



## STAFF REPORT ACTION REQUIRED

### Options to Streamline and Improve Funding Administration

<b>Date:</b>	May 23, 2008
<b>To:</b>	Community Development and Recreation Committee
<b>From:</b>	Executive Director, Social Development, Finance and Administration
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### **SUMMARY**

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This report was requested by the Community Development and Recreation Committee at its November 2007 meeting. The Committee directed Deputy City Manager Sue Corke to establish a working group to review existing City initiatives to streamline and simplify City funding programs and to report back on additional such opportunities within the context of accountability and the Auditor's requirements.

This report reviews some of the key administrative issues identified in a recent report by the Wellesley Institute, "We Can't Afford to do Business this Way", and proposes a range of options to address the issues most applicable to partnership programs within the City's Community Partnership and Investment Program (CPIP). These options include: flexibility for partnership organizations to transfer funds within an approved budget, and within approved programs; changes to the funding cap for the Community Services Partnership program; funding periods of up to 48 months for partnership programs; delegated approval for some partnership allocations; and the introduction of multi-year budgeting for funding programs. Additional options to streamline the funding administration of investment programs will be developed and reported to the Community Development and Recreation Committee in December 2008.

## RECOMMENDATIONS

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### **The Executive Director, Social Development, Finance and Administration recommends:**

1. Partnership programs provide funded organizations with the ability to transfer up to 20 percent of an approved allocation within the funding period, and without Council approval:
  - a. from one approved program to a second approved program;
  - b. from one approved budget line to another eligible budget line;and that approved core administration allocations be subject to the same transfer privileges.
2. The Community Services Partnership Program set its program and core administration funding cap at \$75,000 for the 2009 funding cycle, and that this cap be reviewed every three years.
3. The authority to issue advance payments to partnership funded organizations be delegated to division heads with responsibility for the administration of partnership funding or their designates.
4. Council delegate the approval of funding within a partnership program to the head of the division that administers the program where:
  - a. the partnership organization's recommended allocation is identical to the previous year's allocation, with the exception of technical adjustments; and
  - b. the partnership organization has not requested an increased allocation.
5. The Community Services Partnership Program provide organizations with the option of a 12-, 24-, 36- or 48-month funding period, with the maximum length of the funding period to be determined based on the Grants Accountability and Risk Management Framework.
6. The Executive Director, Social Development, Finance and Administration, in consultation with Community Services Partnership organizations, develop an implementation plan for a demand-driven, three-year rolling budget planning process for the Community Services Partnership program and report back to the Community Development and Recreation Committee at its October 2008 meeting on this plan.

## **Financial Impact**

There is no financial impact beyond what has been approved in the 2008 Approved Operating Budget.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

At its November 2007 meeting, the Community Development and Recreation Committee received a presentation on the Wellesley Institute report titled "We Can't Afford to Do Business This Way: A Study of the Administrative Burden Resulting from Funder Accountability and Compliance Report."

The Committee directed Deputy City Manager Sue Corke to convene a working group to review existing City initiatives to streamline and simplify City funding programs and to report back on additional such opportunities within the context of accountability and the Auditor's requirements.

<http://www.toronto.ca/legdocs/mmis/2007/cd/minutes/2007-11-05-cd10-mn.pdf>

## **ISSUE BACKGROUND**

Over the past decade, non-profit organizations have been increasingly affected by changes in funder requirements related to accountability. Affected organizations have raised concerns that the increasingly complex funding application and reporting processes of all funders have over-burdened their administrative and management capacity and taken valuable resources away from the very community programs that they have been funded to deliver.

The Wellesley Institute's "We Can't Afford to Do Business this Way" is the latest report to document these concerns, and provides valuable, research-based information on the specific nature of the problems faced by organizations in the municipal context. While City partnership and investment programs have already made a number of changes in response to these ongoing concerns, including the introduction of shared application components and the introduction of an on-line application database, the Wellesley Institute's report provides an opportunity to explore additional avenues for reducing the administrative burden on funded organizations.

As directed by the Community Development and Recreation Committee, a working group was established to review the report's findings. The membership of the working group included a representative of the Wellesley Institute, the author of "We Can't Afford to Do Business this Way," a representative from a large multi-service agency, a representative from an inter-agency network, a representative from a multi-

agency partnership, staff from the United Way of Greater Toronto, the program lead of the Community Partnership and Investment Program, and Internal Audit staff.

## **COMMENTS**

### **Issue Analysis**

The working group focused its attention on the particular issues identified in the Wellesley Institute's report that were relevant to City of Toronto partnership and investment programs. In undertaking its analysis, the working group noted that many of the relevant issues would require different solutions for partnership programs than they would for investment programs. In addition, the working group noted that several of the key administrative challenges facing organizations occur largely because organizations cannot access partnership funding programs.

