

Toward a **Community Benefit Model** of Procurement in Community Services

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Introduction

This study examines BC's procurement model for community services, together with innovations in other jurisdictions, to arrive at recommendations for the BC government to move forward.

OVER THE LAST TWO YEARS, service delivery reviews have resulted in major procurement initiatives that altered the BC government's contracting of labour market development and children, youth and family services.

These reviews built on trends toward the contracting out of community services that began in earnest in BC in the 1980s. Faced with pressure to do more with less, governments relied more heavily on a model of contracting for community services based on a competitive private sector procurement model. This model may have the unintended consequence of undermining existing community infrastructure through agency closures, poorly planned changes in service provision, and ongoing uncertainty about service delivery and planning.

This study examines the nature and impact of this model, together with a comparative analysis of procurement policies in other jurisdictions, to arrive at recommendations for the BC government that would improve the funding environment for community services and the outcomes that the sector can generate for labour-force, individual and community well-being.

Ultimately, we propose a new model of procuring community services that maximizes benefit to the community and government, creating sustainable outcomes in the community. To do this, we draw from examples from other jurisdictions, many of which direct procurement for community services to community-based organizations, often involving long-term funding models that value stability as well as accountability for outcomes and that recognize the government's unique relationship with the sector.

Methodology

This paper draws on a variety of academic, government and popular sources, together with original research, to better understand the impact of current procurement models on community service providers in BC.

Researchers identified several important policy initiatives supporting the community services sector in Canada and then conducted 12 key informant interviews with practitioners, policy experts and academics. The goal of these interviews was threefold: to document the impact of current procurement practices on community service organizations; to summarize current best practices; and to consider how these examples could be applied in a BC context.

In addition, we conducted three additional interviews and two focus group sessions with service providers and staff impacted by the Employment BC reform and the MCFD South Island Contracted Services Review.

Finally, we sought feedback and engagement with stakeholders through two formal consultations and by making a draft version of the report available for comment online. Project steering committee members provided additional feedback and direction.

- **Academic, government and popular sources**
- **Original research**
- **15 key informant interviews**
- **Two focus group sessions**
- **Feedback and engagement**
- **Formal consultations**
- **Online commenting**
- **Steering committee direction**

BC's Community Services Sector

BC's community services sector plays a vital role in providing services and supports to individuals and families in need.

BC'S COMMUNITY SERVICES SECTOR plays a vital role in providing services and supports to individuals and families in need in the areas of education, health, social services, as well as in working to support the inclusion of vulnerable populations in our communities. Each year the sector provides these services directly to over 320,000 British Columbians¹ across a range of service areas.

The agencies that comprise the sector vary considerably. Most are funded through a combination of government, philanthropic and private contributions. According to a survey conducted by the Federation of Community Social Services, provincial funding sources make up approximately 66 per cent of total funding to member agencies.²

Many, though not all, of the sector's service providers are non-profit organizations, and some also registered charities.³ Nationally, Canada's non-profit sector is the second largest in the world relative to population size, employing 12 per cent of Canadians and accounting for 7 per cent of GDP.⁴ While data is limited, from the close to 12,000 charitable income tax returns from BC filed with the Canadian Revenue Agency in 2010, we know that these agencies employed 263,060 full-time and 240,188 part-time employees; however, as this is an optional response, this data represents only half of the filings, suggesting the true employment impact of the sector is much greater.

1 Federation of Community Social Services of BC (2012).

2 Federation of Community Social Services of BC (2009).

3 As of 2010, there were 12,340 registered charities in BC, as of 2012, there are 29,772 registered societies in BC, 8,899 organizations are both a registered society and a registered charity.

4 Statistics Canada (2003).

Policy Governing Procurement of Community Services

Since the 1980s, successive BC provincial governments have relied on contracting out community services to the non-profit and private sector and have used private sector contracting tools to manage these relationships. However, the evolution and use of these tools across ministries has been uneven, making it difficult to present and analyze a complete picture of this trajectory.

In more recent history, the BC Liberals were elected in 2001 with a strong mandate. The Liberal platform included a promise to “restore open tendering on government contracts, to reduce costs and give all British Columbians a fair chance to compete for work on taxpayer-funded projects.”⁵ Soon after assuming leadership, the government introduced changes to the procurement of government contracts, further opening them up to competitive tendering and introducing performance-based monitoring; these changes simultaneously opened up government contracts to non-profit and for-profit providers. These changes were intended to ensure fairness and transparency in contracting and to address concerns about nepotism and of smaller service providers who felt they were unable to access government contracts. By focusing on performance measures, such as outcomes, the changes were intended to allow contracted agencies more flexibility in how they delivered programs. A number of these changes were introduced during a time of significant budget cuts to social and health services, leaving many agencies skeptical of government’s motivations and mistrustful about the benefits of such changes. Service providers indicated they felt shut out of the changes, and significantly overburdened by the new requirements of the tendering process;⁶ many of these sentiments continue to be reflected in our recent conversations with service providers.

All government ministries are subject to the Core Policy and Procedures Manual. *Chapter 6: Procurement* provides the over-arching policy framework for procurement decisions, based on the principles of fair and open public sector procurement: competition, demand aggregation, value for money, transparency and accountability.⁷ This chapter is currently under review and subject to updating. In 2010, the government issued the *Purchasing Handbook: A Guide to Acquiring Goods and Services*, which provides additional direction to government staff regarding the use of different purchasing tools and instruments (e.g. Request for Proposals, Requests for Expressions of Interest, and Notices of Intent).⁸

Current BC Treasury Board policy requires that all service contract opportunities valued at \$25,000 or more be awarded using a competitive process, except where one of the conditions for directly awarding a contract is met. For potential service contracts valued at over \$100,000, the opportunity must be advertised using the BC Bid process and standard government solicitation tools. For potential service contracts valued between \$25,000 and \$100,000, ministries are to obtain at least three quotes and should also post the opportunity on BC Bid. For service contract opportunities valued at less than \$25,000, policy recommends a competitive process to the extent reasonable and cost-effective.⁹ These thresholds have resulted in the widespread use of requests for proposals (RFPs) to purchase and continue services. Many have expressed that the reliance on RFPs and other competitive procurement tools has destabilized the sector, resulting in

Soon after assuming leadership, the current provincial government introduced changes to the procurement of government contracts, further opening them up to competitive tendering and introducing performance-based monitoring.

5 BC Liberal Party (n.d.).

6 Leo and Enns (n.d.).

7 Government of British Columbia, Ministry of Finance (2003).

8 Government of British Columbia, Shared Services BC (2010).

9 Government of British Columbia, Shared Services BC (2010).

repeated service disruptions and undermining collective capacity for planning, collaboration and joint needs assessment and response.

Existing procurement policy allows for the use of continuing agreements for community health and social services.¹⁰ Continuing agreements enable the provincial government to enter into long term agreements with service providers without the requirement of a competitive process. These agreements also allow for services to be directly awarded to an agency if it has been developed through a community planning process or jointly developed between the agency and the Ministry in response an identified community need. According to the government's procurement policy, continuing agreements are desirable when:

- Clients' well-being requires the stability provided by continuity;
- Continuity enhances community service planning;
- The level of capital or other investment is high;
- Significant training or development is required; and
- The contractor has demonstrated competency in meeting service standards and objectives in a cost-effective manner (see Core Policy Manual, section 6.3.2).¹¹

In essence, continuing agreements are a recognition that community service providers are on-going partners in the delivery of services. The very structure of these agreements support long term partnerships between government and service providers, provide more financial security and sustainability for agencies, and promote the development of staff expertise in providing specific specialized services or working with a specific client population over a longer term. Despite being included in the government's core policy manual, continuing agreements are not in widespread use.

