

March 2022

The Winnipeg Model

New financial tools to address homelessness.

Connecting what we have,
to what we need.



What's Different About The Winnipeg Model?	1
Introduction	2
Winnipeg's Indigenous Advantage	3
Cycles of Crisis Intervention	3
An Old Tool Used in a New Way	4
Enabling Scale by Unlocking Three Powerful Forces	5
A Note on Risk	7
The Need	8
Procurement Steps	12
Asking the Right Questions	13
Creating Room for Solutions to Grow	15
Why Winnipeg?	16
Conclusion	17
Appendix 1 - Frequently Asked Questions	18
Appendix 2- American Hospital Investments in Supportive Housing	19
Appendix 3 - Procurement Compared with Funding, Social Impact Bonds, Privatization, Outsourcing and Defunding	20
About Encompass Co-op	23
What the Winnipeg Model will not be good at.	24

Disruption caused by **technical innovation** has caused profound societal changes in a short period of time with the rapid adoption of new technologies. Some recent examples include movie streaming, digital photography and smartphones. In order for the transformation to take place, consumers had to be given the ability to compare between the incumbent technology and a new option.

Similarly, **social innovation** is causing profound societal changes with rapid adoption of new financial tools. **Procurement** frees up governments (emergency service providers, Justice and Health) to do a value comparison between the incumbent way of doing things (perpetually responding to the same people experiencing predictable crises) and a “new” option - purchasing workload reduction.

What's Different About *The Winnipeg Model*?

Note to Nonprofits: New resources coming from foundations will allow you to scale up what you know works. This is an additional revenue opportunity, not a replacement for funding. It is your path to finally ensure governments value your work. Risk is borne by the foundation.

Note to Frontline Workers: We agree with you that defunding, privatization and outsourcing will take us in the wrong direction. Procurement will lessen your workload and free you up to focus on your core mandates.

Note to Governments: Being a customer has its benefits - you'll no longer have to say no to offers of help which you know will save money and create better outcomes. *The Winnipeg Model* is your path to taking pressure off your budgets by reducing workload. You'll be able to work with all levels of government much more easily.

Note to Foundations: The granting work you're doing is amazing. Much of it has been with the hope that governments would see the value proposition of funding solutions in a way that real progress can be seen and felt. Making it easy for governments to make the transition will both be good for your endowments and your overall impact.

Note to Business Community: We have noticed you stepping up. You can use your influence to ensure governments adopt *The Winnipeg Model* and to do it now. You can also offer to work with the nonprofit housing sector too to provide capital for new housing stock on terms acceptable to them.

Introduction

When it comes to addressing homelessness, Winnipeg is stuck.

It's not that Winnipeggers don't care. We all want to see positive change. But after years of government announcements and pleas from advocates, we have troubles seeing light at the end of the tunnel.

In December 2021, Winnipeg Mayor Brian Bowman told the CBC his biggest regret after seven years in office is lack of progress on homelessness. "The fact that we have far too many people living unsheltered and on our streets should be unacceptable to all Winnipeggers."

On March 25, 2022, the government of Manitoba released feedback that it received on homelessness consultations with stakeholders. There is agreement - the problem is significant and needs to be addressed.

The Winnipeg Model proposes something new, though it uses existing resources and relies on time-tested non-profit strategies. This new approach will not end homelessness entirely, but it will take us firmly in that direction.

The model we propose does not involve privatization, outsourcing, social impact bonds, defunding or replacement of funding that nonprofits are currently receiving. It does involve a major scale-up of the good work that nonprofits do but because managing this problem costs more than preventing it, the model does not rely on more overall government spending.

"POVERTY IS CAUSED BY THE FAILURE OF THE SYSTEMS THAT PEOPLE ARE INTERACTING WITH." Shaun Loney, Encompass Coop

We think of this model in terms of nonprofits having the opportunity to compete fairly with existing approaches. But they can only do that if the existing costs are publicly available.

We can address homelessness by modernizing how foundations and governments (emergency service providers, law enforcement and health agencies) engage nonprofits. There are two consequential implications. The first and most important is that governments be transparent about the resources they are putting into responding to particular cohorts of people so that a fair comparison can be made with alternative approaches. This available income stream triggers the second force for good as foundations begin to shift their investments - 96 percent of their resources - in such a way so as to add mission-aligned social impact.

We would propose that governments extend procurement - a tool well known to them - to enable this comparison and free them up to select the option that's of best value to the taxpayer. When we do, we will have connected what we have with what we need. This model is highly applicable to a wide variety of issues, including homelessness in Winnipeg.

Winnipeg's Indigenous Advantage

One of Winnipeg's greatest assets is the Indigenous wisdom embedded in the interventions offered by nonprofits, many of which are Indigenous-led and governed. The model we outline below comes out of a series of discussions hosted by Raven Indigenous Capital Partners. Indigenous voices, including Elders, were central.

Different from other attempts to break from the status quo, our model is "community-based" and creates an ecosystem in which nonprofits have the freedom to use whatever means and methods they determine best to achieve the outcome, not what a funder dictates.

We call it ***The Winnipeg Model*** because Winnipeg is well positioned to implement a procurement based approach to addressing homelessness.

Raven is in the process of partnering with Aki Foods to use procurement to address diabetes in the Island Lake region of Manitoba and Aki Energy to create employment through the installation of ground source heat pumps in several Manitoba First Nations. We are privileged to also be involved with these innovative social enterprises.

Cycles of Crisis Intervention

One of the reasons why this approach will work is the poor value for money that the current system is achieving.

The \$110 million At Home/Chez Soi study tracked people who were homeless and received supportive housing over a four year period. Data from the study showed that a known group of people experiencing homelessness can interact with emergency services 200 or more times per person per year.

The cost of the combined workload amongst fire, paramedics, the ER, addictions treatment, courts and jails to respond to predictable crises was shown to be double or more the cost of providing interventions that would prevent the need for response in the first place. This value proposition holds true to varying degrees for large segments of people experiencing homelessness.

