RECOMMENDATIONS FOR ENHANCING THE MANAGEMENT AND DELIVERY OF GRANT AND CONTRIBUTION PROGRAMS TO THE COMMUNITY NON PROFIT SECTOR

Submission to the Independent Blue Ribbon Panel on Grants and Contributions Programs by the Voluntary Sector Advisory Committee

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Acknowledgement and Thanks

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1. SUMMARY OF RECOMMENDATIONS

Community Capacity Building

That a distinct community capacity building policy framework be developed for the Government of Canada's Transfer Payments to the community non profit sector, in consultation with the sector and building on the *Voluntary Sector Accord,* that defines the federal role and mandate positively and proactively in building community capacity. This framework would provide a means for all federal programs to be designed to make appropriate contributions to the human and organizational infrastructure of community non profit organizations, and create an enabling environment for community capacity building across all federal funding programs.

Innovative and Effective Funding Instruments

That the following innovations be made in federal funding instruments and mechanism to focus on results:

- Multi-year funding agreements that while maintaining accountability for results on a periodic basis provide certainty of ongoing funding to produce sustainable results for individuals, families and communities (e.g. Neighbourhoods Alive, Manitoba);
- Partnership agreements with the community non profit sector or specific sub sectors that set out agreed objectives, intended outcomes, roles and responsibilities, and the framework for measuring results in a given program area (e.g. Emploi Quebec);
- The development of conditional grant agreements that support the human resource and organizational capacity of community non profit organizations, their networking and learning needs, and efforts to strengthen and replicate effective practices and generate lessons learned for policy and program design in specific program areas that are the mandate of the federal government (e.g. community economic, social, human and cultural development);
- Tailored design of contribution agreement Terms and Conditions, control, accountability, and performance reporting for community non profit organizations that encourage flexibility, innovation, reporting on results, and has a reasonable scale of control relative to the track record, size of the organization, and type of community setting (e.g. rural and northern);
- Inclusion of funded eligible costs in contribution agreements for outcome evaluation (rather than just audit or activity reporting) that generate lessons learned for government and the sector as a whole (e.g. Neighbourhoods Alive).
- Horizontal funding agreements and standardized contribution agreements across departments to coordinate community investment and inter face effectively with horizontal community partnerships (e.g. Action for Neighbourhood Change); and
- Explicit terms and conditions to allow community non profit organizations to retain earnings and enable "social entrepreneurship" by which they create social enterprises that generate surpluses for reinvestment in their communities.

Easing the Administrative Burden

To build on the Service Canada example of partnership and collaboration with the sector to ease the administrative burden of contribution programs, we would recommend that federal departments and Treasury Board engage in a cross-government process to streamline administration of grants and contributions programs with non profit/voluntary sector organizations consistent with, and building on the example of, the changes made at Service Canada. We would recommend that this change process be targeted to:

- reduce administrative costs and steps for both contribution recipients and government;
- create a consistent Government of Canada framework for eligible costs, financial reporting, audits, and contributions to organizational infrastructure;
- maintain accountability for results and terms and conditions of funding; and
- create a consistent approach to contribution agreements that allow the service provider the flexibility to make responsible budget allocation decisions that are based on the needs of their organization to achieve outcomes in their specific community settings (e.g. rural, urban, northern, Aboriginal).

2. INTRODUCTION

This submission has been prepared by the *Voluntary Sector Advisory Committee* appointed by the Hon. Diane Finley, Minister of Human Resources Development Canada in May 2006 to:

> provide advice, assistance, and feedback to the Government of Canada on matters related to the delivery of services and programs to Canadians. The purpose of the committee is to provide a meaningful forum to identify and discuss barriers that inhibit access to Service Canada programs and services and provide advice on enhancements to policies and practices for the effective delivery of services and programs to Canadians.[1]

The committee is made up of 16 representatives selected from a competitive proposal call to be inclusive of diverse sub sectors, regional and community settings.[2]

The submission is based on discussion by the Committee together with the work of a Working Group of voluntary sector and Service Canada representatives in 2005 and 2006 to reduce administrative burdens and costs and improve service delivery arrangements for employment programs which also resulted in the creation of a Fairness Advisor, the

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[1] *Voluntary Sector Advisory Committee Member's Handbook,* Service Canada, June 2006.