Funding to the Community Services Sector

In BC and Canada, the community services sector has been hard hit by shifting social spending priorities that have aggravated the impact of competitive procurement practices. In BC, per capita spending on social services and housing has declined by \$236 per capita since 2001/2002—a funding shortfall of almost 76 per cent.¹² The Ministries of Social Development (MSD) and Children and Family Development (MCFD) provide the majority of funding to community service providers in the province. MSD funding to these contracts has increased slightly over the last three years, while funding through MCFD has declined, resulting in a funding shortfall in that ministry of \$1.79 million over the last four years.¹³ The Crown corporation Community Living BC, together with the regional health authorities, are also significant funders of community services. Despite a recent influx of emergency funding to deal with long-standing issues, when adjusted for inflation funding to CLBC has also remained static over the last 10 years, despite increased demand for service.

10 Community Health and social services subject to use of continuing agreements include: Child, Family and Community Services; Child Care Services, Stopping the Violence Services, Community Support Services, Income Support Services, Community Justice Services, Correctional Services, Employability, Skills and Training Services, Mental Health Services, Continuing Care Services, Community Health Services, Alcohol and Drug Services, Multicultural/Immigration Services

11 Government of British Columbia, Ministry of Finance (2003)

12 Government of British Columbia, Ministry of Finance (2011), see appendices for calculation.

13 Government of British Columbia, Ministry of Finance (2011), see appendices for calculation.

Typology of Approaches to Procurement

MODERN GOVERNMENT RELIES HEAVILY on practices of decentralization and devolution, both to lower levels of government and to private and third sector actors.¹⁴ This shift in governance has increased the roles and responsibilities accorded to the community service sector and been accompanied by a well-documented shift toward short-term, competitive contracting with the sector.¹⁵ This change to the funding model is promoted as part of government efforts to ensure heightened accountability to citizens for the money spent. There is, however, concern by some social policy analysts that the change is having the unintended consequences of increasing fragmentation in the sector, and undermining cohesion and long-term service planning, resulting in gaps in supports to vulnerable populations.¹⁶

Julie Unwin¹⁷ identifies three approaches in funding to community services. According to her typology, funders are motivated to “give,” “shop” or “invest” in community-based organizations. Many commentators have noted that the shopping model is the dominant form of relationship between governments and the sector today. Shopping employs language and logic of the market; organizations compete to win contracts for the provision of goods and services and payments are tied to short-term contracts for specified activities.

(See *Defining the Typology of Funding to Community Services* on page 10.)

The “shopping” approach to procurement employs language and logic of the market; organizations compete to win contracts and payments are tied to short-term contracts for specified activities.

14 Bradford (2003).

15 Eakin (2007); Prince and Rice (2000); Hall and Reed (1998).

16 Eakin (2007); Keevers, Lesley and Sykes (2008); Phillips (2009).

17 Unwin (2004).

Defining the Typology of Funding to Community Services

Julie Unwin (2004) describes the typology of government expenditure in community services as *giving, investing and shopping*:

- **GIVING** has traditionally been the backbone of the sector; giving is represented in an “open-ended transfer of funds and/or resources to an organization.” These are unrestricted funds traditionally in the form of long-term, core operating funding and favourable tax status for registered charities. Giving represents a hands-off role for the state in providing for citizens and in its relationship to the sector.
- **INVESTING** is aimed at building equity and capacity within organizations or the sector as a whole and includes approaches that seek to create sector owned assets, against which other resources can be leveraged for returns over the longer term.
- **SHOPPING** is the dominant funding style today; this is seen in the prevalence of contract relationships between the sector and the state. The shopping model employs language and rationalities of commercial exchange. Organizations compete with one another to win contracts for the provision of goods and services; payments are tied to pre-specified activities.

Source: Unwin (2004)

PHILLIPS (2009) ADDS AN ADDITIONAL financing model to the typology:

- **PROMOTING INNOVATION** is the “public sector analogy of venture capital,” drawing on policy and practice tools to promote innovation and create space for new forms of service planning and delivery and new roles for the sector to address so-called wicked problems. The tools used to promote innovation vary from small scale to multi-sectoral systems level change, and from short to long term. In all cases the capacity to promote innovation requires a higher level of tolerance for the degree of risk inherent in seeking new solutions.

Source: Phillips (2009)

Shifting Procurement Practices

CANADIAN AND INTERNATIONAL REPORTS AND PANELS, including both academic and practitioner led research, have documented the impact of key shifts in the funding relationship between community services and government and philanthropic sources. In Canada, examples include the Blue Ribbon Panel on Grants and Contributions (2006),¹⁸ the Task Force on Community Investments (2006),¹⁹ and the Non-Profit, Voluntary Sector Initiative (1999–2005).

In BC, recent work of the Government Non Profit Initiative (similar initiatives exist in other provinces),²⁰ the Review of Gaming Grants (2011),²¹ and most recently the recommendations of the Advisory Council on Social Innovation (2012)²² have all commented on funding and procurement models for community services.

This section sets out key trends reflected in those reports.

Funding shifted away from core funding to projects and contracts

In Canada, as elsewhere, core operational and program funding to organizations has largely been replaced by targeted project funding and contracts modeled after competitive private sector practices.²³ In BC these changes have been operationalized through the widespread use of RFPs to procure community services. Community service organizations report pressure to constantly generate new and innovative project ideas, even as the need for existing programming persists or increases. Similarly, there are concerns that these contracting models favour organizations with the greatest public appeal. Accordingly, emergent, equity-seeking and less popular causes, such as anti-poverty and anti-violence work, tend to suffer. Competitive contracting similarly favours larger, more established organizations, particularly as funders increasingly require that organizations partner or leverage

In Canada, as elsewhere, core operational and program funding to organizations has largely been replaced by targeted project funding and contracts modeled after competitive private sector practices.

18 Blue Ribbon Panel on Grants and Contribution Programs (2006).

19 Scott and Struthers (2006).

20 Government Non Profit Initiative (2010); see also www.nonprofitinitiative.gov.bc.ca

21 Triplett (2011).

22 BC Social Innovation Council (2012).

23 Scott (2003).

matching funding. The overall effect has been described as a “project treadmill” and a “house of cards” as organizations try to meet increasing needs in an increasingly unstable funding environment.²⁴

Narrowed scope of allowable activities

As funders shift toward competitive practices they also narrowed the scope of activities they are willing to support. This is seen, for example, in the reticence among funders to provide funding for administrative costs. The result has been a reduction in the overall level of funding provided to each organization, to the extent that organizations are now most often funded at “rates below cost recovery.”²⁵ In BC, the 2011 Government Non Profit Initiative report on full cost accounting²⁶ notes that allowable administrative expenses vary from year to year and across programs and ministries, placing pressure on agencies.

Innovation stifled by accountability measures

Alongside the shift to competitive contracting and short-term funding has been a heightened interest in accountability as governments have sought to retain more control over devolved services. In Canada, an already heightened interest in accountability was fanned by a number of accountability scandals in government, including the HRDC grants and contributions audit and the federal sponsorship scandal.²⁷ The new accountability regime is not only creating more work for agencies, it is also stifling innovation among them. Agencies now operate in an environment that many see as intolerant of risk, particularly as they are forced to comply with contract terms that require them to specify outputs in advance of commencing the work. This is challenging for agencies who now find they are unable to adapt to changing local conditions and circumstances. The focus on accountability and reporting has only further deepened the administrative burden on community-based organizations, forcing organizations to stretch resources and redirect energy away from service delivery and planning to competitive efforts to maintain contracts.

Increased competition between sector organizations

Collaborative networks and the coordination of services are fundamental to effective delivery of integrated services; in many sectors, collaborative networks save lives and ensure the most vulnerable don't fall through cracks in the social safety net. However, reliance on contracting tools modeled on private sector practices has increased competition between those in the sector, weakening existing networks and opportunities for shared capacity building, and concentrating power in larger providers.