As a result of this analysis, the working group agreed to focus its immediate attention on the development of solutions for the issues identified with partnership programs. Partnership programs comprise approximately 75 percent of the total CPIP budget, and as core funding programs, are highly valued by community organizations.

For this reason, the options identified in this report address the specific issues of partnership programs. If adopted, these options will be implemented beginning with the Community Services Partnership program (CSP). The learnings from this initial implementation will then be used to inform options for the issues identified with investment programs.

### **Financial Flexibility**

The Wellesley Institute's research found that few funders provide organizations with the ability to transfer funds among the budget lines of funded programs or among funded programs to meet changing community needs. Within the City's partnership programs, the transfer of funds among budget lines may require staff approval, while the transfer of funds among approved programs requires the submission of a full application and Council approval.

To address this issue, this report recommends that partnership programs provide organizations with the flexibility to transfer up to 20 percent of the approved allocation within a funding period from one approved program to a second approved program or from one approved budget line to a second eligible budget line without staff or Council approval. For organizations with approved administration funding, transfers to and from administration would also be allowed. If approved, this recommendation will be piloted in the Community Services Partnership Program (CSP) beginning with the 2008 funding cycle.

## **Funding Cap**

Although not specifically referenced in the Wellesley's report, the working group noted that the Community Services Partnership's cap of \$50,000 on each funded program also created an administrative burden for some organizations. To adhere to this cap, organizations with larger, more complex programs or with programs operating in multiple locations, are required to split a program into multiple sub-programs, each requiring a separate application section.

To address this issue, this report recommends that the CSP funding cap be raised to \$75,000 per program beginning with the 2009 application cycle. The current \$50,000 cap was established in 1999, and is equivalent to \$61,195.65 in 2008 funds. The recommended \$25,000 increase in the funding cap addresses both the affects of inflation, and the administrative burden the cap places on larger and multi-location programs. To monitor the effect that this cap has on the administrative burden faced by organizations, this report recommends that the cap be reviewed every three years.

The Wellesley Institute's report also identified that many organizations have few administrative resource available to adhere to funder requirements. To address this issue, this report recommends that funding for core administration within the CSP be subject to this same \$75,000 funding cap, rather than being capped at a maximum of 25 percent of an organization's total allocation.

If approved, these changes to the CSP funding cap will be implemented beginning with the 2009 funding cycle.

## **Length of Approval Process**

The Wellesley Institute's report found that the length of time funders take to approve funding caused staffing and programming challenges for some organizations. The City's approval process, which includes appeals heard at a sub-committee, Committee approval and Council approval, can span several months. Given the timing of the City's budget process, the length of the approval process means that funding may not be approved until June. This can cause significant hardship for organizations with a fiscal year that begins in January.

This report recommends two changes to address this challenge. First, changes are recommended to the payment schedule for partnership programs. Under the current model, funding is generally issued in a single payment once Council approval is in place and all of the administrative requirements of the previous year have been addressed. A payment of up to 40 percent of the previous year's allocation may be made as an advance payment at the beginning of the organization's fiscal year; however, organizations must apply for such an advance.

To reduce the administrative burden on organizations, the Community Services Partnership program will begin to provide all organizations eligible for advance payments under the conditions described in the Council approved "Program Standards and

Performance Measures” (2005) with advance payments at the beginning of their fiscal year. The balance of the allocation, including any approved increases, will continue to be issued only when all reporting requirement for the previous year have been met. This change in practice will be implemented beginning with the CSP’s 2009 funding cycle.

To properly implement this change in advance payment processing, this report recommends that the authority to approve advance payments to partnership programs be updated to reflect the City’s 2005 administrative restructuring. In 1999, Council delegated this authority to the Commissioners or their designates. This report recommends that, consistent with the roles and responsibilities established under the City’s new administrative structure, this authority be delegated to division heads with responsibility for the administration of partnership funding. This change aligns the existing authority to approve advances with the City’s new administrative structure.

Second, this report recommends that only those partnership organizations that have requested an increase or are recommended for a reduction in their allocation go forward to Council for approval. Organizations that have already had their assessment as a partnership organization and corresponding allocation approved by Council in a previous funding period would not require Council approval so long as only technical adjustments to the allocation, such as program-wide cost of living adjustments, and the transfer of funds among funded programs were required. This approval process mirrors the process in place for other vendors from whom the City purchases goods and services. If approved, this recommended change will be implemented in the CSP program’s 2009 funding cycle.