[2] See member list and biographies attached.

permanent Advisory Committee, and policy discussions on how to improve program management and delivery.[3]

We are therefore able to draw upon two years of work by representatives of the community non profit sector on what is wrong with current grant and contribution program arrangements of the Government of Canada and how solutions can be created through partnership with the sector. We also draw on previous work undertaken by the Voluntary Sector Initiative of the Government of Canada to create a Voluntary Sector Accord on Policy and Funding, and the considerable experience of many of our members with policy development for communities they work with over many years.

The submission focuses on the mandate of the Blue Ribbon Panel announced by the President of Treasury Board, the Honourable John Baird, in June 2006 as part of the Government of Canada's commitment to a *Federal Accountability Act* and *Action Plan.* Specifically the Panel's mandate is to:

> make recommendations on how the existing Treasury Board Policy on Transfer Payments should be revised so as to make the delivery of grant and contribution programs more efficient and less burdensome for recipients, while respecting control and accountability requirements.[4]

The Committee has focussed on providing input that builds on its own work to ease the administrative burden of contribution program funding by the federal government and the wider evidence of the need for change in funding arrangements with the community non profit sector that strengthens results and outcomes that the sector can deliver in partnership with the Government of Canada.

3. INVESTING IN COMMUNITIES AND THEIR NON PROFIT ORGANIZATIONS

The community non profit organizations, from which members of the Voluntary Sector Advisory Committee are drawn, represent a cross section of the organizations that citizens have created to improve the social and economic conditions of their communities across Canada. The Committee includes people who work in YM and YWCA's, immigrant serving organizations, community economic development and social economy groups, employment and training services, women's equity and employment agencies, multi-service agencies, disability, youth and Aboriginal serving organizations. In each of the member's own areas of responsibility they have experienced the same difficulties with federal funding arrangements identified in reports that are available to the Blue-Ribbon Panel. The June 2006 Report by the Canadian Council on Social Development (CCSD)[5] accurately describes the key issues as:

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[3] See the report of the Working Group attached.

[4] *Federal Grant and Contribution Programs: Blue-Ribbon Panel Consultation Paper,* July 2006.

[5] *Pan-Canadian Funding Practice in Communities: Challenges and Opportunities for the Government of Canada*, CCSD, June 2006. P. 8.

- An overly intense focus on financial risk management;
- Structural impediments that undermine coordinated and effective community investment;
- A hierarchical versus collaborative approach; and
- Poor program design without community stakeholder input.

In our own experience the federal government has made a substantial shift away from "investment" in communities, to a top-down approach to contracting for inputs and outputs based on predetermined models of how specific objectives should be addressed across the country. The "cookie cutter" approach to program design has been accompanied by eligible cost restrictions under contribution programs that remove the possibility for flexible, innovative, local responses to the needs of communities and citizens. Financial accountability measures (multiple audits, item-by-item expenditure reporting) have increased the financial burden on community partners, in some cases resulting in agencies withdrawing from providing needed services because of the impediments and costs to meeting local needs under federal program Terms and Conditions. In addition, structural divisions between federal departments, with multiple and often incompatible program requirements have made it impossible to deliver a range of services to communities and populations to address inter-related needs (from housing to childcare to employment training to immigrant integration to holistic community economic development).

