



# PROVINCIAL TRANSFER PAYMENT AGREEMENT SERIES

Brief two: Transfer Payment  
Agreements lack flexibility



ONTARIO NONPROFIT NETWORK

## About the series

There are two interconnected streams of nonprofit advocacy for transfer payment agreements (TPAs): more money and better money. While all [subsectors signal](#) the need for funding that reflects the true cost of delivering programs and services, keeps pace with inflation, and responds to emerging needs, this series focuses on the latter stream: better money. As the public policy landscape shifts towards austerity, there are limited opportunities to advance advocacy with the provincial government for more money. However, advocacy for better money can repurpose the province's red tape reduction, efficiency, and effectiveness agenda. Across the nonprofit sector there are shared issues with TPAs that cause the very same ineffectiveness and inefficiencies that TPAs are supposed to combat.

When done well, TPAs are simple, flexible, contain proportional oversight, and are built on accountability, and reciprocal respect. When not done well, TPAs divert resources from positive outcomes for organizations, their programs and services, and ultimately the communities nonprofits serve.

Over the past two years ONN has collected data through key informant interviews and state of the sector surveys on the most common issues plaguing nonprofits with their transfer payment agreements with the Ontario government. This series highlights those issues, with case studies, and puts forth recommendations for government.

# Background

Apart from the [Accountability Directive](#), [Transfer Payment Operational Policy](#), and [Transfer payment Consolidation Smart Initiative](#), many factors influence the contents of transfer payment agreements as well as the procedures, behaviours, and attitudes of how the provincial government funds nonprofits:

- The mandate and priorities of the ministry providing funding.
- Legislation that specifically regulates service and program provision for specific types of services.
- Ministry/department history and program staff's personal experience working with nonprofits receiving the funding.
- Other ministry departments such as legal and financial/audit officials.

## Issue

Lack of flexibility to move funds between TPA budget lines to support changes in organizational needs or programming (common during the cycle of a TPA) hinders nonprofit efficiency and effectiveness.

Currently, when organizations want to move more than 10 per cent of funds between budget lines, they must wade through a considerable amount of bureaucracy including negotiating, waiting on approvals, and meeting with ministry staff. Those that are assessed higher risk on the [Proportional Oversight Matrix](#), might not even have the 10 per cent threshold. The reallocation cannot be for "administration".

## Issue (cont'd)

Lack of flexibility slows program and service delivery, and increases already lengthy waitlists, frustrating nonprofit providers who otherwise would have the capacity to be nimble to meet community needs. In ONN's [2025 State of the Sector Survey](#), 26 per cent of respondents reported having difficulty moving money between budget lines as one of their primary issues with TPAs.

## Context

Flexibility is often only provided to organizations deemed low risk on the Proportional Oversight Matrix. The matrix is meant to be a supportive tool for the province to determine the level of oversight of the transfer payment recipient and activity based on risk.

Ministries use the matrix to determine whether budget flexibility as well as streamlined reporting and/or streamlined agreement renewal can be provided. Other types of flexibilities may be explored as well.

However, it is not clear nor transparent how nonprofits are assessed, how many are assessed at which level and, more broadly, if the risk assessment is working for both nonprofits and the government. Most organizations are not told where they are on the risk matrix and/or how they can improve.

## Context (cont'd)

Organizations who may be assessed as more “risky” organizations on the government’s internal risk assessment framework are then more likely to lack flexibility in provincial TPAs.

During the COVID-19 pandemic there was a brief period of flexibility in provincial TPAs when organizations could more easily move funds between budget lines. The provincial government recognized the importance of organizations being able to easily adapt to rapidly changing circumstances during a crisis. This flexibility helped organizations respond more quickly to emerging needs and serve clients in a timely manner. For some, this shift in practice also fostered a relationship of trust between organizations, and the broader sector, and government.

