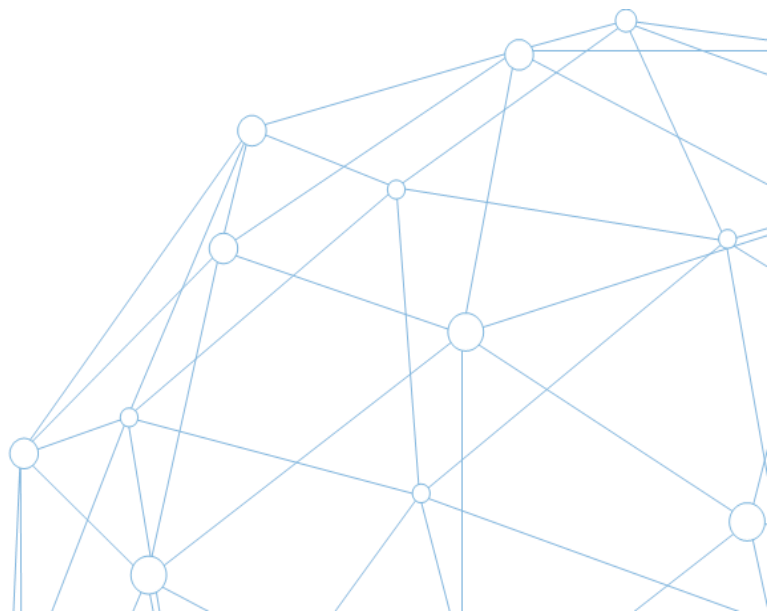


Study of Budget Needs and Funding in the Amended Draft Agreement for Long Term Reform of FNCFS Program

Final Report

May 2025



Notice

This report has been produced independently by EngageFirst Management Consultants for the First Nation Child and Family Caring Society (The Caring Society). We relied on data provided by the participating First Nations Child and Family Services (FNCFS) providers and publicly available sources, including government and research data bases. While reasonable care has been taken to ensure the accuracy of the information, we did not perform any independent audit or verification. The information contained in this report is confidential and intended for use by The Caring Society and the participating FNCFS providers. This report or any part thereof may not be reproduced without the express permission of The Caring Society.

About This Report

The report is organized into six chapters starting with Chapter 1, where we provide the objectives and background of this study and a brief introduction of EngageFirst. In Chapter 2, to help set the context of the realities of delivering Child and Family Services in a small First Nation, we create a ground level view of the First Nation communities and the FNCFS providers serving the communities, including a high-level financial analysis. In Chapter 3, we describe a minimum operating model using a hypothetical FNCFS provider serving a hypothetical small and remote First Nation, including the socio-economic and demographic setting. Chapter 4 discusses some of the salient features of the Amended Draft Final Agreement on Long Term Reform of FNCFS Program and the implications for FNCFS providers. Chapter 5 describes our findings from the modeling and analysis of operating budget needs and funding available from the Amended Draft Agreement. Finally, Chapter 6 summarizes the key findings, conclusions and proposed next steps for consideration.

In this report, the term FNCFS provider and organization is used to refer to a Band delivered CFS, Band operated FNCFS provider or stand-alone FNCFS provider serving one or multiple First Nations. In later parts of the report, we use the term FNCFS Agency in reference to a stand-alone FNCFS agency operating under First Nation's CFS laws and jurisdiction.

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Executive Summary

In July 2024, the First Nation Child and Family Caring Society (the Caring Society) contracted EngageFirst Management Consultants, a leading consultancy with a background in First Nation's child and family services (FNCFS), to analyze the funding needs of small First Nations and the adequacy of the funding proposed in the Amended Draft Agreement for the Long-term Reform of FNCFS Program (the Draft Agreement). 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, researched and conducted data analysis culminating in this report. We would like to thank all the participating FNCFS staff and leadership 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 answer the questions of interest for this study, the funding needs of FNCFS providers operating with self-jurisdiction and the proposed funding in the Draft Agreement were analyzed using a robust financial model that enabled multivariable analysis.

The study met the objective of conducting an exploratory analysis to better understand the interplay between the variables in the Draft Agreement and the corresponding operational budget needs of small FNCFS providers operating with self-jurisdiction. There were information gaps and challenges in achieving a representative sample, 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 that we observed in the five FNCFS organizations is due in large part to the overarching approach that is unique to FNCFS providers and a leading practice.

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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 CFS 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 Agreement 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 Agreement would be better structured to incentivize keeping children at home and reducing the number of children in care. As defined in the Draft Agreement, the baseline funding is not actually a baseline. FNCFS providers who can reduce the number of children in care to zero are destined to lose their baseline funding and top-up funding.
 6. ISC's rationale for establishing the minimum guarantee of \$75,000 adjusted for inflation is not clear in the Draft Agreement, except that it 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 that the minimum guaranteed funding is not available for a First Nation if it is not part of an amalgamated FNCFS agency.

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7. The minimum operational model to serve populations up to 175 members with self-jurisdiction is about 6-7 full-time equivalent positions and approximately \$1.2m in annual operating budget. Our analysis indicates that the Draft Agreement 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. 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 Agreement 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 Agreement 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.
3. Conduct a thorough analysis of the Draft Agreement 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 Agreement, or any other future agreement.