The Phase I Report of the Government of Canada's Task Force on Community Investment acknowledges these inter-related issues and we agree with its conclusion that:

> the government of Canada's current funding regime does not support more effective horizontal, collaborative approaches, nor does it promote more innovative community responses. Indeed, some current investment practices may be inadvertently dismantling community capacity, and with that, the rich social capital Canada needs to address emerging issues.[6]

In our experience there has been a marked shift away from "community capacity building" as an objective of federal government programming, with reductions resulting in investment in those aspects of human and organizational infrastructure that make-up that capacity. Whether this is viewed as "core funding", "community investment", long-term funding, or a more flexible schedule of eligible costs inclusive of "overhead", the overarching issue remains the same: *Communities are having their core capacity to organize themselves, respond to emerging issues, and innovate in creating solutions eroded as a direct result of changes in federal policies on the transfer of funds to community non profit organizations that citizens create and use to enhance social and economic conditions*. In our view making needed but relatively small changes to administration of grants and contributions will not address this much bigger issue of federal purpose, role, and mandate: supporting the capacity of communities to create

[6] *Achieving Coherence in Government of Canada Funding Practice in Communities*, Phase I Report of the Government of Canada's Task Force on Community Investment, July 2006. P. 9.

their own social and economic opportunities. We therefore support the recommendations in the June 2006 report of CCSD on Pan Canadian Funding Practice in Communities that:

> The Government of Canada needs to tailor its approach and the funding tools at its disposal to reflect local, sectoral and pan-Canadian realities. This means devolving decisions closer to where the knowledge is – in the community, as well as developing the ability to work with non-profits in their communities, drawing on their knowledge and experience, in the design and implementation of community investments.[7]

We believe that the Blue-Ribbon Panel can help to create a path for developing this kind of approach by recommending a distinct community capacity building policy framework for the Government of Canada's Transfer Payments to the community non profit sector. The sector has a wealth of experience and expertise in creating policies and strategies to create results for their communities, in partnership with municipalities, provinces, territories, the federal government, foundations, and the private sector. This experience can be "scaled up" to inform federal funding policies and instruments to maximise success and create an enabling environment for effective results-based action to strengthen our communities. We also know through our work that there are many examples here in Canada and in other jurisdictions of policy frameworks and accompanying funding instruments that drive a community capacity building agenda through the flexible devolution of resources, authority and tools for community organizations to create and sustain change. In Quebec, Manitoba, Nova Scotia and Nunavut provincial territorial governments have created community development policy frameworks that impact significant aspects of their funding relationships and instruments. In the USA, UK, Australia and Europe national partnership frameworks have been developed. In several leading municipalities in Canada (e.g. Edmonton, Winnipeg, Montreal, Ottawa, Halifax) policy on partnership with community non profit groups is a significant component of their approach to addressing social, economic and environmental issues and direct municipal funding to non profit groups. In rural and northern regions, community futures development corporations benefit from federal support for a wide ranging approach to creating new opportunities for rural residents. In Aboriginal and First Nations communities, similar approaches to community development have been created. We need to build on these examples of excellence in combining funding criteria with policies that support community driven results.

We support CCSD's analysis of the importance of this issue, described by them as "command and control" versus "needs-based community development" and support the need for a funding approach that is "asset-based [where] communities lead with locally based knowledge developed in conjunction with government because of mutual interest in community outcome. Governments fund not only to provide service, but just as importantly, to build community capacity and thus create an enabling environment for community organizations to leverage funds from both governmental and non-

[7] *Pan-Canadian Funding Practice in Communities: Challenges and Opportunities for the Government of Canada*, CCSD, June 2006. P. 84.

governmental sources".[8] The underlying problem appears to us to be the application of procurement approaches suited to the purchase of goods and services in the market place for the use of government, to the transfer of funds to community organizations to deliver federal government funded services alongside other community services. Call for proposals processes with accompanying terms and conditions are essentially applying competitive private sector procurement processes to the realm of community infrastructure. Would we contract annually through a proposal call process for the provision of K-12 schooling in our communities? We would argue that the community non profit sector is a similar form of community infrastructure to our schools and needs to have a relationship and funding arrangement with government that recognises the importance of the capacity that they represent in meeting community social, economic, and cultural needs.

We would therefore recommend that a distinct community capacity building policy framework be developed for the Government of Canada's Transfer Payments to the community non profit sector, in consultation with the sector and building on the *Voluntary Sector Accord,* that defines the federal role and mandate positively and proactively in building community capacity. This framework would provide a means for all federal programs to be designed to make appropriate contributions to the human and organizational infrastructure of community non profit organizations, and create an enabling environment for community capacity building across all federal funding programs.