Advocacy groups such as the Right to Housing Coalition recommend many important tools that governments already have that can be used to alleviate the homelessness crisis but are not being leveraged. Some of these tools include turning over surplus or vacant land to nonprofits as they become available, tax increment financing, tax credits for adding additional suites to existing homes and adding staff to ensure developers are taking advantage of available tools. Procurement as we propose here is IN ADDITION TO these important tools, not in replacement of.

The system we have right now effectively maintains a population in place, doing so in a comparably expensive way. This is because the type of crisis response provided is unlikely to prevent another crisis from happening.

“THE COMPLEXITY OF PEOPLE’S NEEDS REQUIRES A HOLISTIC RESPONSE. PIECEMEAL, PILOT AND TERM FUNDING DOESN’T ALLOW OUR SECTOR TO BUILD WHAT WE KNOW WORKS. OUR NEIGHBOURS EXPERIENCING HOMELESSNESS NEED A WAY FORWARD TO A ROBUST AND FULSOME SUPPORT MODEL THAT CAN END SUFFERING BY PROMOTING THRIVING.”

Tessa Blaike Whitecloud, Executive Director Siloam Mission

Many nonprofits in Winnipeg provide exceptionally valuable services to people experiencing homelessness, including supportive housing. Nonprofits tend to be small, under-resourced and distracted from their good work by red tape, funding applications and reporting requirements that are about the spending of the money, rather than the outcomes of the work.

“IT’S RATHER EXCITING TO US THAT THERE ARE SOLUTIONS THAT WORK AND THAT THESE SOLUTIONS ARE NOT ONLY MORE HUMANE, THEY ARE ALSO MORE COST-EFFECTIVE THAN WHAT WE’RE DOING NOW. THE QUESTION IS: HOW DO WE MAKE IT HAPPEN?” Lucas Stewart, Encompass Coop

An Old Tool Used in a New Way

Governments generally fund their departments and agencies based on anticipated workload. Workloads across multiple government agencies have been steadily increasing for some time – consequently the public resources required to maintain service levels and response times have increased correspondingly.

To acquire the goods, services, staff and capital necessary to manage these problems, governments use a well-developed tool called procurement.

Procurement has many advantages, notably that by engaging businesses, they get what they need. They select the option that is of best value to the taxpayer. However, this process is typically only used when dealing with the private sector or in managing the problem. When governments engage nonprofits to reduce the problem, they use funding. So nonprofit solutions aren’t part of the comparison.

The Winnipeg Model uses procurement to allow emergency service agencies to compare the resources required to respond to a particular group of people to what nonprofits would charge for preventing the contact in the first place. Using procurement allows them to buy this benefit and pay for it out of the savings generated.

Not only would there be cost savings but there’s the added value of each agency being freed up to focus on their actual mandated purpose.

To be clear, governments would continue their existing funding relationships with nonprofits. This commitment should be confirmed in writing to overcome mistrust built up between the nonprofit sector and government. On top of existing funding, nonprofits will support cohorts of people in regular contact with emergency service providers and get paid for the workload reduction that they deliver.

Manitoba Justice can buy a reduction in the number of court appearances and jail time for a specific cohort. Manitoba Health can buy a reduction in visits to the ER or nights in the psychiatric ward. Paramedics, police and fire responders can each buy a reduction in dispatches and so on.

The key is that instead of asking emergency service providers to fund supportive housing to address homelessness – which is outside of each of their mandates – they can procure the impact that supportive housing has on each of their agencies.

Currently, the role of funding supportive housing is embedded in Federal and Provincial departments (disconnected from emergency service providers) and these efforts should continue – but procurement adds to these efforts by providing a mechanism for police, fire, ambulance, courts, jails, ER and mental health agencies to get involved. In each case, the relevant government agency would pay the nonprofit AFTER the workload is reduced and only if there has been net benefit to them.

The revenue stream from just one agency will, in most cases, not be enough to pay for supportive housing. But many other agencies will also be in regular contact with the cohort and their workload too will also decrease. When the nonprofit adds revenue streams from each agency, there will be enough to offer the holistic intervention.

Enabling Scale by Unlocking Three Powerful Forces

Utilizing procurement unlocks three important forces that will enable scale:

1. Enabling power of investments to be applied to the impact of nonprofit work;
2. Enabling foundations to connect both their capital AND their granting to the work of nonprofits, and
3. Practical connection of nonprofit solutions to health, justice, and policing budgets.

Virtuous Investment Cycles

Funding is scarce and under heavy demand, and feels like an expense to governments. Saying “yes” to one nonprofit means saying “no” to another regardless of whether there is financial payback.

In the business world, money flows to where there is a positive rate of return. As long as there is a rate of return, the flow of money will grow. The key is that the investment is triggered by a

likelihood of a positive revenue stream. This is extremely important as there is a positive feedback loop which sustains a virtuous cycle.

A supportive housing project is a financial net positive to broader government finances, but with funding, there's no mechanism to value the financial impact. When governments create "markets for solutions", the power of investments will be triggered.

