

Study of Budget Needs and Funding in the Amended Draft Final Settlement Agreement for Long Term Reform of FNCFS Program

Executive Summary

In July 2024, the First Nation Child and Family Caring Society (the Caring Society) contracted EngageFirst Management Consultants to analyze the funding needs of small First Nations and the adequacy of the funding proposed in the Amended Draft Final Settlement Agreement (the Draft FSA) for the Long-term Reform of FNCFS Program. EngageFirst is a leading consultancy specializing in program development, resource management and financial planning for children and family services including First Nations Child and Family Services (FNCFS). For the purposes of this study, a small First Nation was defined as one with a total population below the median population of all First Nations in Canada, which is 1054 members.

Over a period of nine months, EngageFirst had discussions with five FNCFS providers, conducted research and data analysis culminating in this report. We would like to thank all the participants whose contributions provide invaluable insight into the experiences of FNCFS providers. We researched published works from various sources including Indigenous Services Canada (ISC), Assembly of First Nations (AFN), the Institute of Fiscal Studies and Democracy (IFSD), and the Caring Society.

To analyze the funding needs of small First Nations and the adequacy of the funding proposed in the Draft FSA, the funding needs of FNCFS providers were analyzed using a robust financial model that enabled multivariable analysis.

The study conducted an exploratory analysis to better understand the interplay between the funding variables in the Draft FSA and the corresponding operational budget needs of small FNCFS providers. There were information gaps and challenges in achieving a representative sample due to time constraints on the study, as a result the study is limited by the number of reasoned assumptions and inferences that were made, although in all instances care was taken to mitigate the impact on the findings and conclusions.

Key Findings

1. The holistic, culturally relevant, culturally connected, person-centered, multi-generational, relationship-based approaches that characterize the five FNCFS providers establishes a foundation for organizational success. It could be inferred that the success of the five

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FNCFS organizations is due in large part to the overarching approach that is unique to FNCFS providers and a leading practice.

2. Opportunities exist for First Nations and FNCFS providers to incrementally build organizational capacity that supports the skills, competencies, tools and practices of culturally based prevention and protection services. With their connection to the culture and the land as a foundation, the FNCFS providers can also gradually enhance their functional capacity in data and analytics, financial management and leverage technology to optimize service delivery to remote and sparse populations.
3. The categorization and separation of prevention and protection services and funding thereof, primarily for the purposes of managing resources and data, is not aligned with the way many FNCFS providers intend to serve their people. A block funding approach for prevention and protection services better conforms to First Nation's traditional world views, where the safety and well-being needs of children, youth, families and communities are interconnected and not separated into arbitrary categories for administrative convenience.
4. The funding for prevention in the Draft FSA is based on on-reserve population. Members who reside off-reserve would not have access to prevention services from their own First Nation. Given that most First Nations intend to provide services to members living off-reserve, adequate funding to support off-reserve delivery and well-articulated and well understood reciprocal service delivery agreements between Provincial/Territorial governments and FNCFS providers are crucial.
5. The baseline funding as defined in the Draft FSA would be better structured to incentivize keeping children at home and reducing the number of children in care. As defined in the Draft FSA, the baseline funding is not actually a baseline since it is not a minimum funding available for the FNCFS agency; rather, it is funding that is available only as long as children are in the legal care of the agency. FNCFS providers who are successful in reducing the number of children in care to zero are destined to lose their baseline funding and top-up funding. The structure of the baseline funding therefore, disincentivizes keeping families together and keeping children at home.

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6. The Draft FSA provides a minimum guarantee of \$75,000 adjusted for inflation to small First Nations for delivering prevention services. However, ISC's rationale for establishing the minimum guarantee of \$75,000 is not clear. The Draft FSA states that this amount may fund a full- or part-time prevention staff in very small First Nations. This may work for a Band-delivered prevention service for a very small First Nation, however, it does not consider the direct cost of support to families and other realities of staffing, such as backfill and vacancies. It also appears from the terms of the Draft FSA that the minimum guarantee is not available for a First Nation if it is not part of an amalgamated FNCFS agency.
7. The study finds that the minimum operational model to serve small First Nation populations up to 175 members is about 6-7 full-time equivalent positions and approximately \$1.2m in annual operating budget. Our analysis indicates that the Draft FSA only supports approximately 45% of the funding needed for a FNCFS agency of this size.
8. There appears to be a pathway to financially sustainable operations for small FNCFS agencies through amalgamation of services with other First Nations. FNCFS agencies who meet the threshold of 1150-1300 in total population with or without amalgamation, and with 90% on-reserve population, may receive funding that adequately supports their vision of self-jurisdiction.

Proposed Next Steps

This study is not the definitive word on the complex interplay between the variables that affect the operational needs of FNCFS providers and the funding resources available. There are many more questions to be answered regarding the operational needs, challenges and implications of the Draft FSA on First Nations wanting to deliver CFS with self-jurisdiction. The following next steps are proposed for consideration:

1. Gain further clarity regarding the terms of the Draft FSA or any future agreement with a more rigorous study and modeling and more participative but focused data gathering.
2. Conduct financial modeling and scenario analysis to determine minimum outcomes and preferred outcomes from any future negotiated agreement with ISC.

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3. Conduct a thorough analysis of the Draft FSA and any future agreements for alignment with all CHRT rulings related to the long-term reform of FNCFS program.
4. Implement strategies to incrementally build consistency and shared standards in gathering, storing, and reporting financial and operational data for the FNCFS sector to ensure the availability of reliable data, and enable reliable analysis on regional and national levels.
5. Implement strategies to enhance the capacity of FNCFS providers for data management, analytics and performance management to position them to meet the expectations and accountabilities stemming from the Draft FSA, or any other future agreement.

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