4. CREATING INNOVATIVE INSTRUMENTS AND MECHANISMS

The Committee has undertaken some work (in its previous life as a Working Group, and now as a permanent Advisory Committee) on models of funding that are seen by the sector as effective in generating long term outcomes for communities. We believe that there are important lessons to be learned from some of these, from within the federal government and from provincial, municipal and philanthropic examples.

At a seminar in Vancouver in March 2006[9], several examples were examined of funding programs and approaches with a focus on results or outcomes based approaches to funding community non profit organizations.

Emploi Quebec Develops partnership agreements with the community non profit sector or specific sub sectors that set out agreed objectives, intended outcomes, roles and responsibilities, and the framework for measuring results in a given program area within an environment of stable funding, rather than one in which the threat of funding cuts is held over the community partner until they capitulate to government demands.

[8] Ibid. P55.

[9] See attached report.

Eco Nomos is a private consulting firm that advocates livelihoods-based outcomes evaluation. This approach is collaborative, results oriented, asset based, capacity building and reflective. These sorts of evaluations generate community-government partnerships that result in improved outcomes for clients as well as improved measurement and understanding of these outcomes.

The Caledon Institute is a Canadian social policy think tank that sees the challenge as developing a learning-oriented evaluation process for initiatives in labour force development. This implies overcoming the problems of solutions designed outside the community, cookie cutter designs that can't be customised, using one tool rather than an orchestrated integration of tools, and the problem of short term focus. They advocate building community capacity as a way to manage complexity, designing comprehensive community initiatives, develop diverse, flexible and responsive strategies, build a continuum of support for clients.

Ontario's Job Connect (JC) program funds exclusively non-profit organizations as well as colleges to implement employment programs for youth and adults. JC uses global budgeting, which ensures a minimum of budget lines and a maximum of agency discretion in spending – permitting local, flexible, expenditures. JC also encourages positive consequences' for missing targets, that is, rather than punishing agencies by withdrawing funding, investments are required and business plans must be adjusted to address the challenge of the missed target. JC encourages rigorous, tightly audited, and widely shared client outcomes reporting and tracking.

The Ontario Trillium Foundation (OTF) distributes $100 million of government funding each year. The voluntary sector plays a critical role in building healthy and vibrant communities. OTF will work to achieve its mission by supporting the work and enhancing the long-term capacity of organizations in the sector. OTF offers three types of time-limited grants: operating, project and capital. Trillium records all activities, results and financial spending that took place within each of its grants.

In addition to these examples, members of the Advisory Committee have experience of several other funding programs and instruments that demonstrate effective approaches to investing in results. In particular, the Neighbourhoods Alive program in Manitoba provides long term funding for both the core capacity and specific program and output costs of community organizations responding to a range of housing, youth, child care, economic, social and cultural needs in their neighbourhoods.[10] From within the federal government, the Aboriginal Human Resource Development Agreements also involve

[10] http://www.gov.mb.ca/ia/programs/neighbourhoods/

long term funding for community social, employment, learning and economic development defined and delivered by communities themselves. Conditional grants have also been used (for example by the Social Development Partnership Program of HRSD, by the Trillium Foundation in Ontario) to focus funding agreements on performance and results, rather than just the cost accounting focus in contribution agreements. There are also several examples of shared learning and evaluation for government and the community non profit sector from investing in performance evaluation and reporting that goes beyond the current federal practice of output, activity and financial audit reporting.[11]

In Quebec the accords with employment training and other community non profit organizations have created partnership agreements with groups in the sector that set out agreed objectives, intended outcomes, roles and responsibilities, and the framework for measuring results in a given program area in the context of long term funding arrangements with the sector. We believe a similar approach to defining program policy and priorities for grant and contribution spending and accountability should be created for distinct program areas of the federal government, with accompanying funding for peer or shared learning, networking, replicating successful models and practices, and sector development in areas of significant program mandates for the federal government (e.g. employment training, community economic development, social development, child care and culture).