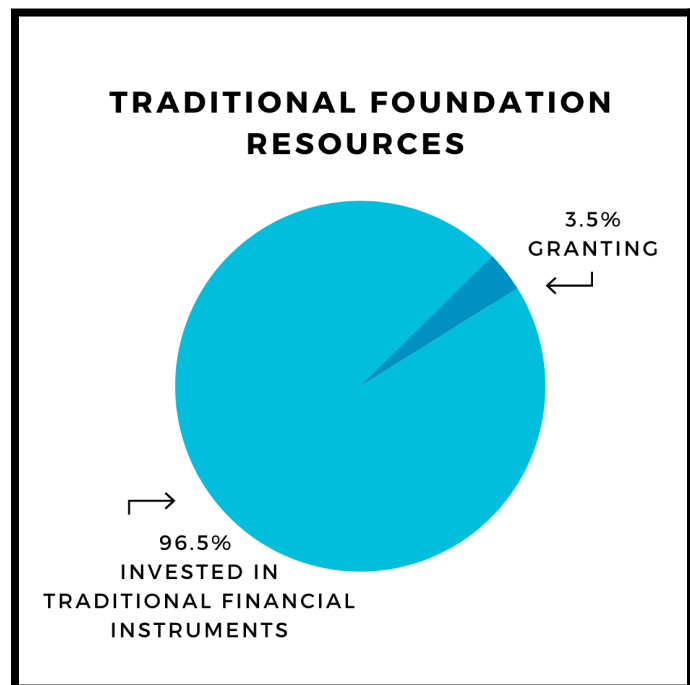
Accessing New Pools of Capital

There are 10,000 foundations in Canada with over \$80 billion in assets. By law, foundations are required to annually disburse an amount equal to 3.5 percent of their holdings. To simplify slightly, a foundation with \$10 million in assets must distribute \$350,000 annually in grants. In other words, of the large amounts of capital held by foundations, only a tiny percentage is available to support the work of nonprofits. Procurement provides the revenue streams to enable foundations to begin to shift their endowments - not just grants - for the common good.

This form of foundation involvement is not wishful thinking. Major foundations in Canada are prepared to enter these sorts of arrangements. Their confidence and willingness to put millions of dollars on the table, and assume the risks, is part of the reason we are so excited about the possibilities that lie ahead.

"FOUNDATIONS ARE A NATURAL FIT TO PROVIDE FINANCING. IF GIVEN THE OPPORTUNITY, FOUNDATIONS WILL CHOOSE INVESTMENTS THAT EARN BOTH FINANCIAL AND SOCIAL RATES OF RETURN. THEY WILL ALSO SEE THE OPPORTUNITY TO REINVEST THEIR RETURNS TO FURTHER GROW THEIR IMPACT. THIS CYCLE OF INVESTMENT IS HOW WE GET TO SCALE." Marc Soberano

- Exec Director of Raising the Roof, a Toronto-based non-profit that is a leader in preventing homelessness



Winnipeg Foundation Total Endowment as of Sept 30, 2020	\$1.4 billion
Investments in Canadian Real Estate and Mortgages (Included in the Endowment)	\$189 million
Total Market Activity in 2020	\$1.3 billion (95 percent)
Total Grants in 2020	\$73 million (5 percent which is generously above CRA minimum)

"RELYING ON FUNDING ONLY TO ADDRESS HOMELESSNESS IS LIKE USING A SQUIRT GUN ON A FOREST FIRE. WE NEED TO USE THE SAME FINANCIAL TOOLS THAT ARE USED IN THE MAINSTREAM ECONOMY."

Marc Soberano, Raising the Roof

Connecting Nonprofits to Justice, Health and Policing

In the funding world, the resources for interventions like supportive housing are limited, disconnected and siloed from larger budgets such as policing, at the ER and in courts and jails.

Using procurement, each agency would see the benefit of paying only for the impact that supportive housing has on their workload and especially if they can pay AFTER the workload has been shown to decline.

Procurement can connect one intervention to multiple nonprofits because supportive housing reduces the impact on Police, ER and Justice workloads. Procurement allows for a transparent way for all these agencies to be a part of the solution by giving them the tool to simply pay for the financial value of the workload reduction on their own system.

There are many capable and qualified nonprofits in Winnipeg just waiting to grow their impact. And there are many different cohorts that can be identified where nonprofit solutions will be more cost-effective than business as usual.

Nonprofits are used to competing with each other for funding now. The new competition will be between what they have to offer and the costs of business as usual in Justice, Health and in policing. The pie will be much larger and a system of nonprofits working together for broader impact will emerge.

A Note on Risk

With funding, nonprofits receive money upfront from government. Because the risk sits squarely with governments, it requires heavy administrative burdens to be placed on both parties. In *The*

Winnipeg Model, money is still provided upfront but in partnership with foundations who have a more sophisticated risk tolerance and timelines that aren't impacted by political election cycles.

Nonprofits have the risk of having their funding contracts terminated early or not renewed after the expiration of the contract. This is exacerbated by a four year election cycle, where political whims can shift dramatically. On the other hand, procurement agreements are enforceable in a court of law. Governments are obligated to follow through or pay financial penalties.

Foundations have a greater capacity to evaluate and potentially absorb risk. If for some reason the intervention doesn't have the desired impact, they are able to call the arrangement a grant and to try again using different methods.

The Winnipeg Model moves us firmly towards what we all want: more supportive housing and less red tape, fewer paramedic hours waiting in ER rooms for transfer of care, fewer police calls that are not related to actual crime, fewer homeless people lurching from crisis to crisis and so on.

This White Paper will outline the exciting, and relatively straightforward, realignment of roles and responsibilities that is already underway, laying the groundwork to turn the corner on stubborn and expensive social issues like homelessness.

The Need

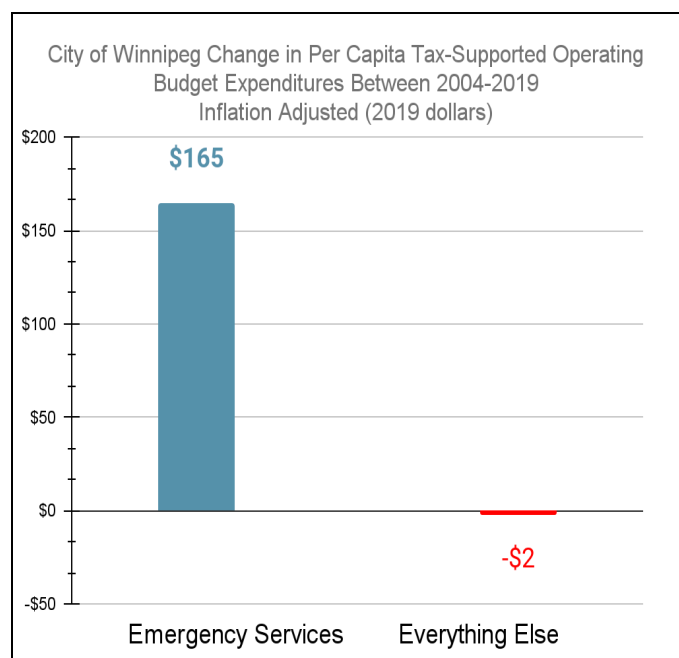
The Winnipeg Model addresses two connected needs; finding the resources to effectively address systemic homelessness, and curbing the unsustainable growth in emergency response budgets.