24 Rice and Prince (2000).

25 Eakin (2007), p. 27.

26 Government Non Profit Initiative (2011).

27 Good and Institute of Public Administration of Canada (2003).

Costs shifted onto communities

Existing procurement practices are shifting additional service costs onto communities as organizations are forced to divert their attention from direct service provision toward fundraising. On the one hand non-profit providers are increasingly required to match government contributions with funds raised from philanthropic or community sources. On the other hand, raising matched funds is difficult and time consuming for organizations and many feel they are in a position of “robbing Peter to pay Paul.” On the other side, as contracts are awarded to private, for-profit contractors who do not engage in fundraising efforts, governments lose an important source of leveraged support that undermines the cost-effectiveness of government investment in programming.

Collaboration in Practice: The Anti-Violence Sector

In the anti-violence sector, where competitive tendering practices are less prevalent, a more collaborative approach has resulted in a robust network of service providers and superior coordination of services.

Prior to 1992, few anti-violence services existed in the province. Recognizing a need for new programs and services to respond to the issue of violence, the province supported the development of community-based programming and sought to build capacity in the sector. To do so, the province engaged in extensive consultation and collaboration with sector representatives, undertook detailed analysis of existing community service structures and community needs to determine service gaps, and convened stakeholder meetings to determine which agencies would be responsible for establishing new programs.

Over time, sector and government partners have continued to work together to develop program standards, accountability mechanisms, shared protocols and referral networks, identify and respond to training needs, and to refine and build upon best practices. Cross-sector, collaborative responses have allowed information to be shared in high risk situations and safety plans developed that are more effective because of the collaboration. Over the years, this partnership approach and the resulting stability has resulted a high degree of social capital and high levels of competency in the sector, and effective collaboration amongst service providers and with government.

In spite of the demonstrated successes of this approach, those working in the anti-violence sector continually face threats of a move to a competitive, RFP-based, tendering process. This would surely undermine this well-established and developed community infrastructure.

Source: Ali and Porteous, 2010.

Procurement in BC: Two Recent Examples

For these two case studies, we undertook interviews and conducted focus groups with frontline staff, program managers, and directors

IN ADDITION TO THE THEMES IDENTIFIED in the academic and practitioner literature, we also examined local examples of contracting practices in the community service sector to gain insight into the impacts of the changes in procurement practices. Specifically we considered the restructuring of the Employment BC program and the MCFD South Island Contracted Services Review. Between April and September 2012 we undertook interviews and conducted focus groups with frontline staff, program managers and directors.

We found that over the last two years, changes in the procurement of labour market development and children, youth and family services have resulted in: the loss of well utilized and specialized services for some of the most marginalized; labour force instability; the closure of highly respected agencies; the disruption of service provider relationships and networks cultivated over a long period of time; and a loss of client security and trust in the system.

Employment BC

In February 2009, the Province of BC and the Government of Canada signed a Labour Market Development Agreement that delegated responsibility for delivery of employment and training programs to the province. Under the new regime, programs are delivered through Employment Service Centres (ESCs), which are expected to provide a full suite of employment services to clients.

The new contracts require ESCs to allocate a minimum of 25 per cent of the total contract value to community partners. ESCs may also establish alternative service delivery channels, often in the form of sub-contractual relationships to serve specialized populations (people with disabilities, immigrants, francophone persons, multi-barriered clients, survivors of violence and/or abuse, Aboriginal people, rural and remote populations, and youth).²⁸

²⁸ Government of British Columbia, Ministry of Social Development (2008).

To facilitate this reorganization, the Ministry of Social Development sought bids on 73 five-year contracts, based on geographic catchment areas and valued at over \$341 million in 2011/2012 alone. These replaced the over 400 existing contracts²⁹ in communities throughout BC that ran until March 31, 2012.³⁰ Of the 73 contracts awarded under this process, approximately one third went to for-profit, privately owned companies.

The stated goal of the rearrangement of the system is to ensure that all British Columbians can access the same level of service regardless of their geographic location (arguing that services, and in particular those servicing specialized populations, were previously not equally available in all communities). However, umbrella groups and community-serving agencies have responded with concern regarding the new fee-for-service model and the new system's potential to displace specialized service providers.

Ministry of Children and Family Development: South Island Contracted Services Review

Between January 2008 and Fall 2010, the Vancouver Island Region of the Ministry of Children and Family Development (MCFD) initiated a review of contracts for non-residential services on the South Island (including West Shore and Sooke, Peninsula and the Gulf Islands and the core Victoria area). The review covered services in the areas of child and family development, adoptions, youth justice, early childhood development, child and youth mental health, and children and youth with special needs.

The review informed the development a new multi-year service delivery plan and was part of a ministry review of its management structure and decision to align services geographically. The stated aim of the project was to "allocate the budget in a manner that strives to meet the needs of children, youth and families across the South Island, as well as ensuring dedicated Aboriginal services." The process was also driven by concerns that the MCFD was overspending the regional budget allocation in the South Island at the expense of other geographic regions. Part of the aim of the review was to eliminate this inequity and redistribute funds up island.³¹

The review involved significant consultation and community meetings with community service providers; however, participants in a focus group for this research indicated that their input was largely not reflected in the final service delivery plan and resulting procurements. In the words of focus group participants, "We were sent to meetings to provide our input, but that didn't count for anything."

“ We were sent to meetings to provide our input, but that didn't count for anything.”

Implications and lessons learned from these two recent examples are set out in the next section.

29 However, there continue to be over 500 contractors and sub-contractors operating when sub-contracted services are included, suggesting that the overall contract environment is no less complicated today than previously.

30 BC Community Living Action Group (2011); Government of British Columbia, Ministry of Social Development (2008).

31 Government of British Columbia, Ministry of Children and Family Development (2010).

Looking Back: Lessons Learned from the Settlement and Language Services Sector

In 2004, the BC Ministry of Community, Aboriginal and Women's Services implemented a major shift away from an application process to a request for proposal (RFP) procurement process for settlement and language services for immigrants.

Under the previous system, agencies were assured relative funding continuity so long as they met the expectations of their agreements with the province. This allowed agencies to develop the skills, experience, and partnerships needed to build a well-developed, integrated, and widely recognized settlement services sector, one known for its excellence and emulated in other jurisdictions.

The move to a competitive contracting process undermined much of this community infrastructure, as organizations were forced to compete in a bidding process for short term funding, resulting in the complete loss of funding to some long-standing and well-respected programs and the closure of smaller agencies unable to meet the complex demands of the RFP. By the government's own admission, the success of the process varied across communities: "in some cases there was a consolidation by larger agencies which resulted in the loss of contracts by agencies that had been traditional service providers. Due to budget reductions, changes to service demands, and the way the RFPs were structures, some communities lost services."¹

Among those in the sector, the shift in funding process was seen as "highly disruptive in creating a collaborative sector."² Organizations argued that the process had several fundamental flaws. For example, the RFP documents gave insufficient consideration to the proven track record of an organization in providing services or to their demonstrated capacity for collaboration in the community. As a result the RFP process undermined existing social capital and contributed to an erosion of collaborative capacity. Furthermore, many organizations noted that the RFP process redistributed organizational resources away from service delivery toward proposal development, gave an unfair advantage to larger organizations, and failed to distinguish a process between very large contracts and very small contracts.³

1 Government of British Columbia, Ministry of Attorney General (2005).

2 Capital City Purchasing Services, Inc. (2006).

3 Riano-Alcaca (n.d.).

continued

Perhaps more fundamentally, the new process shifted the role of the government from that of a program funding contributor to that of a purchaser of services, and the role of service providers shifted from grant recipients to contractors. As a result of these new roles, government took the position that communications between organizations who were contractors or potential contractors and the government, with respect to the new process or content of the RFP, were a conflict of interest, creating a significant barrier for organizations to provide feedback about their experience of the policy change or potential impact on communities and service users.