### **Everyone wants flexibility**

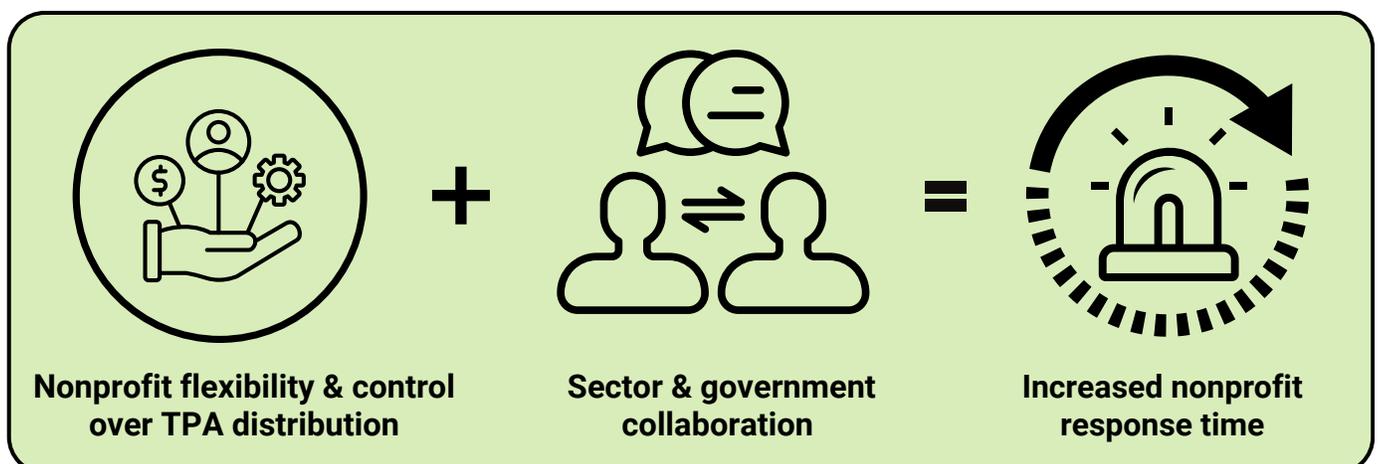
Notably, ONN’s research showed that with all the organizations interviewed, each had their own issues with budget flexibility. Flexibility not only enables organizations to more quickly and efficiently adjust to changing community needs, it also builds and instills trust between organizations and their funding ministry. Flexibility removes bureaucratic barriers and instead enables organizations to get their work done.

# Opportunity

Implementing flexibility in moving money between budget lines as a standard in all TPAs can save time and resources for government, organizations, and communities. Nonprofits with proven track records can take charge of their work rather than spend time negotiating flexibility throughout the duration of the agreement. Meanwhile, program officers can focus on strategic opportunities and proportional oversight.

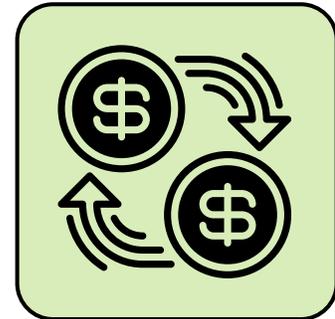
As Ontario faces shorter times between crises - climate disasters, public health emergencies, social unrest, economic uncertainty - that require quick organizational pivots, nonprofits need to spend less time on administrative burdens and more time delivering services to the increasing number of Ontarians in need. Administrative burdens diminish the sector's capacity to respond.

Shifts in transfer payment agreement flexibility during COVID-19 pandemic, and the ways in which the sector and the government collaborated to increase responsiveness to communities offer key learnings that can become the norm.



# Recommendations for provincial government

1. Institute flexibility to move money between budget lines as a standard in all TPAs.



2. Be transparent about the assessment criteria and data related to the Proportional Oversight Matrix so the sector can inform development and implementation.

a. Consider a pilot project related to matrix transparency.

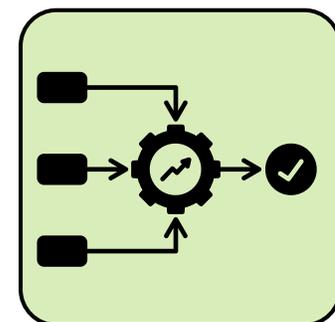
b. Consider including an element of tenure of relationship in the matrix.



3. Treasury Board Secretariat to incentivise ministries to align with the Transfer Payment Accountability Directive and Operational Policies by establishing a new office to oversee its implementation across government.



4. Ministry of Red Tape Reduction to activate a time-limited initiative to review and remove TPA administrative burdens in consultation with nonprofits.



# Conclusion

Building flexibility into TPAs opens the door for better results and trust between organizations and their funding ministries. Flexibility has the potential to allow nonprofits to be more nimble in both their planning and reaction time, whether that is during a crisis or shifting organizational needs. Building trusting relationships between program officers and the organizations funded through TPAs, helps save government time and resources while supporting nonprofits in their missions to care for Ontarians.

# About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders and other stakeholders.

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