Chapter 1: Introduction and Background

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 delivering CFS with self-jurisdiction, and the adequacy of the funding proposed in the Amended Draft Agreement for the Long-term Reform of First Nations Child and Family Services (FNCFS) program (the Draft Agreement). The Draft Agreement was created by the orders of the Canadian Human Rights Tribunal (CHRT) decision number CHRT-2 that directed the Government of Canada to cease its discriminatory conduct and reform its FNCFS Program and Jordan's Principle. Appendix 2 summarizes the background, timelines and key terms contained in the Draft Agreement. For the purposes of this study, we are defining a small First Nation as one with a total population below the median population of all First Nations in Canada, which is 1054 members. Additionally, EngageFirst studied the business models of a sample of FNCFS providers and documented their practices in governance, service delivery and financial management, noting areas of strength, development and leading practices.

The objectives of the study were:

1. To analyze the cost structure and funding needs of small and remote FNCFS providers operating with self-jurisdiction and compare with Indigenous Services Canada's (ISC) proposed funding in the the Draft Agreement.
2. To study the business models of FNCFS providers, document and analyze their practices in governance, service delivery and financial management.

Over the past nine months, EngageFirst has held discussions with five FNCFS providers, researched and conducted data analysis culminating in this report. We would like to thank all the participating FNCFS staff and leadership who supported and contributed to this study. The sample of the FNCFS providers in this study is not representative of small FNCFS providers or the broader population of FNCFS providers, however, their contributions provide invaluable insight into the experiences of FNCFS providers. There also were noted commonalities. It was clear among the five FNCFS providers in this study that they shared passion, commitment and deep dedication to their organizations and the people they serve. A great deal was learned from hearing their stories, and we now have a much deeper understanding of their organizations, their experiences, and the First Nations they serve.

Research Approach

This study included an analysis of five FNCFS providers from across the country. Participation in the study was voluntary. The purpose of analyzing the sampled FNCFS providers, even though not representative of small providers, was to generally understand the needs, aspirations and challenges of delivering CFS in First Nations communities. The sampled FNCFS providers represented a range of characteristics:

- Two FNCFS providers deliver only prevention services and three deliver prevention and protection services, with full or partial delegation for the latter.
- One FNCFS provider is a Band delivered service and four are incorporated Agencies.
- Three FNCFS providers serve a single First Nation and two serve multiple First Nations as an amalgamated service provider.
- The combined on-reserve population of the First Nations served by each FNCFS provider is between 940 to 1600, and the combined total on- and off- reserve population served by each provider is between 2000 to 5000 members.
- The sample of FNCFS providers also represents service provision from a range of geographic, social and economic landscapes.

The study began with scope refinement based on discussions with The Caring Society resulting in the following key questions to be explored:

1. What are the prevalent models of governance, CFS operations and financial management in the FNCFS organizations included in the sample?
2. What salient characteristics in these models define their relevance or success in a particular setting, i.e. organizational and socio-economic context?
3. Are there characteristics that may be more suitable than others for delivering CFS in small and remote First Nation communities?
4. What are the financial requirements for delivering CFS with First Nation's jurisdiction in small and remote First Nation communities?
5. How does the funding based on ISC's population-based formula compare with the needs of small and remote First Nation communities?

Over the past nine months, we followed a systematic approach to understand, analyze and discover insights from the available data using a variety of methods:

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- Gathering quantitative and qualitative data via virtual interviews and review of documents from the five FNCFS providers.
 - Reviewing publicly available information related to FNCFS program reform and funding for the reform from organizations such as ISC, Assembly of First Nations (AFN), The Institute of Fiscal Studies and Democracy (IFSD), and The Caring Society.
 - Analyzing the quantitative and qualitative data from the five First Nation providers by:
 - analyzing the organizational setup and operation of each FNCFS provider in their own socio-economic and cultural context, and analyzing their financials in relation to their own operations.
 - conducting cross-sectional analysis to compare FNCFS providers with others in the sample and identify similarities and differences in their salient features.
 - Developing an aggregate understanding of the five FNCFS providers. Generating observations about their areas of development, strengths, and leading practices.
 - Creating a hypothetical First Nation community with characteristics based on our general understanding established through the analysis of the five FNCFS providers.
 - Projecting the future operations of a hypothetical FNCFS provider based on research and the general understanding established from the study of the five FNCFS providers.
 - Applying the general understanding of First Nation communities and FNCFS providers, as well as other research, to develop a Financial Projection Model (FPM). The FPM creates funding scenarios using the proposed funding model in the Draft Agreement for the delivery of prevention and protection services with self-jurisdiction.
 - Running simulations using multivariable analysis to explore the key questions and generate observations and conclusions related to operating budget needs and funding.

Limitations

This study was conducted between July 2024 and March 2025, with data gathering from participating FNCFS providers between October 2024 and February 2025. Due to limitations of scope and budget, we were unable to extend participation to a broader and more diverse sample of FNCFS providers. All the five FNCFS providers serve populations larger than 1054 members, the median population of First Nations in Canada, therefore do not fit our definition of a small FNCFS. There was limited data and information available from the sources to fully address the key questions to be answered by the study. Therefore, the study relied on

inferences and associations informed by the data available from the sample, publicly available sources, and the consultants' knowledge of the subject.