The negative impact of, and reaction to, the new RFP process was so widespread that the province was forced to commit to a full review of the effectiveness of the RFP process for settlement and language services. In 2006, the review's final report noted that the province was striving to meet two divergent requirements through its procurement process—on the one hand a requirement for open, transparent and fair competition, and on the other the division's stated principles and values of collaboration and inclusion—and that the RFP process put these goals at odds with one another. While sector representatives noted that the government began working more closely with the sector after the final report was issued, the use of RFP as a procurement tool was continued.

Implications and Lessons Learned

Contract changes are often highly disruptive for clients accustomed to accessing service from particular agencies and providers, where relationships of trust have been cultivated over time.

Impact on Clients

LOSS OF SERVICE AND INCREASED NEED

Recent procurement changes resulted in a loss of service, especially services delivered to some of the most marginalized populations. Contract changes are often highly disruptive for clients accustomed to accessing service from particular agencies and providers, where relationships of trust have been cultivated over time.

According to our research with service providers, the South Island Contracted Service Review resulted in an overall loss of youth and family services. Several participants commented that while the process was originally identified as one of needs identification, in fact, it was an exercise in service rationalization. "It wasn't a review, it was a cut. They called it something else, but it was a cut."

In 2010, there were 41.5 FTE family development workers providing services to youth and families in Victoria; between the fall of 2010 and 2011 (the period following the South Island Contracted Services Review) that number was reduced to 12.5 FTEs.³² Similarly, funding for youth outreach workers was reduced and concentrated; one agency became responsible for providing service to the overall region, with the same number of workers that previously served only the downtown core. Focus group participants noted that, as a result, youth have fallen through the cracks. Extensive waitlists that began in 2010 continue to exist today.

Several focus group participants also noted that after the South Island Contracted Service Review they began seeing higher needs among the families they work with, including more requests for direct involvement and increased concerns about child safety. As one focus group participant noted, "I've seen a lot more families suffering on their own rather than reaching out because of broken trust from being bounced around or from having reached out and there is no service there."

³² Personal communication; some of this funding for family development workers was re-allocated into the Aboriginal services stream.

A similar picture emerges from the re-organizations of services after the reform of the Employment BC program. While due to the recent nature of the changes, it is difficult to quantify impacts, we know through professional networks and news reports that agencies have closed or severely curtailed services in the wake of the re-organization. Even among those agencies that continue to provide services on a sub-contracted basis there is ongoing instability resulting from the new fee-for-service model, which has severely reduced the overall funding levels to many of these organizations.³³

INADEQUATE TRANSITION PLANNING

Focus group participants noted that as a result of service changes stemming from the South Island Contract Review, families were sent into crisis as they didn't know where to access services, and many service providers themselves were overwhelmed as they no longer knew where to refer clients.

Focus group participants further noted that in several cases, clients were not made aware of changes to the service delivery model until just weeks before services were discontinued, despite ministry knowledge of these changes well in advance.

In the case of the MCFD review, clients were moved out of the non-Aboriginal service delivery stream to the Aboriginal service stream. However, as the development of the Aboriginal service stream was not yet complete, focus group participants noted that clients were transferred out of the mainstream system into an incomplete service delivery system. Describing the situation at the time, one focus group participant noted, "One service stopped and there was a time lag before a new service was up and running. We were scrambling to find a service to plug the hole. It was like putting a band-aid on a family that was bleeding out."

“ One service stopped and there was a time lag before a new service was up and running. We were scrambling to find a service to plug the hole. It was like putting a band-aid on a family that was bleeding out.”

Impact on Staff

WORKFORCE INSTABILITY

Respondents indicated that procurement practices are destabilizing the sector and contributing to workforce instability and loss of experienced staff. The reliance on short-term and contract or project-based funding has left many organizations in a precarious and unstable position. Many organizations are unable to fulfill some contracts unless they are successful in winning contracts for all of their services.

continued on page 22

33 See for example: <http://thethunderbird.ca/2011/10/20/downtown-eastside-job-centre-campaigns-to-keep-doors-open/>, www.openfile.ca/vancouver/vancouver/text/dtes-employment-services-still-uncertain-about-their-own-jobs, Sex-worker support centre struggling to make ends meet (Victoria News, Friday September 28, 2012).

View from a Small, Multi-Service Agency

PEERS is a Victoria-based multi-service agency that provides services for some of the region's most marginalized residents. Among its services, PEERS is responsible for providing specialized employment services as a sub-contractor for the region's three Employment Program of BC centres. Its work is undeniably complex, from helping to meet clients' basic needs for food and shelter, to supporting the development of communication and conflict resolution skills, to liaising with local law enforcement, community partners and businesses, and of course, providing employment services.

PEERS' Elements program works with clients wanting to transition out of the sex trade into mainstream employment. The curriculum for the six-month program was developed through focus groups with PEERS participants, and is continuously revised based on participant input and current research. Since 1995, Elements has supported approximately 60 sex trade workers each year in successfully increasing personal wellness and over time transitioning into mainstream employment.

Under the previous employment services program, PEERS received approximately \$32,000 per month to support the full range of services offered at its drop-in centre. Since transitioning to the new EPBC model, it has seen this number plummet to \$6,000 per month. One staff member is dedicated almost full time to managing the centre's Integrated Case Management system. This staff person is needed for critical one-to-one support meetings, as well as for workshop facilitation and program delivery.

According to a PEERS staff member, "at a fee for service rate, there is no way we can capture the scope of the work we do, let alone get paid for it, especially when much of what we do must be repeated and we can only bill out once a year for each service." Further, as for many organizations we spoke with, the transition to the new employment system was highly destabilizing for staff, who were pulled away from program delivery to navigate increased administrative demands. "It has taken a toll on people, because we didn't even know if we'd be open. We didn't know if we'd be able to continue offering our programs beyond the six-month transition period, and we still don't know if it's actually sustainable as we build our 2013 budget."

continued

Further, as a result of the changes to the funding model, PEERS has been forced to scale back other community services, including reducing the availability of outreach workers and their ability to effectively work with local law enforcement. According to one staff member, the result is a “recipe for social distress.” However, even with less available resources, PEERS continues to try to meet an increasing demand for its services. It fears, as do many, that the contract it committed to is not sustainable for the organization or its client base.

In spite of the challenges it faces, PEERS Victoria is thankful it was successful in winning the contract. Its sister organization, PEERS Vancouver in the Downtown East Side, was not successful in securing a contract and as a result had to close its doors. For PEERS Victoria, that is difficult to accept.

... because a sub-contractor didn't get a contract, an important community resource has disappeared, and that never should have happened. That service shouldn't have been dependent on someone else getting a contract—it's irresponsible on the part of our government, especially considering that this decision happened within one month of the Murdered and Missing Women Report, which specified the need for more peer-based services, not less... We have a community responsibility to ensure that the few services that are provided for impoverished and marginalized populations are protected, and that they have the opportunity to mentor other services in the community to better serve our most vulnerable citizens.

“ An important community resource has disappeared, and that never should have happened.”

Recent changes have resulted in significant burnout of organizational leadership and the loss of relationships among agencies, as well as between organizations and government.

In both focus group sessions, participants indicated that recent service reviews had a significant negative impact on workforce stability. One participant related the challenge of having to explain to 26 staff members that they had lost their positions. Others spoke of the “trauma” of repeated layoffs through successive bumping waves as organizations found out over a series of months that they had lost several contracts. A number of staff who lost their position were re-allocated to other positions three to four times as a result of this process. One participant referred to that period as “horrific.”