Another subject that the Committee has raised in its work is the growing trend in community non profit organizations to engage in "social entrepreneurship" and use social enterprises to meet social program objectives at the same time as creating economic opportunities and generate revenues for reinvestment in their communities. In Quebec the social economy initiative of the federal and provincial governments has enabled the broad sector to generate both capital investment and sources of revenue to benefit communities.[12] However several federal program contribution agreements "claw back" or disallow earnings from program activities that they fund.

The Committee is continuing to work on an agenda of creating evidence and understanding within Service Canada and other federal departments of the need to move towards program design and terms and conditions that focus on results, outcomes and innovation. In our view the most successful funding programs are those that enable innovation, the testing and adaptation of strategies to achieving beneficial impacts on people and communities over a multi-year time scale. In the social, human resource, cultural and community economic development areas in particular we would argue for a tailored design of control, accountability, performance reporting, and ultimately, grant and contribution agreement Terms and Conditions backed up clear policy that supports capacity building for community non profit organizations. Tailored program policy and terms are particularly important to the community setting, for example there needs to be

[11] See for example the community outcomes evaluation report of Neighbourhoods Alive at http://www.gov.mb.ca/ia/programs/neighbourhoods/_pdfs/final_na!_community_outcomes_evaluation_report.pdf.

[12] le Chantier de l'economie sociale details this work at http://www.chantier.qc.ca/.

far greater sensitivity to rural and northern communities and regions where urban models of service delivery will not work.

The following are our recommendations, based on the examples we are familiar with, for creating innovative funding instruments and mechanisms that focus on results:

- **Multi-year funding agreements that while maintaining accountability for results on a periodic basis provide certainty of ongoing funding to produce sustainable results for individuals, families and communities (e.g. Neighbourhoods Alive, Manitoba);**
- **Partnership agreements with the community non profit sector or specific sub sectors that set out agreed objectives, intended outcomes, roles and responsibilities, and the framework for measuring results in a given program area (e.g. Emploi Quebec);**
- **The development of conditional grant agreements that support the human resource and organizational capacity of community non profit organizations, their networking and learning needs, and efforts to strengthen and replicate effective practices and generate lessons learned for policy and program design in specific program areas that are the mandate of the federal government (e.g. community economic, social, human and cultural development);**
- **Tailored design of contribution agreement Terms and Conditions, control, accountability, and performance reporting for community non profit organizations that encourage flexibility, innovation, reporting on results, and has a reasonable scale of control relative to the track record, size of the organization, and type of community setting (e.g. rural and northern);**
- **Inclusion of funded eligible costs in contribution agreements for outcome evaluation (rather than just audit or activity reporting) that generate lessons learned for government and the sector as a whole (e.g. Neighbourhoods Alive);**
- **Horizontal funding agreements and standardized contribution agreements across departments to coordinate community investment and inter face effectively with horizontal community partnerships (e.g. Action for Neighbourhood Change); and**
- **Explicit terms and conditions to allow community non profit organizations to retain earnings and enable "social entrepreneurship" by which they create social enterprises that generate surpluses for reinvestment in their communities.**

5. EASING THE ADMINISTRATIVE BURDEN

The Voluntary Sector Advisory Committee has maintained a continued focus on monitoring the administrative burden which the current funding structure within Service Canada places on organizations across Canada. Agencies' struggles with the increasing weight of administering projects awarded by Service Canada were highlighted by the introduction of the call for proposal process along with the three other national policy directives originally implemented to improve administration, management and accountability of contribution programs.

The Interim Voluntary Sector Advisory Committee on Employment (an early phase of the current advisory committee) established a subcommittee to focus on finding ways to reduce the administrative burden associated with HRSDC Contribution Agreements. The issue statement developed by the *Administrative Cost/Burden subcommittee* provided a focus for the committee to begin their work.