First and foremost, homelessness is a human tragedy for those on the streets, as well as for their loved ones, from whom they are often estranged. Many of us can't imagine spending a single night outside let alone being without a home permanently. These Winnipeggers are struggling and suffering. Real, actual action is needed and it's needed now.

Homelessness also has broader ripples. In crass terms it is also bad for tourism and bad for business in general in certain areas. To some extent, homelessness is holding back the development of downtown.

The results of unabated systemic homelessness increase the financial costs incurred in responding to people who are legitimately in crisis, for police, fire and paramedic services, courts, jails, mental health services, addiction treatment and emergency rooms.

“WE ARE STEADFAST IN OUR BELIEF THAT INCREASED SPENDING IN THESE AREAS WILL MAKE WINNIPEG A MORE EQUITABLE CITY AND THAT IN THE LONG RUN, SPENDING IN OTHER AREAS WILL DECREASE.” CCPA 2018 Alternative Municipal Budget



In Barrie, Ontario, a segment of people experiencing homelessness averaged 21.7 interactions each with emergency services over six months. Each of these incidents triggered a series of interactions with a string of emergency service providers.

In Victoria, BC, 324 people with mental health challenges, drug addicted and experiencing homelessness were in contact with the Victoria Police Service 23,033 times over a 40 month period requiring \$9.2 million in staff time. Contact with other agencies was not tracked but would be substantive.

Budgets for Winnipeg emergency services (police, fire and paramedic) continue to grow at an unsustainable pace, essentially gobbling up all revenue increases.

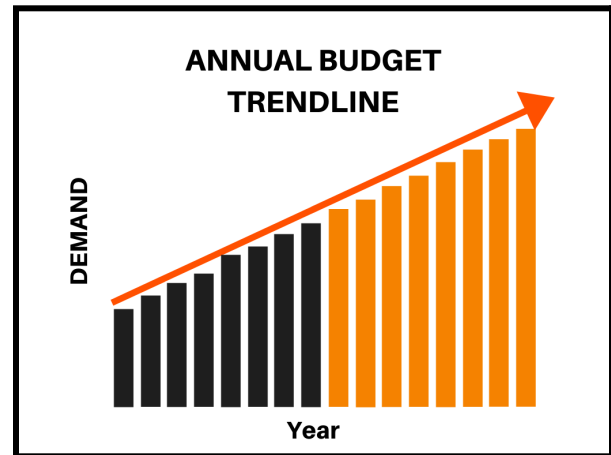
Between 2004 and 2019, city spending on emergency services increased by \$163 per capita (adjusted to 2019 dollars), while spending on all other tax-supported operating expenses decreased by \$2 per capita.

In other words, for tax-supported operating budget expenditures, emergency services continue to grow while the combined budget of everything else remains static. That is a troubling trajectory. A wide range of city services are held captive to perpetual increases in emergency budgets.

As emergency response budgets rise, emergency responders are having to do more and more work that is ill-matched to their training. In Barrie, Ontario—where we have worked for some time—Police Chief Kimberley Greenwood says: “95% of the calls that we respond to are non-criminal in nature, and mental health and addiction is the root cause of many of those calls.”

“TOO OFTEN OUR COLLECTIVE RESPONSE TO SOCIETY’S BIGGEST CHALLENGES IS TO DO MORE OF THE SAME.”

Kalen Taylor, Executive Director Purpose Construction1



The At Home study found that provincial governments, on average, incur three quarters of the costs related to addressing homelessness with cities covering the rest. *The Winnipeg Model* offers a seamless tool allowing each emergency service agency to focus on its own needs. Governments can move on from squabbling over who should pay to capturing net cost reductions and service delivery benefits.

There’s likely no better place to see the benefits than to look at how homelessness is driving up costs in our healthcare systems. A 2021 report by the American Hospital Association, composed of nearly 5,000 U.S. hospitals and other care providers, says a third of emergency department visits are made by “individuals who experience chronic homelessness.” We are not aware of comparable data for Winnipeg but the correlation between homelessness and ER usage exists here as well.

US hospitals are investing hundreds of millions of dollars in supportive housing, and they are doing so because reducing ER visits is good for their financial bottom lines. Here in Canada, the responsibility of housing is in a disconnected department that doesn’t reap the financial benefits of housing investments. In the U.S., hospitals are justifying their involvement based only on health outcomes - imagine what can be done here in Winnipeg if we layer on benefits associated with all the other agencies that are positively impacted by interventions offered by nonprofits. We aren’t advocating of privatization of health care. We are advocating for giving

the health system a tool to get involved in a way that makes sense. They can even leverage benefits that housing for homeless people would generate in Justice and policing. See Appendix 2 for more.

The Winnipeg Model serves to modernize the relationship between governments and nonprofits so that these value propositions become apparent and can be acted upon quickly. Do police officers want to respond to people sleeping in bus shelters? Do paramedics want to sit for hours in emergency rooms waiting for the patients they bring there—some of them homeless—to be attended to? Do ER doctors want to repeatedly treat people for visits plainly linked to lack of supportive housing?