At the time this study was planned and initiated, the Draft Agreement was a work in progress. Subsequently the Draft Agreement was rejected by the First Nations in late 2024. There are several terms in the Draft Agreement that are subject to interpretation, and clarity does not exist among the stakeholders we contacted. We may have interpreted the terms in ways that do not align with the intention of the parties to the Draft Agreement.

Ideally, the analysis would be based on the sampled FNCFS provider's data and information, however, due to the unavailability and reliability of some information, assumptions had to be made for the financial analysis modeling variables. We used publicly available data to inform our assumptions. As the available data was primarily from non-Indigenous sources, there are likely some implications to their applicability.

Overall, due to the information gaps, the study is limited by the number of reasoned assumptions and inferences that were made, although in all instances we took care to mitigate the impact on the findings and conclusions.

About EngageFirst

EngageFirst Management Consultants provides strategic advice, consultation and research to public, not-for-profit and Indigenous organizations working in health, social welfare, and child and family services. We share the values and principles that First Nations espouse, as we focus on supporting First Nations in their journey towards self-jurisdiction. The two principal consultants leading this study have combined experience of over 50 years in CFS, including frontline delivery, management and consultancy. EngageFirst has experience in designing a FNCFS program based on a First Nation's own laws, ensuring that their cultural and traditional practices for family preservation are at the heart of their service delivery. EngageFirst created the Work Assessment Methodology (WAM®) which has been applied in multiple social welfare programs for estimating staffing needs and funding; including by the Institute of Fiscal Studies and Democracy for its report on First Nations Not Affiliated to a FNCFS Agency, June 2024.

Chapter 2: Overview of Five FNCFS Providers

We reviewed information on the five FNCFS providers made available to us through virtual meetings with agency staff, documents submitted by the agencies, and internet search related to these providers. We did not perform any validation of the information given to us. Any observations we have made in this chapter are for constructive purposes and well intentioned. The sections that follow are a general, aggregated, anonymized overview of:

- the demographics, geography, culture, economy, and infrastructure of the communities served by the FNCFS providers; and
- the organizational structure, governance, operations and processes, support functions, and services provided.

The sample includes three FNCFS providers that serve a single First Nation and two that serve multiple First Nations as an amalgamated service provider. The combined on-reserve population of the First Nations served by each FNCFS provider is between 940 to 1600, and the combined total on- and off- reserve population served by each provider is between 2000 to 5000 members.

The communities have diverse age groups however, the migration of young members of the First Nations from reserves is an ongoing social, cultural and economic challenge that results in fewer working-age adults on reserve and the slow erosion of family and community relationships.

Multigenerational households are common in the communities in this sample for various reasons that include traditional family structure, housing shortages, and household income level. In many cases, extended family members take on caregiving roles when someone faces challenges like addiction, mental health or financial instability. Some communities characterize the growing number of grandparents raising grandchildren, sometimes without financial or social support, a crisis. Additionally, certain communities have high numbers of single parent households with very young children.

Recognizing the importance of early childhood development and the youthful population of First Nations in general, several communities have expressed the need for targeted family support programs, particularly for new mothers and young mothers.

Community Characteristics

a. Geography, Remoteness and Access to Services

The five FNCFS providers in this review serve First Nation reserves located in eastern and western Canada. Utilizing the Statistics Canada measure of remoteness, all the communities in the sample are considered remote based on their remoteness index ratings, which range between 0.33 to 0.5, with two agencies having very remote island communities in their service area (Index of Remoteness 2021: Update with 2021 census geographies and populations – Statistics Canada, January 2023). Communities located on isolated islands experience additional challenges with year-round travel due to their dependence on ferries, high transportation costs, and unpredictable weather that often disrupts travel and affects access to services that include, but are not limited to, healthcare, education and the availability of essential supplies. Even for communities that are connected by road, most still face long travel times to urban centers.

For the communities in the sample, the remoteness and corresponding correlation to accessibility to services has implications for the migration of Nation members. In addition to the general migratory trend of people moving from rural locations to more urban locations, many Nation members, particularly young people and young families, leave for better access to employment opportunities, education, housing and/or health care and other services. As mentioned earlier, the migration of members out of reserves has many social, cultural and economic implications that present a risk to the long-term sustainability of the community.

Exacerbating the challenges of remoteness and service accessibility, some of the communities have also experienced natural disasters, such as wildfires and floods. These disasters make life even more difficult for residents, increasing service needs and impacting access to already limited services, particularly specialized health, mental health, child care and addiction services. While people in the sample communities have experience travelling long distances for services, particularly for specialized services, the impact of natural disasters adds to their financial, emotional and access challenges.

Some First Nations are geographically spread out over multiple communities, and in some cases, there are multiple First Nations being served by one provider. This geographic spread makes service delivery more complex, as the provider must coordinate service delivery equitably among the First Nations with unique and different levels of expectations, social and cultural contexts, infrastructure, resource availability and accessibility.

b. Food Security

Access to essential goods and services, especially food, varies widely across communities, and in some communities the lack of access has been exacerbated by natural disasters. Some communities have relatively easy access to grocery stores and convenience stores, while others travel long distances for basic needs. Local businesses, such as gas stations and general stores, help to address some challenges, but accessibility to and cost remain major concerns for First Nations in the most remote areas. FNCFS providers work to alleviate the difficulties for families by providing food along with their other services, with programs that focus on food security, providing food coupons, and providing rides to supermarkets.