## **Multi-Year Funding**

One of the key issues identified in the Wellesley Institute’s report and in other similar reports is the lack of availability of multi-year funding. Funding programs with annual application cycles increase the administrative burden on organizations, and have the effect of frustrating efforts at longer term planning.

Ironically, within the City’s Grants Accountability and Risk Management Framework, an organizations ability to undertake longer term planning reduces the assessed level of risk to the City. As a result, shorter funding periods have the effect of raising the assessed level of risk across City-funded organizations, creating a greater administrative burden both for funded organizations and for the City.

The Community Services Partnership currently offers two year funding option for eligible partnership organizations. Under this model, partnership organizations submit a full application and undergo a detailed assessment in the first year. In the second year, organizations submit an “update” application that is less detailed, and undergo a more basic assessment.

This report recommends the elimination of the current two-year assessment cycle used in the CSP. In its place, eligible partnership organizations would be provided with the

option of entering into a 12-, 24-, 36- or 48-month funding period depending on their assessed level of risk.

Eligible organizations opting for longer funding periods would enjoy the increased stability provided by an annual allocation that remains constant, although still subject to Council's approval of the partnership program budget. In return, organizations would forgo the possibility of requesting increases in funding during the established funding period. Eligible organizations would have the flexibility to determine the length of funding period that balances their need for stability with the possible need for increased funding in a way that best suits their particular situation.

During the established funding period, partnership organisations would be monitored according to their assessed level of risk, and would be required to submit information necessary to this monitoring process. Technical adjustments to the funding amount, including program-wide cost of living adjustments, and the transfer of funds between approved programs, would be handled using administrative processes.

If approved, this recommended change to the available funding periods will be implemented in the Community Services Partnership Program beginning with the 2009 funding cycle.

## **Multi-Year Budgeting**

Although not strictly an administrative issue, the work group also identified that the lack of a longer term planning process for City partnership program budgets has also had a significant impact on funded organizations. In the absence of a longer term planning process, increases to partnership program budgets have been largely sporadic, and have not kept pace with inflation or with community needs. For example, the Community Services Partnership Program 2004 budget of \$10,136,974.00 is equivalent to a 2008 budget of 11,052,320.36 when adjusted for inflation. In fact, the CSP budget has been increased only once over this five year period, and at the actual 2008 approved budget of \$10,926,477.11, has lost 1.2 percent of its equivalent 2004 value. Funded organizations have had to absorb this funding loss, resulting in a reduction of the resources available for both administration and programming.

The lack of a longer term planning process for partnership program budgets could be addressed with a change in the funding administration cycle. Shifting the application cycle so that organizations submit applications in June for funding in the next fiscal year would allow staff to assess the demand for increased allocations and rank requests for additional funding against City priorities and funding criteria in advance of the City's budget process.

This ranking and assessment of demand would be reviewed by Council, and a proposed funding envelope established for consideration during the budget process. At the same time, Council would set a proposed funding envelope for the subsequent two years, and thereby establish a three-year rolling plan for partnership program budgets.

Such a process would have a number of benefits for partnership organizations. First, the ability of organizations to engage in longer term planning would be improved with the City's move to longer term budget planning. Second, by approving allocations in the late summer or fall, the Council approval of allocations would be complete with the approval of the City budget, several months earlier than it is now completed. Finally, the introduction of a budget planning process will allow Council to set funding goals against its priorities, and potentially increase the funds available to support community organizations and their programming.

However, this approach may also have consequences for organizations that may impact negatively on their administration. Organizations would be required to apply for funding approximately four months earlier than they do currently. As a result, the length of time between the date of application and the start of their fiscal year would also increase by four months. These additional months may make the development of projected budgets and statistics for the upcoming year more difficult. In addition, application deadlines for the Community Services Partnership program and United Way Toronto would no longer coincide. The United Way and CSP share many common organizations, and a change in the timing of the funding cycle could increase their administrative burden.

This report recommends that staff consult with partnership organizations on the development of an implementation plan to support a demand-driven, three-year rolling budget planning process for the Community Services Partnership program. During this consultation process, options to mitigate the negative impact of such a change on funded organizations will be explored, and an appropriate implementation timeline determined. If this recommendation is approved, staff will report back on the consultations and implementation plan to the Community Development and Recreation Committee's October 2008 meeting.

## **Next Steps**

To address some of the unique issues of investment programs, staff will be working with organizations most affected by investment programs to develop recommendations to streamline and improve funding administration in these funding programs. The recommendations developed will be reported to the Committee's December 2008 meeting.



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**SIGNATURE**

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**ATTACHMENTS**