Policy on Transfer Payments reset

Policy reset vision and impacts

fmi Capital Chapter

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Purpose and outline

> **PURPOSE**
> To provide an overview of the *Policy on Transfer Payments* reset (Policy reset)

PART 1: WHY CHANGE?

PART 2: WHAT IS OUR VISION?

PART 3: WHAT ARE WE CHANGING?

PART 4: WHAT ARE THE IMPACTS?

The environment of transfer payments

Transfer payments (TP) represent a **large part of the Government of Canada's spending** and are **one of the government's key instruments** in furthering its policy objectives and priorities

Transfer payments defined

- Grants, contributions, other transfer payments
- No acquisition of goods, services or assets by the Government of Canada
- Transfer payments promote Canada's economic and social development and enrich the quality of every day life

Key data (2017-18)

$211.4 billion (annually)	$42.5 billion (discretionary)	42 Departments	800 Programs (estimated)

Key messages

RECIPIENT DIVERSITY	TP SPENDING IS INCREASING	VARIOUS PROGRAM OBJECTIVES

Principles of the current *Policy on Transfer Payments*

The 2008 *Policy on Transfer Payments* introduced **principles** to promote a **balance between controls and flexibility**

Transfer payment programs are to be managed with **sound stewardship** and the **highest levels of integrity**, **transparency**, and **accountability**

Transfer payments are designed, delivered, and managed in a manner that is **fair**, **accessible**, and **effective** for **departments**, **applicants**, and **recipients**

There is a **learned culture** within TBS and departments that **emphasizes controls** over **flexibility** and leads to **lesser focus on recipient** experience and **results for Canadians**

Overview of the current environment

While progress has been made to adopt these principles, **more must be done to support consistent application** across government and an **improved recipient experience**