Even in the communities that have access to food stores, most foods are brought in from outside the community, resulting in high prices. High food prices and low availability/supply often result in people making food choices under availability constraints, that have corresponding impacts on what they consume.

c. Health Services

Many communities struggle with healthcare access due to factors like remoteness, housing shortages, lack of health infrastructure and a lack of medical professionals. Most of the communities have reasonable (within 1.5 to 2.5 hours travel as expressed by interviewees) to basic health services however, all of the communities have limited access to specialized services such as optometry, obstetrics and gynecology, and dental care, as they are not resident within the communities. To address this, some communities bring in contracted specialists for scheduled visits, which adds to the costs of those services, while in other communities, the residents travel long distances. This is especially concerning for people with special needs, particularly children, who travel several hours to access necessary treatments. Certain communities also reported high rates of developmental conditions, such as autism among children.

In the few instances where general health services are provided through a community health facility, the services are limited and hampered by shortages of qualified staff and a corresponding lack of emergency services and extended care beds. In serious health situations, and even for childbirth, residents must travel to more populated urban centers. This is a significant challenge that is not only costly for expectant mothers and support people who may need to relocate weeks before childbirth, but is also detrimental to the safety, well-being, and cultural continuity for the child, the mother, father, and extended family and friends who are supporting them.

Disasters such as floods, fires and the pandemic have significantly disrupted all services, including healthcare services in some areas, worsening existing problems and increasing the need for other services like mental health support. Only a few communities have been able to establish an in-house team of clinical professionals that provide counselling and other support to families, and those communities face the same ongoing challenge of recruitment and retention of qualified staff.

Substance misuse and drug addiction are serious issues in many communities, and addiction treatment services are lacking. The communities do not have their own rehabilitation facilities and rely on services outside the community. There are a limited number of rehabilitation facilities outside of the community and a limited number of spaces, and many do not offer services for those struggling with the most complex addictions.

d. Education

Educational opportunities vary significantly between communities. Most of the communities offer programs focused on early childhood development and after-school care as well as classes in arts and crafts, food preparation, and life skills supports like, hygiene and healthy living.

Most communities have primary education available within a 2.5-hour travel radius and transportation is available for the children. High school and post-secondary education typically require either longer travel times or even relocation. Accessing post-secondary education and living on the Nation is a challenge as students must travel long distances, including ferry commutes for some, which can make for a challenging daily schedule. Only one of the First Nations has a post-secondary institution within the community. The post-secondary education options available locally are limited to introductory or transferable courses, meaning students typically leave their communities to complete full degree programs.

Most of the educational infrastructure in the communities is very basic, and ongoing maintenance is often difficult due to inadequate budgets and the availability and cost of building/maintenance supplies. Community facilities such as theaters, assembly halls, and gymnasiums are generally not available. This puts extra pressure on other community spaces like school gymnasiums, that serve as multi-purpose venues for education and social events.

e. Culture, Tradition and Language

Cultural and traditional practices form the basis of First Nations CFS models. FNCFS providers incorporate First Nations teachings, culture and language, and community-based practices to ensure children, youth and families stay connected to their cultural heritage. The FNCFS providers in our sample, along with their Band Councils, place a strong emphasis on cultural education and passing on traditional knowledge and values to the next generation. Most communities provide language and culture classes to their members. Agencies prioritize children living with family on reserve and coordinate visits to the reserve for those living off-reserve.

Cultural preservation is a priority in all the five First Nations, but it is challenging to support for the following reasons:

- Migration, especially among younger generations, who are forced to leave their communities to pursue education and job opportunities, many of whom may not return. This may lead to disconnection from their First Nation traditions, language and community practices.
- Children who are in care and placed outside the community are forced into a different culture, with different language, and norms and consequently they are disconnected from their family and cultural heritage.
- Forced displacement due to natural disasters further disrupts the connection to the community, impacts the normal community way of life, and the delivery of cultural services, as people focus predominately on survival.

There are two communities in this review whose members speak their First Nation's language, English and/or French. While trilingual and bilingual staff help bridge service gaps, there are challenges in delivering multi-language services, particularly French-language services to comparable standards, which has led to delays in service and sub-optimal outcomes.

f. Infrastructure Facilities and Housing

The availability of adequate infrastructure and housing has an impact on the well-being and safety needs of the people in the sample communities. The common challenges faced by all these communities are the lack of developable land, funding, and capacity to build new infrastructure and maintain existing infrastructure, such as community housing, offices and spaces for FNCFS and community needs.

While some communities are assessing their capital needs and seeking funding to address infrastructure gaps, most First Nations are challenged in accessing the funding even when it is available, citing excessive red tape, lengthy and inefficient process as barriers. Commercial financing options are very limited, expensive and involve equally complex processes. Financial and bureaucratic barriers, as well as internal challenges were noted as delaying some critical projects, such as youth centers and renovations to rental housing. A few communities operate child and family buildings, limited health service facilities, early childhood development centers, and multipurpose spaces for functions like cultural and community events.

Two of the communities even have dedicated First Nation resource centers that serve as hubs for family support, cultural learning and social gatherings. These spaces help preserve traditional practices and provide opportunities for Elders, youth, and other members to connect and participate in community-based social and cultural activities, including ceremony. Few communities have community gymnasiums or recreational facilities, outside of the school gymnasiums.