The issue statement which emerged, was defined as: *Service Canada processes and procedures that originated with HRSDC and SDC for the administration of a contribution agreement held by community based organizations have become overly cumbersome, and interpretations have become inconsistent over time, and so it is important that this burden be eased through the elimination of unnecessary steps and/or requirements, and through the general streamlining of administrative processes. It is important to acknowledge that complex rules and inconsistent interpretations around eligible costs have had a negative impact on the recovery of full cost.*

The Administrative Cost/Burden subcommittee of the Interim *Voluntary Sector Advisory Committee on Employment* and Service Canada representatives analyzed, discussed and prepared recommendations for the technical changes required to address the issue statement. Together, using a solution based methodology to the issues presented and working within the parameters of Contribution Agreements as the funding mechanism, existing program Terms and Conditions and, of course, Treasury Board guidelines, several resolutions were negotiated during the period between November 2005 and March 2006.

Seven key areas were established for the Administrative Burden subcommittee during the November 2005 and March 2006 period:

1. **Eligible Costs**
   It was recommended that there be an expanded the list of eligible costs for consideration as part of an agreement budget for all employment programs. The expanded list recognized agency infrastructure costs and adopted the principle of full program cost recovery. *This was implemented December 2005*. A concerted effort was made to ensure national consistency for interpretation of cost items to support consistent agreement on administration. *Implementation of the changes is ongoing.*

2. **Budget Flexibility and New Cost Categories**
A recommendation was made to increase Budget Flexibility and develop new and fewer cost categories to streamline budgeting and reporting process. A new flex approach to budget whereby costs may be shifted among items under the same cost category without notice and or amendment was recommended. The recommendation was *implemented in December 2005 to January 2006.*

3. **Providing Simplified Options for the Payment of Some Eligible Expenditures**
The development of an option to use flat rates to be applied to some sections of the budget was recommended. These expenditures would not be subject to negotiation, record keeping, financial monitors nor audits, representing significant savings of time to both recipient and department staff. The option to be reimbursed for actual costs incurred remained an option for agencies. The recommendation *was implemented beginning in January 2006 and continues to be implemented to present.*

4. **Shortening of Approval Cycle Time**
Shortening of Approval Cycle Time by reducing the number of internal reviews to one review per project prior to project approval by the delegated authority was recommended and *implemented in December 2005.*

5. **Streamline audit requirements**
A recommendation was made to streamline audit requirements to ensure that only one audit was conducted per organization per year for all of its projects that are collectively valued at $500K or more. The *implementation of this recommendation is currently in progress.*

6. **Separate Bank Accounts**
The elimination of the need for separate Bank Accounts for project activities was recommended and *implemented in December 2005.*

7. **Need for Written Proof of Additional Funders**
It was recommended that the elimination of the need for written proof of additional funders be replaced with the declaration of the amount and source of additional funding to a project. This recommendation was *implemented in December 2005.*

Service Canada packaged many of these key recommendations of the Administrative Burden/Cost subcommittee that were to be adopted into the grants and contribution medium that became recognized as the "*Change Agenda for Grants and Contributions*".

As of January 3, 2006 Service Canada has implemented a new process of costing for contribution agreements. Two of these costing options include a flat percentage rate developed to represent actual costs of delivering a project and or operating a business. This was initiated with Employment Assistance Services (EAS) Agreements in January of 2006 to be followed by the implementation of flat rates *with Labor Market Partnerships, Job Creation Partnerships, Self Employment Assistance, Targeted Wage Subsidies, Skills Development, Youth, the opportunity fund the National Homelessness*

Initiative, the Aboriginal Human Resources Development Strategy and New Horizons for Seniors.