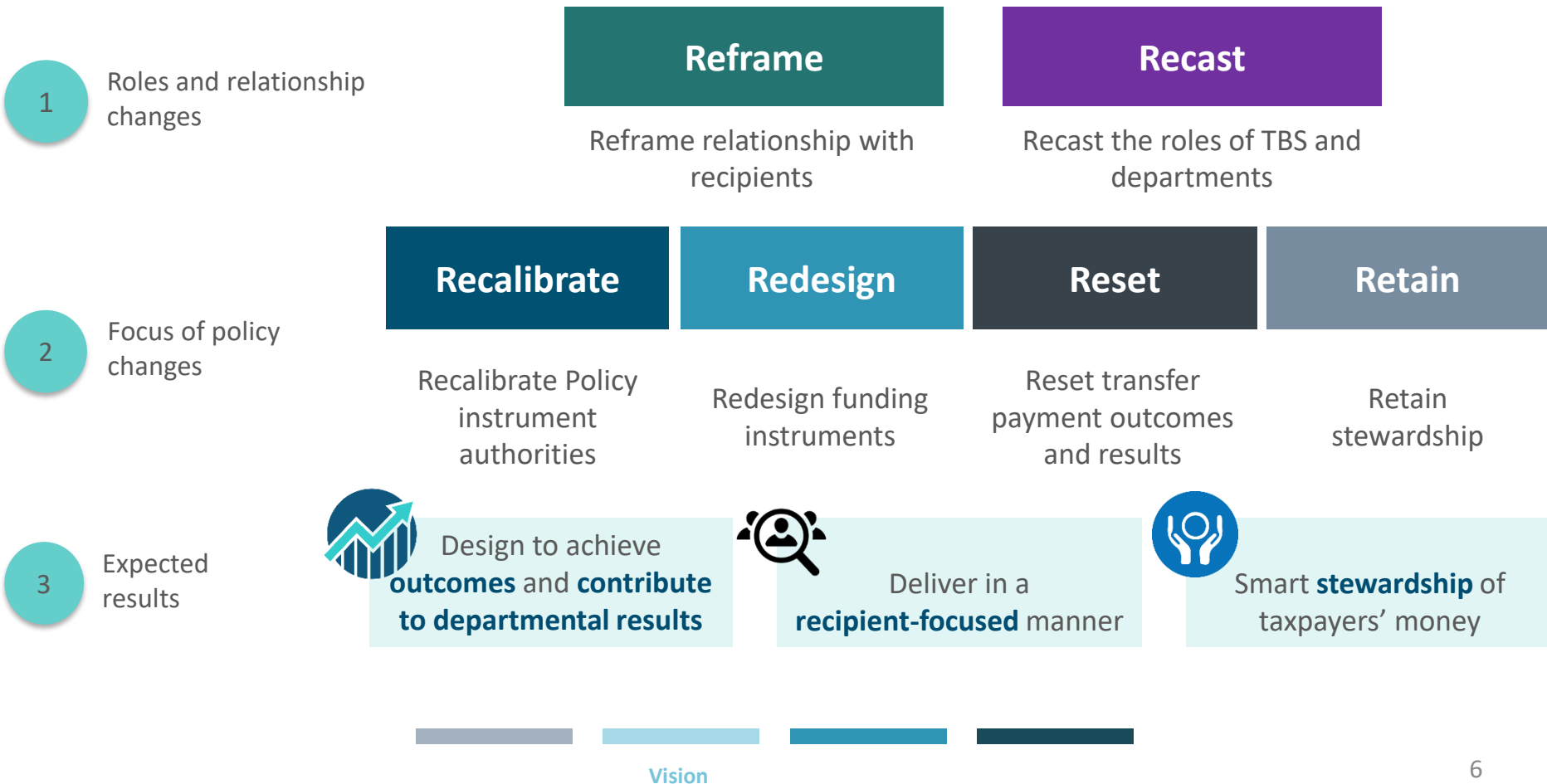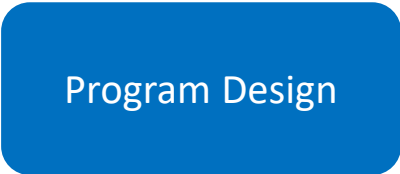| Progress has been made….	…but challenges continue
Standardization of business processes and departmental templates with a limited ability to adapt to meet emerging or changing priorities	A **burdensome approval process** is an obstacle for departments to address emerging priorities ➢ Broad Policy exceptions are frequently requested, with few built-in controls
Improvements made for recipients through a **reduction in reporting requirements** based on an assessment of risks	There is a **culture of risk avoidance** across central agencies and departments ➢ Programs not making full use of flexibilities available ➢ Recipients impacted through inconsistent experiences
Departmental Results Report include outputs at the G&C program level	**Limited ability to demonstrate the impact of funding** on achieving transfer payment program objectives
Implementation of Treasury Board policies related to results and service	**Greater alignment** with *Policy on Results* (2016) the *Policy on Service and Digital* (2020)

Vision of Policy reset

The vision of PTP reset is to **empower departments to deliver** transfer payments, while **ensuring they are accountable** to recipients and taxpayers

1 Roles and relationship changes

Reframe	Recast
Reframe relationship with recipients	Recast the roles of TBS and departments

2 Focus of policy changes

Recalibrate	Redesign	Reset	Retain
Recalibrate Policy instrument authorities	Redesign funding instruments	Reset transfer payment outcomes and results	Retain stewardship

3 Expected results

Design to achieve **outcomes** and **contribute to departmental results**

Deliver in a **recipient-focused** manner

Smart **stewardship** of taxpayers' money

Recalibrating Policy authorities

Policy instruments **advance departmental flexibility** to make delivery and operational decisions and ensure consistent approaches

Current Instrument	Replaced by	Goal	Approved by
Existing departmental policies, directives, procedures, commitments	Departmental Management Framework (DMF)	Ensure Department-wide commitments to administration of programs	Deputy head
Transfer payment program **terms and conditions**	Program Design	Programs are properly scoped with appropriate rationale	Treasury Board
Applicant guides	Program Delivery	Departments have flexibility to deliver and administer programs	Deputy head