These highly trained people should be freed up to focus on what they do best. And people who experience homelessness should have the ongoing support best suited to them.

“THE MAJORITY OF OUR WORK AS POLICE IN CANADA IS RESPONDING TO CRISES THAT ARE VERY PREDICTABLE AND WHAT’S PREDICTABLE IS ALSO PREVENTABLE.”

Dale McFee, Former President, Police Chief Association of Canada

An International Example of Outcomes Purchasing in Health

Israel is home to roughly 500,000 pre-diabetic patients who are at high risk of developing Type 2 diabetes. Under their model, which has strong elements of Outcomes Purchasing, nonprofits, including Kupat Holim Clalit, are working with 3,500 pre-diabetics to implement proven and effective strategies to lower blood sugar levels. Government pays an agreed upon amount per pre-diabetic that doesn’t become diabetic within five years.

Procurement Steps

Step 1: Establish the Partnership and Identify the Cohort

The Winnipeg Police Service (WPS) meets with an established nonprofit – let's call it the Winnipeg Homelessness Solutions Agency (WHSA) and a foundation willing to be a part of the solution. They all see how procurement can allow them to partner in a mutually beneficial way. The WPS and the WHSA jointly identify 100 people ("the cohort") who are in regular contact with the WPS and also would be a good fit for support that could be delivered by WHSA. This particular cohort struggles with mental health issues and are chronically homeless.

Step 2: Creating the Market for the Solution

The WPS establishes that, in the last 12 months, they were dispatched 1,000 times in response to crises experienced by the cohort (mostly transferring them to Winnipeg hospitals for treatment). The WPS fully expects that another 1,000 dispatches related to this cohort will be required in the upcoming year.

Step 3: The Procurement Agreement

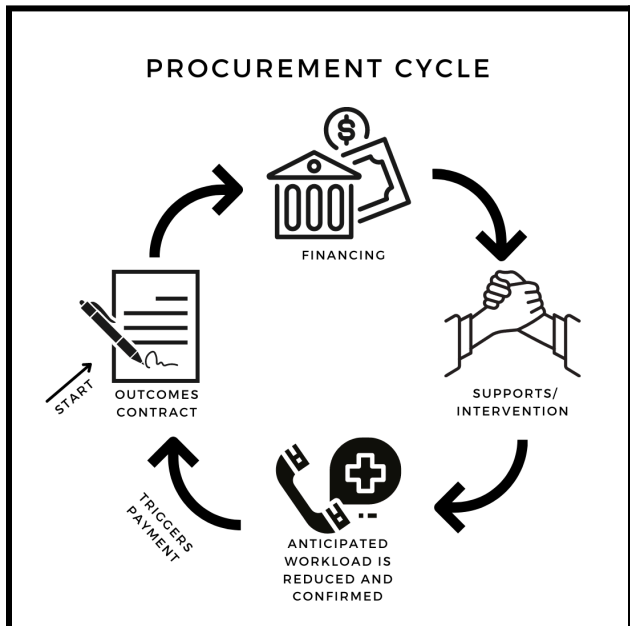
The WPS negotiates a procurement agreement with the foundation who is to be paid annually for each dispatch below the expected 1,000. The WPS agrees to pay for "avoided dispatches" AFTER the outcomes have been delivered.

As with all procurement agreements, the basics are **price** multiplied by **quantity** (number of dispatches reduced).

Note that this cohort is also in frequent contact with hospitals so the foundation is free to sign similar procurement agreements with them with the deliverable being "reduced visits to ER".

Step 4: The Foundation Arranges Upfront Resources for WHSA

The foundation uses both expenditure projections from the WHSA and revenue projections derived from procurement agreements with the WPS and Health to demonstrate that it has a solid value proposition. Financing is secured from the foundation's investment committee who like the idea of getting a social impact on top of a financial return.



Step 5: People Are Supported

The WHSA provides the intervention that will work the best for the specific cohort. These holistic, customized supports will likely include supportive housing.

Step 6: Invoicing

After 12 months, the WPS reviews the year's experience and shares the results with the foundation showing the number of actual dispatches related to the cohort. The foundation issues an invoice for payment equal to the negotiated rate X the number of avoided dispatches (1000 less the actual number). The longer term the contract the better for all involved. .

Note that there is not an overall cut to emergency service budgets but a reduction in the need for future budget increases. We discuss this benefit below.

Asking the Right Questions

How many units of new affordable housing is needed to address homelessness? How much is that going to cost? Who is going to pay for that? This line of questioning aims at determining how to pay for an expense.

We feel the approach to making actual progress is to ask how many cohorts of people are in constant contact with emergency services. How much are we planning to spend on responding to this demand? For how long? What would be the financial benefit if we could reduce or avoid these contacts from happening all together? Who is best suited to accomplish this? This line of questioning will lead us to how best to spend our money.

“OUR (MUNICIPAL) BUDGETS ARE BASED ON AN OUTDATED MODEL. WE NEED NEW FINANCIAL TOOLS THAT PRIORITIZE PREVENTION OF PROBLEMS SO THAT A CRISIS DOESN'T HAPPEN IN THE FIRST PLACE.” Mayor Jeff Lehman, Barrie, Ontario

Right now, governments are limited in how they evaluate the effectiveness of their spending. They use metrics like overall cost per capita compared to other cities or the number of officers per capita compared to other cities. While interesting, these stats do not allow the public to assess the cost effectiveness of police at delivering on its own mandate in comparison to available alternatives.

Social innovation will change our answer when we're asked whether or not we're doing a good job. We will reference more desirable metrics like, for example, a reduction in the number of emergency service dispatches and we will report on a marked decline in the number of people living on the streets.

The big change starts to take shape when we “see” that there is an abundance of resources that could be made available if we start using existing spending to get the best value. Value propositions will be continually renewed, leading to a natural level based on performance.