A new cost structure for contribution agreements was developed as a framework to apply the new more flexible budget options. The new cost categories included:

1A Project Costs Activity related direct project costs

1. staff wages
2. professional fees
3. travel
4. capital assets
5. audit costs
6. other activity related costs

1B Participant Related Direct Project Costs

7. Participant wages
8. Participant Tuition Costs
9. Other Participant Related Project Costs

1C Other Direct Project Costs

10. Other direct project costs

2 Organizational Infrastructure Costs

11. Organizational Infrastructure Costs

With this framework in place applicants were able to choose from one of three possible costing options:

1. Departmental Flat Percentage Rate: a flat percentage rate that is offered by the department for Other Direct Projects Costs (type 1C in the eligible cost listing) and if applicable, Organizational Infrastructure costs type 2;

2. Organization Specific Flat Percentage rate: an independent flat percentage rate for Other Direct Project costs (type 1C) and if applicable, Organizational Infrastructure Costs (type 2), which is established through an assessment of a submission based on an applicant organizations own methodology to a centralized group in the department; or

3. Reimbursement of Actual costs: reimbursement is based on actual expenditures incurred.

To date, rates have been developed for Type 1C costs or Direct Project Costs at 6% and 14% for Type 2 or Infrastructure costs as they apply to EAS Agreements. For Youth Skills Link Programs the rates were set at 4% and 10% respectively, for Opportunities Fund at 10% and 12% and for Self Employment at 9% and 12%. Rates were determined based on a review undertaken by Service Canada of existing contracts across the country.

The Organization Infrastructure Costs (or Type 2) Costs was a tremendous acknowledgement that organizations require a fair contribution toward the organizational costs required to administer projects. Recognized were costs associated with agency planning and development, human resource management, financial management, communications and governance. Many of these "costs of doing business" were not previously recognized or were under-funded with the project based approach to contribution agreements.

Flexibility was featured in the flat rate percentage rate options, as sponsors are not monitored or asked to reconcile with actual costs incurred in these cost categories. In addition, flexibility to vary costs between budget line items without amendment up to 10% throughout the life of the contract was also possible, with the exception of payroll.

The one area that remains somewhat inflexible *due to treasury board rulings* is the Salaries and Staff Benefits categories. Organizations are required to account for staff positions, hourly rates and benefits position by position and changes require the approval of Service Canada. However some flexibility is now possible, should staff turnover within the contract cycle in that hourly rates may be adjusted provided the bottom line of salary dollars remains intact. This is good news for agencies struggling with periods of high staff turnover allowing them the ability to exercise some flexibility in hiring new recruits with varying levels of experience.

Additionally, Service Canada developed a list of eligible wind down and transition costs, established a process for project close-outs and entered into 2-year Agreements in many areas of the country, providing greater stability and reducing the financial risk and burden for organizations.

The turnaround time to implement the change agenda throughout Service Canada and the Voluntary Sector sponsor communities across Canada seemed unrealistic and aggressive at many points throughout November and December of 2005 in order that service providers could benefit from the changes in all new Agreements commencing January 1, 2006. Service Canada and the Voluntary Sector Advisory Committee were responsive and efficient utilizing a wide variety of communications tools to implement the Change Agenda. Joint Service Canada and community information sessions were held. Online learning sessions for project officers and managers were quickly developed and administered. Training, technical guides, and a national helpline were developed and supported to effectively roll out the education of the change agenda.

Throughout the communications process of implementing the technical administrative changes, a concerted effort to address the "cultural" shift was apparent. Communications involving the Change Agenda promoted the intentions of Service Canada to cultivate true partnership between government and the voluntary sector. One such memorandum to Service Canada staff dated December 28th 2005 stated as follows: *The purpose of these changes is to support the goals of Service Canada in achieving seamless citizen and community centered service to our stakeholders as well as lessen the administrative burden to our sponsors and our employees. The positive partnerships with our* *stakeholders, as illustrated by the Joint Voluntary Sector/Service Canada working group, as well as the continued feedback and input from your staff, have made these improvements in our services possible.* Other examples that signalled this new relationship were: the participation of Service Canada staff at local community meetings; the participation of Voluntary Sector representatives speaking at joint Service Canada/community information sessions; and, the transparency of shared information and training materials available to both Service Canada and agency staff.