Change

Redesigning funding instruments

Funding instruments are part of a **risk-based continuum** that establishes **how recipients report** and **what information is used to tell the TP story**

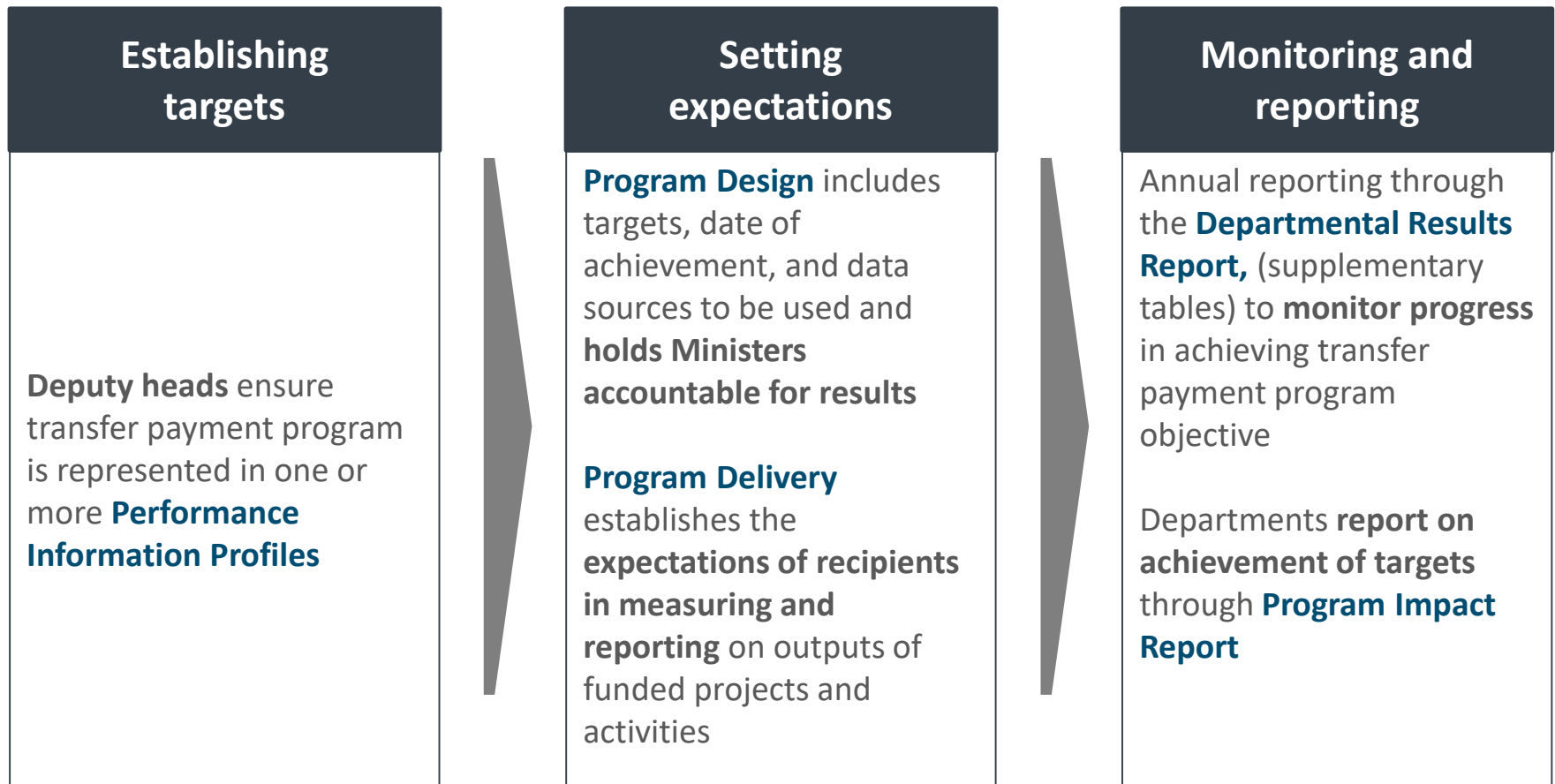|	Eligibility grant	Merit grant	Activity contribution	Project contribution
Criteria	• Recipient is eligible for the grant and funding amount is pre-determined	• Low risk, low value grants where merit determines funding amount	• Low risk contributions for eligible recurring activities	• Contributions of all risk levels with eligible project start/end dates
Recipient reporting	• No direct reporting to government	• No direct reporting to government	• Reporting to stakeholders	• Direct reporting to government
TP impact story	• Use transfer payment funding data & public information	• Use transfer payment funding data & public information	• Leverage stakeholder financial and results reporting	• Use recipient financial and performance reporting
Monitor	• Monitoring for continuing eligibility	• Monitoring for continuing eligibility	• Based on risk mgmt practices in DMF	• Based on risk mgmt practices in DMF