Limited availability of land for development is also a challenge in some communities, further increasing the gap between supply and need. Some First Nations need more developed land to accommodate the population growth however, they are restricted by geographic and/or regulatory constraints.

Most First Nation communities are facing a housing crisis, which is leading to other problems like migration, over-crowding of households, poor maintenance of houses, poor living conditions and family disruption. Many primary homes and rental properties require extensive repairs and renovations to make them safe, forcing families to relocate, which disrupts their connection to their family, culture, and community.

g. Transportation

The communities in the sample score between 0.33 and 0.5 on the StatsCan remoteness index, indicating that they are far from any urban center, may have poor road connectivity and challenges in accessibility to services. Island communities face high costs for ferry travel, which is frequently disrupted by weather, and air travel to the mainland or nearest urban center is unaffordable for most residents. Bus services that pass through some of the communities do not meet the needs of the residents because transportation to and from the pick-up and drop-off points is still needed.

Public transportation is either minimal or non-existent in these communities. To partially alleviate this problem, all the communities provide some level of support to residents for transportation to medical appointments, hospital visits, groceries and visits with a child in care.

h. Economy

The economy and economic opportunities vary based on a community's geography and resources. Most of the First Nations rely on natural resources (mining, forestry, fishery), although these are not the main sources of employment or wealth creation in the communities. Some members are employed in tourism, education and government jobs for the First Nation. In some cases, First Nation governments are the largest employers, but overall job opportunities remain scarce and limited to niche industries, leading to migration, particularly among young people. Seasonal and temporary work are the most common opportunities however, this type of intermittent work offers limited financial stability and security for residents.

Some communities are taking proactive steps to expand economic opportunities through construction and infrastructure development, but generally, these only provide short-term employment. Some funding sources exist for job creation and infrastructure projects; however, the lack of internal capacity and slow approval processes create barriers in accessing them.

Organizational Characteristics

We reviewed the mandates, governance, strategic planning and organizational structure of the five FNCFS providers noting the following:

a. Legislative Authorities and Mandates

The sample consists of FNCFS providers that are business units of the Bands as well as those that are independently incorporated as not-for-profit organizations. The Band delivered CFS are relatively small operations providing family support and primary and secondary prevention services. The independently incorporated FNCFS providers are larger operations with a broader scope of services, including some protection services. The common reason for constituting an arm's length agency from the Band and Council operations appears to be the need to delineate political governance from the operations of CFS, as well as for better demarcation of accountability.

The incorporated agencies have enacted bylaws with clear directions in required governance topics like board composition and appointments, roles and responsibilities of Directors, quorum, and more contemporary realities like acceptance of virtual meetings.

All the FNCFS providers implement provincial CFS legislation proclaimed through a delegation agreement, while the funding comes from ISC or the Province, or a combination of the two. The delegation agreements between the provincial governments and the FNCFS providers set clear expectations on performance and operational standards. The delegation agreements set guidelines on specific matters, including information management, audits, practice reviews and administrative reviews, that have a significant impact on how the agencies and their governance are set up and operate. For example, one delegation agreement refers to the Operational and Practice Standards and Indicators (AOPSI), which is a widely accepted set of principles and guidelines for delivering CFS for First Nations.

b. Governance and Board of Directors

All the incorporated FNCFS providers have a Board of Directors established as the governing and direction-setting body. The size and composition of the Boards vary within the sample based on their bylaws and participating stakeholders. The Board membership and appointments

are defined in the bylaws that generally assign a fixed number of appointees for fixed terms. Most of the bylaws require Board appointments to be made by the participating stakeholders, such as the participating First Nation governments, but the appointees do not necessarily have to be councilors. Other Board members may be appointed from among First Nation members and Elders councils. Some agencies also appoint Hereditary Chiefs to the Board. At a minimum, most Boards have a President, Vice-President and Treasurer/Secretary position. The agencies in our sample have Board sizes from between 6-8 Directors, with one member representing each First Nation.

The Boards are responsible for establishing policy, creating strategic plans, enacting bylaws, managing finances, managing risk, and following protocol agreements/board resolutions. It is not clear if the Boards follow a committee model for governance, but some Boards have a finance committee that has the responsibility for providing oversight and direction on financial matters, including audits.

While the level of formalization of Board processes is unclear, we understand that the Boards have established mechanisms for oversight through regular updates and performance reports from agency administration and through regular engagement with the community. The Boards meet, at a minimum, every quarter, and some as often as once a month, and they have set a schedule for public engagement.

The Annual General Body meetings (AGMs) are held in formal settings attended by the Board of Directors, Chiefs of participating Bands, staff and community members. The agenda for the AGMs is set by the Board in consultation with the Executive Director (ED) and includes various topics of accountability, including the ED report, agency achievements, current successes, challenges and future directions. There is an open question and answer session where community members can ask questions of the Board and the CFS executive team.

Our review indicates that the common priorities for the Boards align with community priorities in areas such as strengthening community relationships, developing strategies for implementing and funding An Act Respecting First Nations, Inuit and Metis, Children, Youth and Families (the Act) and development of child welfare laws and policies that support a prevention focus.

Financial management, including funding and reporting to funders, appears to be a significant focus of most Boards and the executive team, as evidenced by the existence of policies that meet the basic expectations of the provincial or federal funding agreements.