The Interim Voluntary Sector Advisory Committee continued throughout this process to provide input and feedback from their communities about the effectiveness of the Service Canada communications and technical aspects of the Change Agenda. The national challenge and litmus test was in the Change Agenda's ability to infiltrate to each of the regions to retain the context and interpretation originally intended.

Although there have been improvements in areas such as the increased flexibility with and between budget lines, clarity of eligible expenditures, and the implementation of flat rates, the Contribution Agreement in its current format has limitations. The Contribution Agreement is a tool that is based on mutually-negotiated agreement on specific costs required to operate a program. Negotiating Contribution Agreement budgets intrinsically relies too heavily on reaching agreement between two distinct parties on operational detail, consuming time, resources and energy that could be more effectively spent on providing services to individuals. Despite noted improvements, the negotiating process continues to results in disagreement on budget line items, excessive demand for evidence of costs in the negotiation stages and excessive amounts of time spent on this phase of the process. In some cases, infrastructure and program costs are insufficient resulting in organizations subsidizing their own time and resources towards the true costs of the delivery of a service to maintain the level of service that is required. This process is further complicated by the length of Contribution Agreements (normally 1 or 2 years) and the Call for Proposal process which offers little or no use of a risk management approach that considers a service provider's past history with government funding.

Although we have seen some modifications to these processes including the implementation of two-year agreements and clear guidelines related to the Call for Proposal process, improvement is required. These factors combined with the excessive administrative burden placed on agencies have created instability in the sector and in services across Canada. A more global approach to funding (as is the case of the Job Connect funding model in Ontario for example), which expects the service provider to make sound effective, responsible funding allocation decisions that are based on the needs of their organization to achieve desired outcomes is required.

Under the newly formed (June 2006) Permanent Advisory Committee, the *Voluntary Sector Advisory Committee,* work will continue to explore solutions to address these issues under the newly formed *Administrative Burden and Service Delivery* Sub Committee. Topics for investigation and planning will include:

- Monitoring implementation of the Change Agenda and regional differences;

- Monitoring trends and continuing with the engagement of the Fairness Advisor ;
- Investigating/expanding multi year funding;
- Exploring alternatives to the Call for Proposal Process;
- Reviewing Agreement negotiation processes, requirements and timelines;
- Implementing a more risk-assessment based approach for negotiation and monitoring;
- Recommendations and monitoring of Service Canada's service delivery standards;
- Formulating feedback communications structure on gaps in service analysis;
- Input on development of the Client Segment service strategies and review of how program eligibility requirements may impact on client segments; and
- How revenue generated through activities undertaken on a Contribution Agreement may be handled to build agency capacity.

The Administrative Burden Subcommittee has reflected on the remarkable synergy of efforts between the Service Canada representatives and the voluntary sector to materialize such a substantive change through the *Change Agenda for Grants and Contributions* to both agencies and their communities.

To build on this example of partnership and collaboration we would recommend that federal departments and Treasury Board engage in a cross-government process to streamline administration of grants and contributions programs with non profit/voluntary sector organizations consistent with and building on the example of the changes made at Service Canada. We would recommend that this change process be targeted to:

- **reduce administrative costs and steps for both contribution recipients and government;**
- **create a consistent Government of Canada framework for eligible costs, financial reporting, audits, and contributions to organizational infrastructure;**
- **maintain accountability for results and terms and conditions of funding; and**
- **create a consistent approach to contribution agreements that allow the service provider the flexibility to make responsible budget allocation decisions that are based on the needs of their organization to achieve outcomes in their specific community settings (e.g. rural, urban, northern, Aboriginal).**

6. CONCLUSION

Members of the *Voluntary Sector Advisory Committee* to Service Canada have welcomed this opportunity to make a contribution to the work of the Blue Ribbon Panel on Grants and Contributions Programs. We hope that the Panel will consider the importance of the community non profit sector to creating opportunities for communities and for Canadians to improve their lives, in partnership with the Government of Canada. In the interests of that partnership and its outcomes we believe that improvements in the nature of grant and contribution funding arrangements are a necessity and we hope that our input provides some useful suggestions for making those improvements.