Several respondents noted that the reviews contributed to a subtle process of deskilling, and that in some cases employment positions were reclassified at lower wages after the review. Some commentators pointed out that deskilling work in the community services sector has been a significant trend and tool for offloading costs and responsibilities.³⁴

Recent changes have resulted in significant burnout of organizational leadership and the loss of relationships among agencies, as well as between organizations and government. Several agency directors indicated they spent several months, full time working to understand and respond to recent procurements; many felt seriously conflicted about how to respond to recent RFPs that, in their estimation, were unfair to their organizations and clients. Several reported significant disagreements with their boards about how to respond. Several others retired or otherwise left the organizations they stewarded through the changes.

INCREASED WORKLOAD AND INEFFICIENCIES

Key informants and focus group participants commented on the significant resources and staff time required to sufficiently respond to recent procurements. For the staff responsible for developing and submitting a response, this was aggravated by uncertainty in bidding on a contract without full knowledge of what it would look like when implemented. Respondents impacted by the recent Employment BC reform in particular stressed that the systems associated with the new procurement resulted in significantly increased workloads and inefficiencies.

Finally, some focus group respondents noted that as a result of a procurement review they were requested to provide services for which they felt insufficiently prepared (because of lack of transition time between contracts and in transitioning workers) or uncomfortable delivering (because of the service delivery model mandated in the RFP documents); however, because of the precarious financial situation of their organizations, few feel they could turn down such contract opportunities.

³⁴ Baines (2004).

Impact on the Sector and Community

CONCENTRATION OF CONTRACTS IN THE HANDS OF LARGER SERVICE PROVIDERS

As governments move toward funding a smaller number of larger, multi-program and multi-population agencies, smaller organizations have been forced to close. As smaller and more specialized agencies are destabilized, remaining contracts are being concentrated among several larger service providers and, in some cases, private businesses. Many of the recent closures resulted in a significant loss of social capital in affected communities as board, volunteer and staff knowledge and networks cultivated over years are eliminated.

LOSS OF COLLABORATIVE CAPACITY

There has also been a loss of social capital in the community in other ways. Collaborative structures and networks established by service providers have diminished or been dismantled. Organizations that formerly collaborated in providing employment services now find themselves in contractor/sub-contractor relationships. Several focus group participants noted that it is difficult to maintain a collaborative relationship when agencies are “pitted against one another” in the bidding process. Further, as services are consolidated in larger contracts, several respondents noted that many of the agencies they had traditionally collaborated with no longer exist.

Focus group participants noted that, by being repositioned as sub-contractors to a main contract holder, they have also lost a direct relationship with ministry representatives who previously made themselves available for guidance and collaboration in identifying and responding to emerging needs. Front-line ministry staff are also said to have increased workloads and, as a result, have less time to work with community-based providers to meet client needs. Focus group participants described their new relationship with the ministry as less collaborative and “almost adversarial.” Where the ministry once played a role in bringing together like-minded organizations to engage in community planning, this is no longer the case.

Several focus group participants noted that it is difficult to maintain a collaborative relationship when agencies are “pitted against one another” in the bidding process.

INADEQUATE COMMUNITY-BASED PLANNING PROCESSES AND NEEDS ASSESSMENT

Focus group and interview respondents consistently noted that a key challenge is the lack of community-based planning and needs assessment to inform service delivery. As one director remarked, “Here the government feel as though they own the service and therefore can change it. They don’t see these services as co-designed with the community.” Several respondents indicated that procurement reviews often proceed without sufficient meaningful conversations with community leaders.

Several key informants indicated that funders should find new ways to work with the community to identify programs that have a high degree of success and then support the scaling up of these programs. As noted by one participant, “We have a community responsibility to ensure that the few services that are provided for impoverished and marginalized populations are protected, and that they have the opportunity to mentor other services in the community to better serve our most vulnerable citizens.”

Community Resources Boards: An Idea Whose Time has Come Again?

Between 1974 and 1975 the government of British Columbia engaged in a significant restructuring of the ways through which community services were planned and delivered. Central to the re-organization was the creation of Community Resource Boards and a pilot program to create Community Human Resources and Health Centres throughout the province.

Community Resource Boards were designed to delegate authority to locally elected citizens to be responsible for spending and planning decisions regarding provincial services. The CRBs reflected a strong belief in the importance of a coordinated approach to decentralized service planning and provision, in which residents had an importance role and voice.¹ The CRBs were meant to empower local residents while at the same time reducing fragmentation and duplication of services. At the same time as CRBs were being implemented, a parallel process in the Ministry of Health created a pilot program of new Community Human Resources and Health Centres responsible for the delivery of a comprehensive range health and social services in their local areas. In Victoria, the James Bay Community Project is a continuing example of these centres.

The CRB model wasn't without its limitations. Some have critiqued the system of direct election to the boards as allowing the process to become dominated by entrenched political interests and disadvantaging marginalized people and service users.² The boards too had only limited discretion over spending decisions, limiting their impact. The NDP government of the time served one term and many of the innovations introduced were quickly abandoned after the next election, making it difficult to fully understand the impact of the CRBs and CHRHCs. However, as an innovative experiment in radically decentralized planning and service delivery, the CRB model provides interesting food for thought.

Today we have only a partial picture of what services are being provided in our communities at any one time. In our recent research, service providers and executive directors

1 Clague (1984).

2 Clague (1984).

Participants noted that existing silos between ministries contribute to the lack of a clear picture of what services are being provided. More than six ministries and two major Crown corporations or agencies provide funding to community services in BC; however, there is relatively little integrated service planning and delivery across these bodies, resulting in fractures and duplication in service delivery. Several focus group respondents noted that because of this, a change in service delivery in one area or program often creates consequences at other points in the service delivery continuum.

continued

overwhelmingly spoke to the need for stronger community-based planning and delivery models that would help ensure that limited resources are targeted toward programs that are most needed in the community, and that those services are coordinated and planned. Community needs are currently not, in any coherent way, evaluated, nor are responses collaboratively developed. The Ministries of Social Development and Children and Family Development alone have over 40,000 contracts for service with third party providers. The resources and reporting completed by each of these service providers could provide a treasure trove of information about the health and social service needs of British Columbians. This information could be used to collectively identify and respond to service gaps and to rationalize services where that is the best option.

A Quebec parallel

Quebec has also supported community-based planning and delivery tables for economic development, community development, and health and social services. Beginning in the 1970s, the province supported the development of citizen led planning and delivery tables that combined community development, planning and social service delivery functions. The tables were tasked with analyzing the health and social service needs of the region and developing comprehensive plans to respond, which were then subject to budget approval. This approach gave rise to considerable diversity in the character of regional service delivery.

While the regional tables have been subject to a number of reforms that have curtailed the degree of citizen and community involvement in service planning and delivery, they persist to this day and have been granted responsibilities for a broader range of health and social services, playing an important role in the institutionalizing of community development and prevention programs in the services system.

Sources: Clague et al. (1984); Jette and Vaillancourt (2011); Jette (2011), Laforest (2006)

They further commented that this has a negative impact on case management, as no one has a complete picture of what services were being provided to clients or families at any point in time. Adding to this, there is a perception on the ground that ministries view service providers as special interest groups. Many service providers question how they are to bring attention to the needs of clients without raising suspicion.

DISCUSSION

In this model accountability and efficiency are defined, not by those closest to the delivery and use of services, but by funders and procurement managers.

A key theme throughout our interviews and focus groups, and in the academic and practitioner literature, is a desire to shift away from a funding model in which procurement is treated as a stand-alone process, and toward a model in which procurement is one element on a continuum of service planning, development, delivery and evaluation. In such a model, government and civil society “co-construct” or jointly design public policy.³⁵

As set out above, the procurement of community services today is increasingly driven by a market model (the shopping approach) that privileges efficiency over effectiveness. This reflects the belief that community services are best delivered in a way that models private sector values, and in which accountability and efficiency are defined, not by those closest to the delivery and use of services, but by funders and procurement managers. Ultimately, however, this may work at cross purposes with even the stated goals of cost-savings to the public by ignoring the wider social and community benefits of investing in the development and delivery of community-based services. Research in this area has demonstrated that it is important to look beyond short-term funding horizons to consider more completely the costs and benefits of community services.³⁶

³⁵ Vaillancourt (2009).