Our review did not find evidence of Board orientation, training or performance management, practices that are often associated with Board development and improvement. The CFS that are delivered directly by a Band Council operate under the Band's policies for finance and accounting. This sometimes limits their ability to fulfill their responsibilities, as Band policies, processes and financial systems are not specifically designed for CFS operations. The policies present challenges in financial processing that impact the agency's responsiveness to clients.

c. Strategic Framework

The FNCFS agencies, specifically those that are incorporated, have clearly articulated strategic frameworks consisting of mission, vision and values/principles. These appear prominently in Strategic Plans, Annual Reports, Needs Assessments and other public communications.

We observed several common themes in the expression of mission, vision and values among the agencies. Vision and mission statements focus on keeping children and families safe by providing holistic programming based on culture, language and traditional values. Principles and values are derived from The 7 Sacred Teachings. The agencies take pride in their profound purpose of bringing their children home and reclaiming jurisdiction over child and family services. The vision and aspiration of self-determination and inherent jurisdiction over child and family services is a pervasive theme in the strategic plans, although not all the FNCFS providers are currently working towards it through the Act. First Nations have unique views, needs and capacity to reclaim jurisdiction for the safety and wellbeing needs of their children through the Act. The First Nations in our sample are at various stages of understanding the implications of the Act, readiness, capacity and planning to deliver protection services for their Nation.

The agencies complete various forms of business planning that include strategic plans, annual workplans and short-term operational plans. Long term strategic plans range from 3 to 5 years and include goals, actions and performance measurements and a forecast of financial needs for operations and infrastructure. The agencies share some common goals, including service development, working towards self-jurisdiction, staffing and human resource development and

fulfilling infrastructure needs. These goals generally reflect similar strategic priorities, strengths and challenges among the FNCFS providers.

The strategic and operational plans are informed by a thorough and keen awareness of the needs, challenges and risks facing the communities. These agencies plan and forecast based on serving all members of the Nation who are resident on-reserve and off-reserve, and while all the agencies serve non-status Indigenous people on-reserve, only a few of their plans specifically mention this.

All the agencies report that the main focus of their executive teams and Boards is on existential concerns and the challenges of delivering day-to-day services, like renegotiating service agreements with provinces or annual funding with ISC. These negotiations require extensive time and effort from leadership and pose constraints on their ability to focus on important strategic functions like organizational development, capacity building and strategic initiatives that help to strengthen their organization.

Our review did not find much evidence of robust performance measurement and reporting. Agencies provide verbal updates on annual operations to their stakeholders, and one agency had user-friendly performance data in their public documents. Team and management meetings generally focus on specific case files however, operational performance indicators are not frequently referenced for measurement and organizational improvement.

More broadly, we did not find evidence of robust data management, measurement, analysis and reporting environment, although one agency does have a specific operational role identified for data gathering and statistical analysis. Each agency in our sample defines, collects, interprets and reports financial and operational data differently, which makes comparison a challenge. Programs and services that could be defined as similar are titled differently, and generally, data gathering is inconsistent. Financial and operational data reporting is done to fulfill contractual funding obligations and for accountability to stakeholders. Based on the information available, it appears that most of the FNCFS providers would benefit from more investment in IT and data management infrastructure.

d. Organizational Structure

The FNCFS providers are led by an Executive Director (ED) or Chief Executive Officer (CEO). When organized as an autonomous body, the agency's ED/CEO reports to a CFS Board; when organized as a business unit of the Band, the ED reports to the Band Administrator.

We observed that most agencies are organized using two main functional areas: corporate services and child and family services. In general, depending on the size and scope of their operations, the FNCFS program delivery teams are organized into units like Prevention, Protection, Intake, Case Management and Family Support. In a model that demonstrates stakeholder focus, some agencies serving multiple First Nations have organized their program delivery teams dedicated to a specific First Nation, with corporate services as a shared business unit of the agency. Most often, staff roles are specialized by type of service. For example, staff are assigned to prevention or protection, or intake and case management. However, some roles may be more general, in which staff serve both prevention and protection clients or perform a range of casework duties, including needs assessment / investigations and ongoing case management.

We note that one agency has a clan/community engagement role that is responsible for building trusted community relations, improving awareness of services, improving service utilization, soliciting feedback and leveraging traditional wisdom. The roles of cultural coordinators or cultural case workers are common, reflecting the provider's stated focus on promoting cultural awareness and cultural identity, providing culturally based services and building on community and cultural pride.

Organizational charts are an important management tool for conveying the overall structure of the organization: they outline reporting relationships and help agencies implement effective teams and supervision models. We noted some shortcomings in the tools used for documenting the organizational structures, resulting in charts and visuals that do not clearly reflect the team structure, size, reporting relationship and span of control. It also appears that some supervisors have large team sizes that may constrain effective supervision.

Some key strengths underlying the effectiveness of the providers are the qualifications, dedication, commitment and empathy of staff in client-facing roles and their knowledge of the

challenges that children and families face in their communities. One common challenge facing all the agencies is staff turnover and filling vacant positions. There are many factors contributing to this problem, including the workload on individual staff, which is increased by chronic vacancies, shortage of qualified candidates, shortage of housing and amenities for new employees, and long commuting times.