Successful implementation requires a **behaviour change** on how funding instruments are chosen

Change

Resetting transfer payment outcomes and results

Departments design transfer payment programs to achieve **outcomes** and **contribute to departmental results**

Establishing targets

Deputy heads ensure transfer payment program is represented in one or more **Performance Information Profiles**

Setting expectations

Program Design includes targets, date of achievement, and data sources to be used and **holds Ministers accountable for results**

Program Delivery establishes the **expectations of recipients in measuring and reporting** on outputs of funded projects and activities

Monitoring and reporting

Annual reporting through the **Departmental Results Report,** (supplementary tables) to **monitor progress** in achieving transfer payment program objective

Departments **report on achievement of targets** through **Program Impact Report**

Change

Retaining stewardship

Departments maintain **smart stewardship** of taxpayers' money

FROM	TO
▪ Focus on accounting for use of public funds ▪ Recipient monitoring and reporting outweigh the benefits of funding ▪ Narrow focus on outcomes ▪ Transparency requirements are limited to exceptions and 3 design elements	▪ **DMF** maintains key financial controls, with a transfer payment lens ▪ **DMF** sets risk management practices which balance performance, financial, and compliance reporting ▪ Results management practices ensure operational oversight of achieving targets ▪ Full transparency of transfer payment program decisions

Policy reset promotes **integrity, accountability** and **measured risk taking**

Change

Reframing relationships with recipients

Departments become **accountable to recipients** for the design and delivery of transfer payment programs

Continuous improvement

- **DMF** sets out the departmental commitments to stakeholder engagement and recipient feedback
- **Program Design** requires departments to detail how these activities and results of evaluations have informed design choices

Harmonization and horizontal opportunities

- **Program Design** requires departments to review existing transfer payment programs within and between departments, which improves alignment and integration where there are similar objectives, activities, and recipients
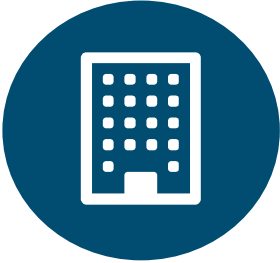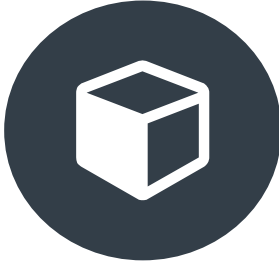
Recipient-focused delivery

- **DMF** establishes the risk-based principles and departmental commitments to consistency in transfer payment delivery
- **Program Delivery** sets out the responsibilities of the department and the recipient and the conditions of funding