³⁶ Neitzert and Ryan-Collins (2009).

Innovations from Other Jurisdictions

Social Purchasing

GOVERNMENTS FACE PRESSURE to achieve cost savings and get the best value-for-dollar in providing community services. However, current practices often privilege short-term outputs and cost cutting over longer-term lifecycle and whole life calculations.

Social return on investment (SROI) is a measurement approach, developed from traditional cost-benefit analysis, in which the social and environmental impacts of an investment are assigned financial proxies.³⁷ In Europe, the City of Calgary, and other parts of the globe (particularly the UK and Australia), governments are incorporating social return on investment calculations into their funding programs to develop a fuller picture of the cost and benefits of investing in particular programs and services. In Canada, less advancement has been made on the use of this tool, but the Social Return on Investment Network is working to build community and government capacity and standardize the methodology, while a partnership between the Community Sector Council of Newfoundland and Labrador and the Atlantic Opportunities Agencies is undertaking a pilot program to increase local capacity for its use.

Incorporating a SROI calculation into funding programs can encourage funders and community partners to make best use of financial and non-financial resources (e.g. volunteer labour), service outcomes, and broader social, environmental and economic outcomes.

Example The City of Calgary provides funding and support to agencies funded through its Family and Community Services program to incorporate a social return on investment into their reporting.

Example A partnership between the Community Sector Council of Newfoundland and Labrador and the Atlantic Opportunities Agencies is undertaking a pilot program using social return on investment to build local capacity in its use.

In Europe, the City of Calgary, and other parts of the globe (particularly the UK and Australia), governments are incorporating social return on investment calculations into their funding programs.

37 www.thesroinetwork.org/

Social procurement has a long history in government and is increasingly being used by governments in new and innovative ways to achieve social value. Social purchasing refers to the use of procurement tools to deliver social outcomes and/or comply with certain social, environmental or ethical standards. Social procurement is used to stimulate the development of specific markets and products (e.g. fair trade), the work force, and industry development of certain populations (e.g. workforce development with indigenous populations), and the growth of new forms of enterprise (e.g. directing spending to non-profit organizations or social enterprises).

According to the Centre for Social Impact in Australia, “social procurement sits alongside other asset-based approaches to social exclusion, building on peoples’ capacities, harnessing peoples’ potential and redistributing wealth directly back into communities. In this way, resources flow into communities rather than around them and this increases both wealth and well-being.”³⁸ Social procurement clauses have been successfully used throughout the world to stimulate innovation in responding to complex social, economic and environmental issues and as a way to increase the value of purchasing dollars by producing positive social, economic and environmental outcomes. The UK in particular has been a leader in the use of social procurement to spur social enterprise development in the area of community services.

Example The **Aboriginal Procurement Initiative** (Manitoba) directs government departments to increase the number of Aboriginal businesses providing goods and services to the province, recognizing that they are under-represented in government procurement opportunities. The API has resulted in a 28 per cent increase in Aboriginal businesses providing goods and services to the province.³⁹

Example In Quebec, the **Programme d’exonération financière pour les services d’aide domestique** (PEFSAD) directs funding to the social economy sector (non-profit organizations and cooperatives) for the delivery of home care services. In 2007 alone, 101 enterprises (54 NPOs and 47 cooperatives) across the province provided 5.1 million hours of service to more than 76,000 people with sales of close to \$106 million, and approximately 6,000 people employed—indicators of their socio-economic vitality and their commitment to communities.⁴⁰

Example The Italian **Social Cooperative Law** states that public authorities can assign contracts for public services to social cooperatives without tendering. In exchange, social cooperatives hire 30 per cent of their workforce from marginalized populations.

Example The **Victoria Local Government** in Australia has developed a Social Procurement Guide for local councils intended to spur discussion and adoption of social purchasing practices.

38 Burkett (2010).

39 Province of Manitoba, cited in Bernas and Reimer (2011).

40 Jette and Vaillancourt (2011).

Place-Based Policy and Program Development

Place-based policy and program development are effective solutions to entrenched or complex policy issues, in particular as tools to alleviate social conditions that affect the most disadvantaged. Place-based models foster well-being among the population, reduce service fragmentation and duplication, and can help shift policy away from treatment and toward root causes. However, place-based models require significant commitment and new ways of working between community partners, funders, and governments as local needs identification and service planning are fundamental to the success of these initiatives.

Example Manitoba's **Neighbourhoods Alive!** program supports "long-term, community-led, social and economic development" and neighbourhood revitalization⁴¹ through a citizen and community led approach to community planning and neighbourhood revitalization. The program supports targeted neighbourhoods through funding streams designed to support community development efforts in a range of areas, from housing to crime prevention to education and training to community recreation. In June 2012, the comprehensive place-based approach animated through Neighbourhoods Alive! was brought into law through the passage of the Community Renewal Act. The act mandates the development of community renewal plans in consultation with residents, establishes a Community Renewal Advisory Committee made up of community-based stakeholders to provide advice on community renewal issues, and creates a Deputy Ministers' Committee on Community Renewal to ensure ongoing support and high-level leadership on issues of community renewal.

Example Since the 1960s the **Alberta Family and Community Support Services** program has supported an 80/20 funding partnership between Government of Alberta and local governments.⁴² Under this funding model, a municipality chooses whether to establish a family and community support services program, and enters into an agreement with the province to fund the program. The program provides support to a wide range of services and programs, including services to assist communities to identify their social needs and develop responses, community planning and advocacy services, services to improve the quality of life in a community, services to promote, encourage and support volunteer work in the community, and services to encourage the social development of children and their families.

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41 Reimer and Bernas (2011).

42 Re-named in 1981; grew out of earlier Preventative Support Services program.

Horizontal Governance Tools

Horizontal governance is recognized by communities, governments and funders alike as a meaningful way to achieve outcomes on complex social issues. Horizontal governance is an approach that refers to actions within and external to government, that seek to align departments and agencies and promote coordination with other levels of government and the private and non-profit sectors. Horizontal governance also refers to a capacity to explore, lead, plan, implement and measure inter-departmental and inter-sectoral initiatives, emerging from a desire to make government more efficient, to streamline and share services, and to eliminate duplications and policies that undermine each other.⁴³ As the efficacy of horizontal projects is demonstrated, funders are encouraging or requiring collaborative projects, often with multiple funders. However, to better support collaborative work, funders also need to streamline their reporting and accountability requirements to reduce additional work generated through collaboration. Horizontal governance involves a range of tools across policy development, program management and service delivery, including pooled cross-departmental budgets, joint consultation and community involvement in program design, joint leadership teams, and shared accountability and monitoring tools.

Example

In Quebec, the **Policy on Autonomous Community Action** provides an example of an overarching policy framework that clearly sets out reasons for partnership and ways of working together. The policy recognizes the unique role and autonomy of the sector, sets out principles regarding the relationship between the sector and government, outlines key funding streams and mechanisms that seek to streamline sector support (e.g. harmonization of accountability requirements). The policy sets out three funding streams to community service organizations:⁴⁴

- Funding for independent community action or mission-based funding, provided on a three-year basis. This form of financing has provided support to approximately half of all community service organizations.
- Service agreements are used to provide funding for services that complement public services.
- Special initiatives, one time or short-term projects.

Example

In 2010, Manitoba announced a two year plan for **Cutting Red Tape for Non-Profits**. The plan was developed in recognition that many NPOs were being drawn away from their core mission of delivering high quality and fundamental services to complete multiple and often onerous funding applications and reports. The plan includes:

- Piloting multi-year, multi-program funding with a representative group of non-profits with proven track records of success.
- Launching a single-window application process and an online non-profit web portal.
- Eliminating duplication in reporting requirements for organizations dealing with multiple provincial programs while strengthening accountability standards.
- Helping organizations save money by sharing services such as legal, human resources and accounting functions with other organizations.