We reviewed a sample of job descriptions from the agencies. There is variation across the agencies in the level of detail and specificity in describing the responsibilities, performance measures and competencies required for various positions. ED roles usually emphasize responsibilities in operational management, i.e. program delivery, HR, financial management as well as Board related accountabilities, but do not clearly articulate accountabilities for organizational development and strategic outcomes.

We observed that qualifications and competency requirements for service delivery roles are generally kept flexible; we assume this is to help overcome structural barriers and enable hiring in a difficult environment. Experience in similar work and with First Nations is the preferred standard for all roles. Roles that are delegated or with supervisory responsibilities may require a bachelor's degree in Social Work, with some experience; however, generally, a professional certification does not appear to be a requirement for any role. The qualifications for non-delegated frontline roles are even more flexible.

One agency had a well-developed annual performance appraisal system for staff. The agency evaluates the performance of its staff based on well-defined performance indicators and a rating system. The appraisal is conducted collaboratively between the staff and their direct supervisor.

Observations on Programs and Services

a. Strategic Intent

All the FNCFS providers demonstrate alignment between their stated intentions and their delivery of programs and services. First and foremost, they all approach their delivery of programs and services from a rights-based perspective with a clear mandate to serve their own people. As stated through their laws, organizational vision, mission and goals, their reason for being is grounded in their inherent rights, particularly their right and responsibility to care for their own people, especially children. All the providers have a holistic, culturally relevant, culturally connected, person-centered, multi-generational, relationship-based approach for their organizations. They highlight the unique cultural context of the Nations they serve as paramount to their knowing-doing-being approaches, and make similar references to foundational documents or teachings, like the *United Nations Declaration on the Rights of Indigenous People*, Touchstones of Hope, and The 7 Sacred Teachings.

b. Program Delivery

Of the providers reviewed, two of them have a prevention mandate and three of them have both a prevention mandate and a child protection mandate. The child protection mandate is defined by the Act, provincial laws, and the policies of the First Nation where it is located.

The providers that deliver prevention programs and services demonstrate clear alignment with their strategic intent and address the presenting needs of the children, youth, families and communities. There are no federal or provincial laws that directly limit the nature of the preventative services that these providers deliver. The providers that have the sole mandate of prevention use both mainstream and First Nations-specific culturally relevant services, and they offer a more comprehensive range of prevention services as compared to providers in this review that are mandated for both prevention and protection. Holistically, the prevention-focused providers also demonstrated the use of their relationships with community leaders, Elders, agency governors, other providers and community members to determine what type of program they should implement and how their prevention programs should be focused.

For those providers that deliver prevention and protection services, we have less clarity about the alignment of their services with their strategic intent, specifically in their protection services delivery. While the efforts of these providers are commendable, as child protection is currently

within the jurisdiction of the provinces and territories, the structural challenge continues to be how best to embed First Nations determined and culturally relevant FNCFS approaches while operating under provincial and territorial jurisdiction.

c. Types of Services

The types of services, of the providers reviewed, ranged from support for basic necessities (food, clothing, shelter, financial security, physical and emotional health and relationships) to culturally relevant services and intensive mental health and out-of-home services. All the providers prioritized culturally relevant services, whether they were mandated for prevention or protection or both.

For the protection mandated agencies, a substantive portion of their culturally relevant programming was educational and intended to preserve their culture, or to introduce, or reintroduce, children, families and caregivers to their culture and traditions. Transition management, in and out of the western culture, including transitions on and off reserve, are significant challenges for First Nation service delivery.

Observations on Financial Information

The financial data received from the five FNCFS providers in the sample had varying levels of detail and was not similarly categorized, aside from the top-level categories of revenue and expenditures. Consequently, it was necessary to make some reasoned assumptions about the financial information for the purposes of cleaning the data, categorizing the data and creating a level of comparability of the data across the five providers.

We reviewed the financial information to understand the context and significance of each information item. Effort was made to align the data from each FNCFS provider to a common set of defined categories for each revenue and expenditure type. Revenues were categorized by funding source, and then program focus, such as prevention, protection and other programming activities, if identified by the provider. Expenditures were categorized into salaries and wages, direct program costs broken into prevention and protection, and indirect costs such as operations & maintenance, governance and administration, and IT costs.

Because the process of cleaning and organizing the data into comparable categories may not be completely objective, any comparative analysis derived from this data should be viewed with caution and noted as proximate.

As we analyzed the financial data, we noticed some limitations resulting from the small but diverse sample of FNCFS providers and programs. Two early conclusions emerged:

- There were limited comparable patterns in revenues or expenditures across the providers.
- Drawing correlations between the expenditures and program activities or program results within or across the providers would be unreliable.

We also learned about the strengths and challenges related to their financial management and reporting, and note the following:

- All the FNCFS providers separate expenditures into broad program categories, e.g., protection maintenance vs. prevention or direct program costs vs. operational expenses. This creates some clarity on common expenditures, but as noted above, the expenditures are not directly comparable across all of the agencies, as assignment of expenditures into those categories differed among them.
- There are differences between the financial reporting of FNCFS organizations that are agencies/stand alone and those that are a Band delivered service. The latter operate from Band financial policies that sometimes present challenges in capturing and reporting CFS financial data in ways that are reflective of the nature of the program.
- The FNCFS providers do not have a common data dictionary or definitions of common data items for capturing and reporting financial or operational data. In addition, in some cases, the naming of data fields/cost categories may not be reflective of the true nature of the cost. For example, food and clothing costs for prevention reported under materials and supplies.
- Given that the five FNCFS providers are independent, expenditures are not reported consistently across the five of them. The organizations are challenged in addressing the financial reporting expectations of their funders, the community and others. Without any standard, each provider records and consolidates expenditures into categories, which we

assume makes it easier for them from a technology perspective. However, this causes inconsistency in reporting comparable expenditure across the five organizations. For example, in some providers, wages and salaries are reported under operational costs, and in others, wages and salaries related to prevention are reported under direct program costs.