Change

Recasting the role of departments and TBS

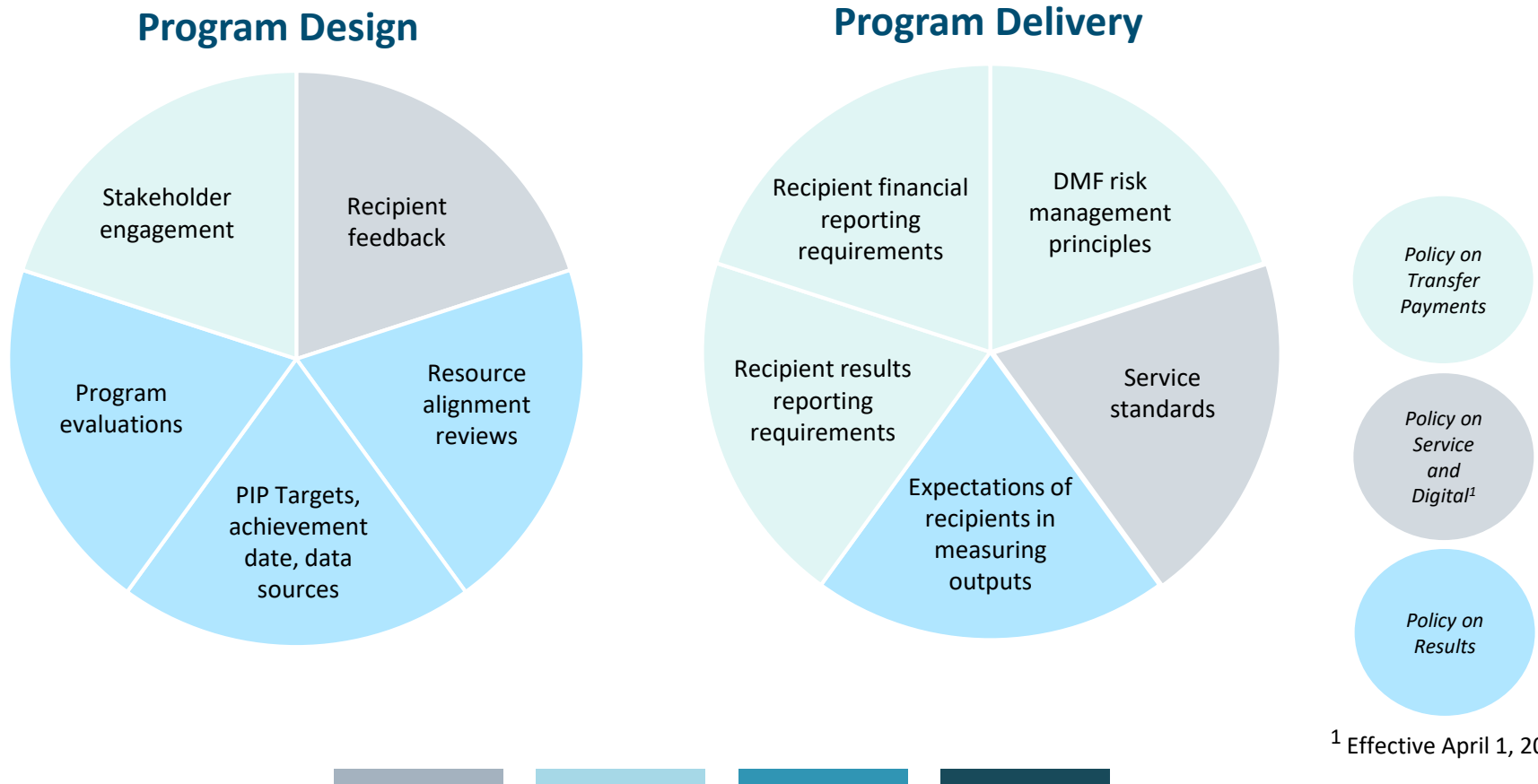Without a **change in culture** within departments and TBS, policy changes are only cosmetic

Departments		TBS	
Enterprise-wide approach	**Recipient feedback loop**	**Horizontality, harmonization**	**Community development**
• **Stewardship** is **redefined** as oversight and management activities to ensure **the achievement of outcomes** and the **accountability for the use of public funds**	• Departments **engage with recipients throughout the program lifecycle** to ensure **continuous improvement** of programs	• New responsibility for **Comptroller General** to facilitate collaboration and alignment of transfer payment programs and to share best practices	• Enhanced responsibility for **TBS** to provide leadership through ongoing collaboration, training, community development, and rotational assignments