43 Elson, Struthers and Carlson (2007).

44 Jette (2011).

Example

The Ontario government's recently released **Open for Business** strategy includes a special set of recommendations pertaining to strengthening the non-profit sector. The report makes recommendations on how to reform, streamline and modernize the sector-government relationship to improve public benefit services in light of the fact that, according to the government's own admission, "funding practices and processes have become overly rule bound, risk averse and output focused."⁴⁵ In response to feedback regarding the need to modernize and streamline the funding relationship between the sector and government, the province committed to establishing a Joint Funding Reform Working Group (JFRWG), made up of senior representatives of nine government ministries and an equal number of sector representatives to consider short and long term options for funding reform.

Tools to Promote Innovation

In recent years, there has been an explosion of interest in Canada regarding the use of new legislative, policy, tax, and financing levers to support innovation in the non-profit and community service sectors. In BC much work has recently been undertaken by the BC Council on Social Innovation, which released a series of recommendations for government in 2012. Many of the recent policy proposals regarding tools to promote innovation in the sector have centred around three key ideas: the creation or expansion of enabling tax levers, including tax credits and property tax holidays; access to new forms of social financing; and new corporate structures.

Example

The **Neighbourhoods Alive!** tax credit supports organizations providing assistance to Manitobans facing barriers to employment by encouraging corporations to work with charitable organizations to establish new social enterprises in Manitoba through a 30 per cent tax credit.

Example

Through the **Community Economic Development Investment Funds** program in Nova Scotia, New Dawn Enterprises has been able to leverage community investment in a suite of home care, employment, training, and affordable housing services. The CEDIF program encourages residents to make an RRSP-eligible investment in community development corporations contributing to a community benefit.

Example

The **Ontario Infrastructure Loan Program** provides access to capital for eligible public sector partners. In 2011 the program was expanded to include community health and social service hubs and sports and recreation facilities, and is considering expanding to the non-profit sector as a whole.

Example

British Columbia is the first jurisdiction in Canada to pass legislation enabling the creation of a new hybrid corporate structure, the **Community Contribution Company**, designed to drive additional investment to organizations providing community benefit by allowing limited return to investors. The CCC is based on a similar hybrid structure in the UK that has been widely used to foster innovation and growth in the community sector.

45 Ontario Nonprofit Network and Province of Ontario (2012).

Toward a Community Benefit Model

As the sector has been tasked with an ever increasing role in providing programs that are now core public services, the current procurement model is no longer appropriate to the task.

THE CURRENT PROCUREMENT-BASED SYSTEM of financing services may have been appropriate to a time when the services being provided by the community services sector were seen as ancillary to those provided directly by government; however, as the sector has been tasked with an ever increasing role in providing programs that are now core public services, this model is no longer appropriate to the task.

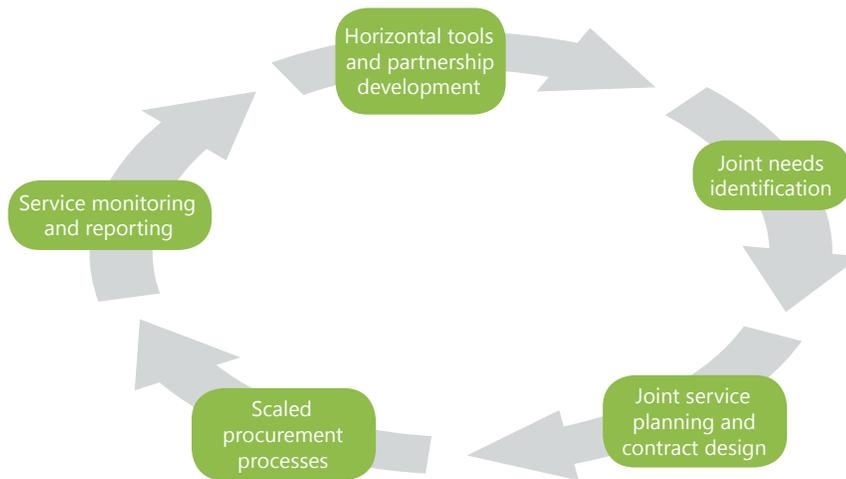
Governments throughout Canada and internationally are experimenting with new ways of supporting the community services sector, as highlighted by the examples in the previous section. Many are using procurement policy and practice in ways that recognize the infrastructure and knowledge built up in the sector and its role as a partner in meeting the needs of citizens. In the words one research respondent, “there will be always a legitimate place for competitive processes, but co-operation must become the driving value.” Several jurisdictions have also developed policy frameworks proposing integrated solutions that recognize the interconnected nature of social, environmental and economic issues and that support community capacity-building and sustainable community development.

Building on these examples, what is needed is a new community benefit⁴⁶ model of procurement that includes two key elements:

- Procurement is understood as only one aspect on a continuum of practices that include joint needs identification, service planning and contract design, the procurement process itself, and appropriate service monitoring and reporting tools that feed back into needs identification and planning.
- Procurement tools are designed to maximize benefits to the community and encourage innovation and cooperation, rather than simply reduce costs. The effectiveness of an intervention is measured against these criteria and governments seek to leverage supports and policy tools to increase the community benefit of programs.

⁴⁶ In Sacks (2005); Neizert and Ryan-Collins (2009); Ryan-Collins, Sanfilippo and Spratt (2007). The New Economics Foundation has proposed a public benefit model of procurement that is focused on the use of local purchasing, involving service users in the co-production of services, and social return on investment as driving principles in procurement. Our model builds on and expands from these principles.

PROCUREMENT IS ONE ASPECT ON A CONTINUUM OF PRACTICES



Recommendations

These recommendations outline key actions that governments and communities can take to move toward a community benefit model that considers the long-term and community benefits of services.

NEGOTIATE WITH KEY SECTOR PARTNERS TO DETERMINE CORE SERVICES

As a first priority, the Government of BC, through the Procurement Governance Office, should immediately enter into negotiation with key sector partners to determine core services that are not subject to competitive tendering, but are instead parties to long-term conditional partnership grant agreements.

Long-term partnership agreements are an important tool to recognize ongoing partnerships between government and community-based organizations to deliver services. Services with a strong record of quality assurance and service outcomes would be candidates for long-term partnership agreements. Once a service is accepted as a successful candidate for such an agreement and continues to successfully provide the services mandated, they would not be subject to a re-tendering process. The use of such agreements would help stabilize the funding environment for many organizations, promoting the development of expertise, reducing competition among agencies, and resulting in a greater degree of sustainability, collaboration and community based planning and service continuity. These agencies should be subject to a cyclical process of quality assurance on a multi-year cycle. This would save money for not only the agencies, but also result in savings for government, as resources currently allocated to reporting and compliance are freed up, while still ensuring an accountability protocol is in place and strengthening the level of service to clients and contributing to client safety.

Long-term partnership agreements would also allow governments to identify supplementary services that are developed in response to emerging or occasional needs in the community; these supplementary services would be subject to RFP or competitive tendering. This structure has the dual benefit of creating stability and long-term coordination and planning in the sector while allowing for the flexibility to respond to new and emergent needs and create opportunities for new service providers to participate in the system of service delivery.

In the anti-violence sector, where competitive tendering practices are less prevalent, a more collaborative approach has resulted in a robust network of service providers and superior coordination of services. Such an approach, applied more broadly across sectors, can shift us away from the current fragmentation toward a more coordinated and planned approach to service delivery.

DEFINE THE RELATIONSHIP IN A SOCIAL POLICY FRAMEWORK

A social policy framework, created with sector leadership, that clearly defines the relationship between the community services sector and government would help strengthen the relationship between the parties over time and beyond changes of government. The framework should recognize the unique role and character of the sector in meeting the needs of communities and residents, together with the funding and structure to support it. The framework should recognize the sector's role in policy debates and development, as a locus of social capital formation, and as a provider of services.