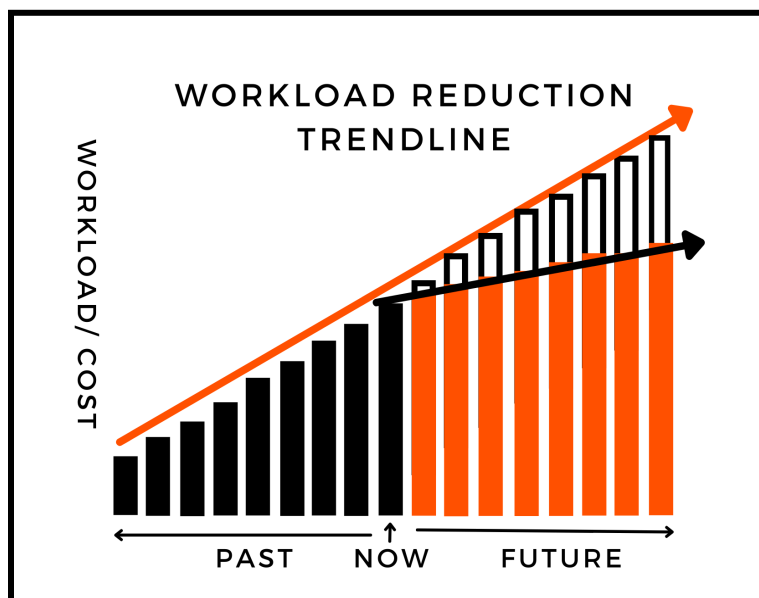
“TO MAKE SMALL CHANGES YOU SHOULD DO THINGS DIFFERENTLY. TO MAKE BIG CHANGES YOU NEED TO SEE THINGS DIFFERENTLY” from Encompass Co-op’s short film ***Broke. The Business of Systems Change.***

Creating Room for Solutions to Grow

We think of this model in terms of nonprofits having the opportunity to compete fairly with existing approaches. But they can only do that if the existing costs are publicly available.

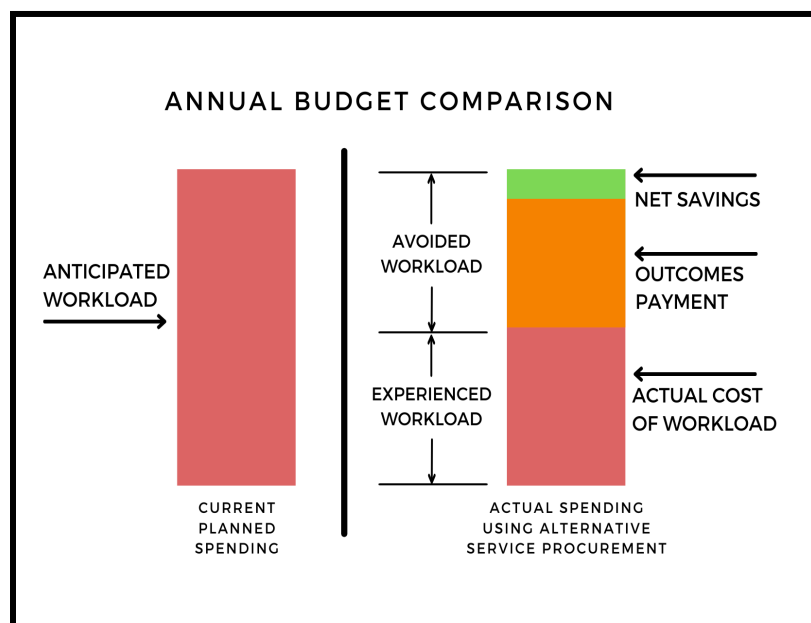
A litany of academic data has been produced estimating costs of interactions, however, governments have never before been asked to express the costs of their workload themselves.

A helpful way to value what workload reduction is worth is to look at what emergency service providers are asking for in new resources to meet increased or anticipated new demand.



If one agency, for example, says “our workload is going to go up by 10,000 units next year (for example dispatches) so we need \$10 million new dollars to maintain existing service levels (for example dispatch time) then it’s a reasonable deduction to assume reducing this anticipated demand by 10,000 units must also be worth around \$10 million.

Electrical utilities make this calculation all the time when they figure out the value of energy efficiency measures. It’s worth a lot to them to delay the building of or avoid having to pay for new generating stations. They have a very clear business case to pay four cents per kilowatt hour to reduce electricity use rather than pay nine cents per kilowatt hour to generate more electricity. Economists call this “opportunity costs” representing potential



benefits. Understanding the benefits of alternative service delivery - in the same way utilities engage in energy efficiency - is the key to “finding the money” to address homelessness.

We often hear a concern that departments or agencies will experience a budget cut. This is not the case with our model. The model allows for better value for money and reduces future increases.

Why Winnipeg?

Several factors make Winnipeg the ideal place for The Winnipeg Model to flourish.

First, our nonprofit sector is second to none. There are about 7,500 nonprofits and charities operating in Winnipeg. This includes many innovative Indigenous organizations. This sector has built up expertise and relationships for decades. They know precisely how to keep people off the streets.

Second, Winnipeg's social enterprise sector is the most advanced in the country. Emerging from the non-profit sector, Winnipeg boasts numerous successful social enterprises: BUILD, Purpose Construction, Aki Energy, Aki Foods, Diversity Foods, SSCOPE, Imaginability, Mother Earth Recycling, and more. These social enterprises employ many hundreds of people who would otherwise not have access to the labour market. Embedded in the sector are the learnings from strong Indigenous economies that revolve around valuing solutions. With firm roots, this sector is ready to grow.

Third, the business sector has shown its eagerness to contribute to a society that works well for more people. They have encouraged government action to address homelessness and they have directly supported many initiatives, including construction of new affordable housing and financial support of a downtown safety and wellness program.