Change

Policy suite integration

The PTP framework leverages **key principles that align to other Treasury Board policies**

Program Design

- Stakeholder engagement
- Recipient feedback
- Resource alignment reviews
- PIP Targets, achievement date, data sources
- Program evaluations

Program Delivery

- Recipient financial reporting requirements
- DMF risk management principles
- Service standards
- Expectations of recipients in measuring outputs
- Recipient results reporting requirements

Policy on Transfer Payments

Policy on Service and Digital[1]

Policy on Results

[1] Effective April 1, 2020

Change

Anticipated impacts

Departments design transfer payment programs to achieve outcomes and contribute to departmental results

Departments deliver transfer payment programs in a recipient-focused manner

Departments maintain smart stewardship of transfer payment programs

Integrated principles

Design decisions are appropriately scoped and rationalized, ensuring TP outcomes can be achieved

Consistency across TP programs within a department

Transparent governance and oversight of TP programs

Behaviour change

Results management principles promote monitoring in the short- and medium-terms

Ministers are accountable to Parliament and Canadians for TP program impacts

Departments are accountable to recipients

Recipients are engaged throughout TP program life-cycle and better understand their role in measuring and reporting on outcomes

Departmental flexibility to deliver and administer programs based on risk management

Impact

Questions

Annexes

Departmental Management Framework

What is it?

Department's commitments and considerations for design, delivery and evaluation

Objective

To promote department-wide consistency in design and delivery

Result

Departments manage transfer payments more consistently, according to program risk and recipient trust levels

Impact

More consistent experiences for recipients

Requirements

Risk mgmt

Governance and oversight

Results mgmt

Department Capacity

Information mgmt

Recipient engagement

Program delivery review

Program design

From Ts&Cs to Design & Delivery: Contents

Between Design and Delivery, all components of Ts&Cs are replicated but they are not identical, and new information is included

Terms and Conditions Structural design and delivery parameters of a program, with a focus on stewardship	**Program Design** Structural design of a program with rationale for design choices, a focus on results and, funding instruments that set minimum stewardship requirements	**Program Delivery** Guide for recipients detailing the how the program will be implemented, with a focus on the user
Immediate, intermediate, long-term results, indicators & measurement	Ultimate outcomes, targets, target date of achievement	Recipient expectations in measuring and reporting on results of funded projects
Eligible recipients Eligible projects or activities	Strategic level eligibility: Recipients, activities/projects	Detailed eligibility criteria: Recipients, activities/projects
Stacking limit Maximum amount payable	Stacking limit approved Maximum amount payable approved	Stacking limit disclosed to recipients Maximum amount payable disclosed to recipients
Funding approaches: repayable, further distribution, etc.	Principles of and rationale for use of funding approaches	Detailed criteria for consideration
Eligible expenditures		Detailed eligibility criteria
Application requirements		Application requirements
Assessment criteria to determine funding level		Assessment criteria to determine funding level (minimum requirements in standards)
How payments are made		Payments are made based on departmental risk management practices *
Recipient reporting requirements		Recipient reporting requirements; frequency and type of assurance based on departmental risk management practices *

* Departmental risk management practices are defined in the DMF and supported by minimum requirements in the Policy standards

Program Impact Report

What is it?

A report on the impact of transfer payment program funding in relation to the policy objective

Objective

Ensure that outcomes and targets of transfer payment programs are effectively measured and reported

Result

Impacts of transfer payment programs are publicly available

Impact

Tell the transfer payment program story

Core elements

Program objective and funding information

Summary of evaluations and program changes

Lessons learned

Summary of results achieved

Comparison of targets with actual outcomes

Links to gov't objectives & department results

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