ESTABLISH COMMUNITY-BASED PLANNING TABLES

Establishing a continuing process for community-based planning for community services would contribute to a clear picture of existing service gaps in communities, reduce service duplication and fragmentation, anticipate emerging trends, and yield new collaborations in response to community needs. Regional, multi-sector tables should be supported to collectively identify needs and develop responses. The work of these local planning tables should help determine the appropriate approach to procurement should one be required. Provincial and federal governments can further support community-based planning and innovation with the resources necessary for these activities and by facilitating cross-community sharing and the scaling up of best practices and demonstration projects.⁴⁷

STREAMLINE AND MODERNIZE THE FUNDING RELATIONSHIP

Onerous application, reporting and accountability requirements, together with inconsistent practices across and within ministries, create significant challenges for the sector and occupy significant staff time, both for the sector and government. In 2010, the joint Government Non Profit Initiative (GNPI) Business and Finance Advisory Committee released recommendations regarding the contracting relationship between the sector and government, developed in response to key challenges identified by sector and government representatives.⁴⁸ The recommendations address program design and stakeholder engagement, procurement processes and practices, contract and reporting requirements, and administration. The recommendations echo those made by similar provincial joint tables across Canada and the findings of the federal Blue Ribbon

47 Bradford, 2003

48 Government Non Profit Initiative (2010).

Panel. Government should work with representatives of the sector to implement these recommendations and identify additional ways of simplifying and streamlining processes.

BUILD CAPACITY AND SHARED PRACTICES FOR MEASURING SOCIAL OUTCOMES

Social return on investment (SROI) and social purchasing clauses should be considered a core element of service delivery and incorporated into tendering and contracting documents so that decisions are made on more than price alone. This will create incentives for organizations to maximize their social and environmental impacts, rather than meet minimum standards. With this approach, government agencies will need to shift their frameworks to focus on longer-term outcomes, and provide training to staff in supporting the sector to shift to this model. Significant leadership is needed at senior levels in government to shift the culture away from the prioritization of short-term cost savings over longer-term social, environmental and economic gains. This echoes the recommendation of the BC Social Innovation Council that the BC government incorporate social procurement requirements into their own purchasing activities.

LEVERAGE LOCAL ASSETS BY CO-CONSTRUCTING PROGRAMS WITH PEOPLE AND COMMUNITIES

Empowering communities to play a bigger role in the design and delivery of community services will assist governments in meeting the increasingly complex needs and social issues within limited budgets and competing demand for government resources. Service users, service providers, and the broader community can play an important role in the design and delivery of services. Involving these groups in design and delivery can make them more responsive to local needs, delivering better outcomes and producing longer-term benefits with respect to community empowerment and capacity.

USE PURCHASING POWER FOR SERVICES TO DRIVE ECONOMIC REGENERATION

Rather than scaling up and aggregating contracts that favour larger, private and non-local organizations, governments should consider breaking contracts into smaller, more achievable pieces to support local economies and populations. By redirecting spending locally, governments can multiply their impacts by keeping money circulating locally and where it is most needed. Enabling local solutions has the added benefit of building the capacity and expertise of local communities and organizations.

ENCOURAGE HORIZONTAL WAYS OF WORKING WITHIN GOVERNMENT AND BREAK DOWN SILOS BETWEEN MINISTRIES

To facilitate the shift to a new community benefit model that recognizes the whole life benefits of a service, stronger cross-departmental working is needed to incentivize governments to account for broader social, environmental and economic outcomes and to find new ways to reward cross-departmental and cross-governmental savings.⁴⁹ New ways of working that contribute to collective ownership of successes and mistakes are needed.

49 Bradford (2003).

Conclusion

New ways of thinking will not only yield better outcomes for community members and clients, but also create significant efficiencies and cost savings for governments already tasked with the challenges of meeting complex social policy demands.

A new policy architecture for the procurement and support of the community service sector in BC

THIS PAPER ADVANCES DISCUSSION about some of the challenges for the community as a result of current procurement practices that are largely based on private sector tendering models.

While most jurisdictions globally have been influenced by the private sector practices embedded in new public management thinking, not all jurisdictions have taken these reforms up equally. In Canada and internationally, there are many examples of policy and practice that seek to support the community services sector through practices that contribute to its long-term stability and capacity for innovation.

Throughout this paper, we have considered these examples, alongside academic and practitioner-led research, to arrive at recommendations; if adopted, these recommendations will lead to a more comprehensive and planned approach to the design and delivery of services in BC communities.

Getting there requires new ways of thinking and significant commitment from across government as well as from community partners. This approach will not only yield better outcomes for community members and clients, but also create significant efficiencies and cost savings for governments already tasked with the challenges of meeting complex social policy demands.

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APPENDIX

Year	Third party contracts		Consumer Price Index for BC	BC population	Value of contracts in real dollars (2007 base year)	
	Number	Value			Value	Per capita
Ministry of Children and Family Development						
2007	4,538	\$1,333,582,610	100	4,309,524	\$1,310,548,001	\$309
2008	4,379	\$1,190,295,303	112.3	4,384,310	\$1,306,269,698	\$271
2009	4,458	\$829,061,146	112.3	4,459,900	\$1,336,701,625	\$186
2010	4,497	\$631,556,814	113.8	4,529,508	\$918,763,667	\$139
2011	4,694	\$684,543,447	116.5	4,576,577	\$702,054,817	\$150
Ministry of Social Development						
2009	3,677	\$2,107,726,166	112.3	4,459,900	\$2,107,726,166	\$473
2010	3,660	\$2,764,680,930	113.8	4,529,508	\$2,764,680,930	\$610
2011	3,732	\$2,575,083,861	116.5	4,576,577	\$2,575,083,861	\$563

Sources:

BC Consumer Price Index: Stats Canada, Consumer Price Index, Table 326-0021 <http://www5.statcan.gc.ca/cansim/a47>

Value of contracts – original calculation provided by Tim Beachy based on data from Provincial Public Accounts:
Consolidated Revenue Fund – Detailed Schedules of Payments For the Fiscal Years Ended March 31, 2007–2012

BC population Source: Statistics Canada, prepared by BC Stats, Ministry of Labour, Citizens' Services and Open Government

Inflation-adjusted spending on Social Services and Health											
	Base year 2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
Per cent of nominal GDP	2.5	2.2	1.8	1.6	1.6	1.5	1.5	1.6	1.7		
Nominal spending per capita	813	730	646	605	629	661	685	718	733	747	
CPI	100	102.2	104.2	106.3	108.1	110	112.3	112.3	113.8	116.5	
Inflation from base year (Bank of Canada Inflation Calculator)		4.42	6.07	8.63	10.8	12.35	15.12	17.39	18.52	20.88	
Inflation-adjusted change in per capita spending from base year if funding had matched inflation		848.97	862.35	883.26	900.82	913.37	935.92	954.35	963.56	982.79	
Increase/Shortfall		-118.97	-216.35	-278.26	-271.82	-252.37	-250.92	-236.35	-230.56	-235.79	
% difference between nominal per capita spending and inflation adjusted spending indexed to 2001	76%										

Sources:
 BC Consumer Price Index: Stats Canada, Consumer Price Index, Table 326-0021 <http://www5.statcan.gc.ca/cansim/a47>
 Value of contracts – original calculation provided by Tim Beachy based on data from Provincial Public Accounts: Consolidated Revenue Fund – Detailed Schedules of Payments For the Fiscal Years Ended March 31, 2007–2012
 BC population Source: Statistics Canada, prepared by BC Stats, Ministry of Labour, Citizens' Services and Open Government
www.bankofcanada.ca/rates/related/inflation-calculator/



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