Fourth, we have several caring and innovative foundations, including the Winnipeg Foundation, which is the oldest and one of the largest community foundations in the country, with \$1.4 billion in assets. Its history of supporting Winnipeg through its grants is profound. There are also First Nations trusts, local credit unions, pension funds, concerned businesspeople and caring citizens who could also provide pools of social investment capital.

Fifth, we believe the common-sense practicality of Manitobans will be reflected in their elected leaders, who we hope will embrace this common sense model.

Sixth, the need in Winnipeg is significant. Systemic homelessness has taken root here. Rates of crime, incarceration and poverty are high. We have much to gain from change.

Conclusion

Winnipeggers care, we all want to see positive change. To see the light at the end of the tunnel we however have to see things differently.

The Winnipeg Model proposes something new, though it uses existing resources and relies on time-tested nonprofit strategies. This new approach will not end homelessness entirely, but it will take us firmly in that direction.

The path to addressing homelessness is to modernize how governments and their emergency service providers function by adding a new tool that will allow them to tackle their own workload. Key to this is governments bringing nonprofits into their procurement options. This enables them to compare projected costs and benefits associated with achieving their mandates to the costs and benefits offered by the nonprofit sector. Currently, funding initiatives that reduce workload are disconnected from emergency service providers. Procurement allows them to connect what we have with what we need, selecting the option that's of actual best value to the taxpayer.

While nonprofits and foundations need to do things differently, there is a fair amount of familiarity in *The Winnipeg Model* with how they conduct themselves now. Governments however will need leadership from both political and civil service quarters to bring the new paradigm to light.

Firstly, governments have never been asked to value their own deliverables. By instituting a mechanism that has the capacity to compare, we may find that there are significant financial savings to be had. It is imperative that this information is made public and that the markets for the solutions are created. This isn't how things are done now but doing things differently is the only thing that will work.

Secondly, government departments are funded in relation to workload. If their workload goes down, they may fear being financially punished by their Treasury Board or Council masters. Civil servants who value being effective should be in charge of these departments and civil servants who are protective of their domains in favour of poor outcomes should be kept well away from the corridors of power.

When it comes to addressing homelessness in Winnipeg the old models have taken us as far as they can - we are at the end of that particular road. When we start to see things in this new light we can see a clear path that will take us in the direction that we all want to go and the good news is that we may very well find that we already have everything we need.

Appendix 1 - Frequently Asked Questions

The City of Winnipeg received a report from Harvard about establishing a 211 service. Is this not the same thing as what's being promoted here? An emergency requires an emergency response. Procurement is more about reducing the number of calls in the first place.

Why let governments off the hook by shifting responsibility to nonprofits? To the contrary, this model actually increases government resources into the nonprofit sector.

Why not just fund for outputs (that is, fund a non-profit on the basis of its outputs)?

Procurement is sometimes confused with funding tied to outputs. An example of governments paying for an output might be the funding for a non-profit shelter based on the number of nights people spend in the shelter, or the number of meals they provide. But we distinguish between outputs and outcomes. The outcome is a financially quantifiable benefit to the government agency.

Is this “defunding the police”? Defunding puts the police in the situation of having to respond to a growing workload with fewer resources. Procurement reduces police workload—something that police like. This frees them up to focus on actual crime. Defunding the police also leaves solutions undervalued because it doesn't directly engage other systems such as Justice and Health.

What if agencies refuse to sign procurement agreements? Governments that choose more expensive approaches with poorer outcomes, especially in this period of reconciliation, should be held accountable. If an agency says “our workload is projected to increase by 5 percent so we'd like a 5 percent increase to keep service levels to the public intact, politicians allocating resources can ask - “well what options have you explored to decrease your workload?” This is what effectiveness is vs efficiency.

Why would a health authority or police service pay for supportive housing when it is not in their mandate? To the contrary, each agency pays for the impact that supportive housing has on them.

Why does this model require cohorts? Working with a cohort allows for the identification of a clear baseline—the number of interactions in the previous year. Then the data for those same people in the following year can then be compared to the baseline year to reasonably calculate the number of dispatches or visits avoided. Cohorts are also better than just using data for individual people because with individuals, protection of privacy becomes an issue.

What about the people who do not fit in a cost-effective cohort? Procurement starts with the people who have the greatest needs, and then works on to other cohorts. Ideally, this relieves pressure on the entire system, so that government agencies and nonprofits are better able to deal both with people in cost-effective cohorts as well as others.

Appendix 2- American Hospital Investments in Supportive Housing

In the U.S., hospitals are investing hundreds of millions of dollars in affordable housing, recognizing that it is in their financial and social interest to address the social determinants of health. Better housing contributes to better health.

Providing certain segments of the population with affordable, supportive housing pays off in reduced health costs in the long run.

We are not aware of U.S. hospitals using the procurement model we discuss but their investment in housing is an instructive example of a hospital devoting money to something well outside its traditional purview. They recognize they need to expand their paradigm to be more systemic and holistic. Their experience shows that devoting existing monies to upstream, system-level prevention can be more effective and cost effective than simply increasing spending on conventional downstream approaches.

As noted above, according to a 2021 report by the American Hospital Association (AHA), which is comprised of nearly 5,000 hospitals and other care providers, one third of emergency room visits are made by people who experience chronic homelessness. Eighty percent of those visits are for “preventable illnesses.” People who experience homelessness visit the emergency room an average of five times annually. These numbers are for the U.S.

American hospitals are hoping to “activate systemic change that health care-driven strategies have not yet been able to accomplish,” according to another AHA report. “Research shows approximately 80 percent of health outcomes are attributed to factors outside of medical care.”

So hospitals are looking upstream at systemic change that will help keep people out of hospital instead of just focusing on what to do once they walk in the door.

The language of “investing” is being added to the language of spending. “Investing—paying for goods and services that will have value over time, with the expectation of some form of return—as compared to spending is an emerging tactic for addressing social determinants of health,” reads the AHA report.

