DWAN account, at: http://www.ecourse.forces.gc.ca/ecourse/user/
2603.2 The HRMS/MITE course code assigned to this NPP certification is: 119352. ADM (Fin CS) eCourse staff will update your MPRR upon successful completion.

2603.3 NPP key references are embedded in the course with appropriate hyperlinks for ease of access.

2603.4 The highlights of the course modules are provided below:

a. **Module 1** – This module provides a course overview and explains the requirement for the certification and recertification as well as the target audience, inclusive of all COs.

b. **Module 2** – In this module, NPP is introduced through its historical context.

c. **Module 3** – This module highlights the NPP Legal Framework encompassing the purposes of NPP as per the NDA, its administration, the legal status of NPP organizations and the federal legislation that applies and does not apply to NPP organizations and NPP.

d. **Module 4** – This module highlights the NPP governance at the national, Base, Wing, Ship and Unit level as well as the unique NPP accountability framework. In particular, Base / Wing / Ship / Unit COs are responsible and accountable for the governance of the Base / Wing / Ship / Unit Fund.

e. **Module 5** – This module highlights the three principal reasons for the expenditure of public funds in support of NPP programs and activities; the public responsibility programs that are delivered by NPP on a cost reimbursement basis; the rationale as to why NPP is not to be used to fulfill public responsibilities; and, explains the authority for and purpose of A-PS-110/001/AG-002 Morale and Welfare Programs in the CF – Volume 1 – Public Support for Morale and Welfare programs and NPP.

f. **Module 6** – The Chief of Defence Staff (CDS) Delegation of Authorities for Financial Administration of NPP is an essential component of the NPP accountability framework. This module outlines your delegated authority for the prudent stewardship of NPP, your sub-delegation of NPP financial authorities and accountability as well as the key policy requirements for making NPP financial commitments and entering into contracts using NPF.

g. **Module 7** – This module outlines the requirements and principles of NPP contracting and the CANEX first right of refusal for any new NPP re-sale and consumer activities contemplated at any CAF Base / Wing location. Pursuant to the NDA, the FAA does not apply to NPP and I, as CDS, have established the NPP accountability framework, inclusive of the NPP contracting policy.
h. **Module 8** – This module focuses on the authority for NPP use of Federal Real Property (FRP), the policy and governing principles for the TB approved policy on NPP use of FRP and the difference between FRP and NPP Real Property.

i. **Module 9** – This final module deals with the employment structure for the NPF employees, properly known as the Staff of the NPF, CF. The Staff of the NPF, CF is established as a Separate Agency within the Public Administration of Canada and is included in Schedule V to the FAA. NPF employees located at Base / Wing / Units working in CANEX, PSP and Base / Wing / Unit Fund activities are responsive to the local chain of command, while employer responsibilities are fulfilled by DGMWS.

### 2604 Chief of the Defence Staff Direction

**2604.1 I** expect all COs to be conversant with, and to manage the NPP entrusted to you IAW the NPP Accountability Framework for the benefit of its rightful beneficiaries. Non-Public Property is a unique entity vested in you, as COs, and in me, as the CDS, IAW the NDA and together we are duty bound to execute its mandate on behalf of our soldiers, sailors, airmen, airwomen, former members and their families.

### 2605 Responsible Organization

**2605.1 The** organization responsible for the “Management of Non-Public Property” on behalf of the CDS is the Canadian Forces Morale and Welfare Services (CFMWS).

### 2606 Office of Primary Interest (OPI)

**2606.1** The OPI for this chapter is the Director General Morale and Welfare Services (DGMWS) who is also the Managing Director NPP, on behalf of the CDS.

### 2607 Subject Matter Expert (SME)

**2607.1** The SME for this chapter is the CFMWS Chief of Staff (COS).

### 2608 Internet site: [http://www.cfpsa.com](http://www.cfpsa.com)