Appendix 3 - Procurement Compared with Funding, Social Impact Bonds, Privatization, Outsourcing and Defunding

There have been many attempts over the years to curb the cost pressures governments struggle with when workload climbs. Some of these examples include social impact bonds, privatization and outsourcing. None of these have been successful in what they set out to do. We discuss the distinctions with procurement here briefly.

Governments allocate resources in two main ways: **funding** and procurement. Funding is usually used for nonprofits and government departments. Procurement is used by governments when they engage businesses. Funding is good in certain situations, but it does not work well for scaling successful nonprofit interventions.

“GOVERNMENTS VALUE WHAT THEY BUY. THEY PAY MARKET RATES. THEY DON’T VALUE WHAT THEY FUND.” Lucas Stewart, Encompass Coop

Funding Model	Procurement Model
Government “can’t afford to save money” due to scarcity of funding	Upfront financial resources abundant if there is a revenue stream to pay it back
Government is funder	Government is customer
Solutions remain small scale, exception to the normal way of doing things	Solutions are scaled and become a normal way of doing things. Problems have met their match
Government/Non-profit relationship is about compliance (“show us your receipts”)	Government/Non-profit relationship is about outcomes
Government has the majority of the risk. As a result, relationships with nonprofits are fraught with oversight and administration.	Foundations bear risk and can use various strategies to mitigate it (working with trusted nonprofits, start small, flow money in increments etc...)
Emergency services disconnected from solution providers	Emergency services have mechanism to partner with solution providers

Social Impact Bonds (SIBs) and procurement are similar in some ways and different in important ways. Several SIBs have been attempted across Canada and they have been an important first generation attempt to make revenue available to solution providers. But the model is slow, high in administrative costs and has proven very poor in replicability. The Canadian Centre for Policy Alternatives has published several excellent studies highlighting the limitations and costs of SIBs.

Social Impact Bonds	Procurement Model
Private investment model brought into the government and nonprofit world	Procurement model familiar to and trusted by governments
Negotiations based on rates of return	Negotiations based on value of outcomes
Rates of return vary depending on “success”. Investors stand to benefit which presents risks to civil service	Loans are provided by foundations with fixed rates of return. Interest payments added to endowments and reinvested.
Project based. Systems generating bad outcomes remain in place. Rapid replication isn’t possible.	Systems are modernized and reoriented towards positive outcomes. Replication is possible.

Similarly, procurement has some similarities to **outsourcing** but some really important distinctions. Procurement is appealing to frontline workers because their workload is more manageable, and they can focus on work that is in line with their mandates. Outsourcing results in the same work being done elsewhere, usually by workers getting paid less.

Outsourcing	Procurement Model
Company hires another company to do same tasks that it was doing, but at a cheaper price “We hired an IT company to perform our IT functions.”	Government agency partners with a non-profit to reduce its workload. “We paid a supportive housing provider \$500,000 because it saved us having to spend \$600,000 to respond.”

The role of public services is enhanced with procurement.

Privatization	Procurement Model
The transfer of a government service to private ownership and control.	Government services continue to be in public ownership and control.
Public demand for service remains the same. Often causes government more expenses overall and overtime.	Demand on public service goes down, therefore saving government money and providing better service to the public

We often hear the question: why not just **defund** emergency services and reallocate the resources towards solutions such as supportive housing? Here is a comparison between defunding and procurement comparing key considerations.

	Defunding	Procurement Model
Shift of resources into the nonprofit sector to reduce police workload?	Yes	Yes
Can nonprofit solutions capture value from Health, Justice, Fire and Paramedics?	No	Yes
Can foundation endowments be liberated to scale nonprofit solutions?	No	Yes
Would police see value and benefit?	No	Yes
Public sees more resources put into actual crime?	No	Yes
Systemic change where comparisons made between cost and benefits of nonprofit approach vs cost and benefits of business as usual	No	Yes

About Encompass Co-op

Led by Shaun Loney and Lucas Stewart from Winnipeg, Encompass Co-op is an experienced group of successful social enterprise practitioners from across Canada. Encompass Co-op draws from our collective on-the-ground experience in starting and running social enterprises in urban, rural and First Nations. We seek to grow a solutions-oriented economy by:

- Working with nonprofits to be more entrepreneurial;
- Providing opportunities for investors to get social AND financial impact; and
- Training governments to create markets for solutions.

For more information about our partners, associates, or our suite of services, visit us at encompass.coop or contact us by email at info@encompass.coop.

About Shaun Loney

An entrepreneur working in the nonprofit sector - what good could come of that? Shaun is headquartered at Winnipeg's Social Enterprise Centre - an industrial hub for several social enterprises that he has co-founded including BUILD (awarded Canada's Green Business of the Year in 2011 by ScotiaBank), Purpose Construction, Aki Energy (Canada's Clean50 Recipient 2020) and Aki Foods.

Shaun is an EY Entrepreneur of the Year (Prairies 2014), recipient of the Meritorious Service Cross from the Governor General (2018) and is recognized internationally as an Ashoka Fellow. Shaun has an M.A. in Economics from the University of Manitoba and was Manitoba's Director of Energy Policy before co-founding BUILD in 2006. He has also published two top selling books on social innovation and social entrepreneurship - *An Army of Problems Solvers* and *The Beautiful Bailout*.

About Lucas Stewart

Lucas Stewart is an experienced social enterprise developer having launched and grown several social enterprises, most notably Purpose Construction in Winnipeg which has completed over \$20 million in projects. Lucas was also the lead on founding the 30,000 square foot Social Enterprise Centre in Winnipeg and has helped spread the BUILD model to Saskatoon, Brandon, Barrie, Toronto and St. John's. Lucas is recognized internationally for his entrepreneurial skills as a BALLE Fellow - The Business Alliance of Local Living Economies. Lucas is also a licensed pyrotechnician.