- There were challenges in understanding the true cost of services, since some services overlap within programs. An example of this overlap is when a FNCFS provider has a food and community needs fund for both prevention and protection and reports expenditures for both on one line item, or when a FNCFS provider reports protection/maintenance costs under a prevention program line.
- While some agencies had meaningful analysis of operational performance and also reported them in an easy-to-understand format in their public documents, generally, across agencies, there are differences in terminology used for operational data, and no standard definitions that help delineate nuances for items like counts of ongoing clients (families/individuals) vs. new intakes, and ongoing placements vs. new placements. As noted earlier, this lack of consistency across the agencies presented challenges for us in reporting and developing meaningful performance indicators.
- Overall, it appears that having a primarily operational focus, competing priorities, and lack of funding for capacity building impacts the understanding, the analytics, and the reporting of data in these organizations. In order to continuously improve, it is critical that an organization have the funding and capacity for robust data collection, analytics, reporting and performance management.

Findings from the Analysis of Financial Data

- In our sample of five FNCFS providers, the one serving the smallest and the one serving the largest populations provide only prevention services, and the remaining three FNCFS providers have some level of protection services, although not all of them provide a full range of child protection services.
- The expenditure budgets for the FNCFS providers providing only prevention services are between \$2.1-\$3.8 million, with on-reserve populations between approximately 950 to 1500. For those providing prevention and protection, the expenditure budgets are between \$6.1 - \$16.5 million per year, with on reserve populations between 1300 to 1600.
- Comparison in absolute amounts is not meaningful because their communities and operations are very different.
- Some expenditure categories were compared as a percentage of total budget, with the following observations:
 - The FNCFS providers providing only prevention services spend about 50% of their total budget on staffing costs and wages, while the other three FNCFS providers providing prevention and protection services spend about 35% of their total budget on staffing costs and benefits.
 - The FNCFS providers providing only prevention spend about 35% of their total budget on direct program costs (not including salaries), while the three providing both prevention and protection services spend 50-60% of their total budget on direct program costs (not including salaries).
 - Operations costs, which include office space, office supplies, maintenance, utilities and insurance, average about 3-4% of total expenditures in all the FNCFS organizations, regardless of size.
 - The FNCFS providers spend between 1-10% of their total budgets on governance and administration, which includes Board expenses, professional services, office administration and community meetings. Those with smaller budgets (under \$5 million) allocate a higher percentage of their total budgets on governance and administration compared to those with larger budgets.

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- For the two organizations that provide only prevention services, the total expenditure per population, including on and off-reserve members, is between \$760-1050.
 - The management to frontline staff ratio is between 1:4 and 1:9, and the population served per employee including management and non-management roles, varies between 1 staff per 40 members for the smaller First Nations to 1 staff per 150 members for the larger First Nations.

CHAPTER 3: Minimum Operating Model (MOM)

The five FNCFS providers participating in this review do not constitute a statistical sample, or a sample that is representative of small FNCFS providers. However, there were similarities in the information about their organizations, their communities, and their experiences as First Nation serving organizations. For this review, we used the information about the communities they serve and the similarities of the five FNCFS providers as the basis for creating a hypothetical small First Nation. The characteristics of the hypothetical small First Nation are described under similar topics as those of the First Nations we examined for the five FNCFS providers in this review. Reasoned inferences were made about the strengths of and challenges faced by the hypothetical First Nation. While the number of characteristics of the hypothetical First Nation that create challenges for a FNCFS provider appears to be substantive, based on the information received from the FNCFS providers in this review, the characteristics of our hypothetical First Nation are not atypical.

For illustrative purposes, the hypothetical First Nation was then used to infer a reasoned minimum for characteristics, structure and costs of a FNCFS agency that would serve this hypothetical First Nation with self-jurisdiction. The hypothetical FNCFS agency we termed as the Minimum Operating Model (MOM). Appendix 1 provides further details on the hypothetical First Nation and the MOM.

The Hypothetical FNCFS Agency

In keeping with a rights based, holistic, culturally relevant, person-centered, prevention approach, as expressed in various ways throughout the aforementioned foundational documents, like the UN Declaration on the Rights of Indigenous Peoples, Touchstones of Hope, and the Canadian Human Rights Tribunal's rulings on First Nations Child Welfare and Jordan's Principle in Canada, as well as the Laws, Vision, Missions, Goals and the feedback received from the FNCFS providers contributing to this review, the following section describes the suggested minimum structural and program characteristics for a small hypothetical FNCFS agency delivering 24/7 safety and well-being services to the hypothetical First Nation.

a. Program Delivery

While First Nations that reclaim jurisdiction for the care of their children under the Act have the same accountability to support the safety and well-being needs of children as the provincial and territorial child welfare systems, they want to serve with a far more profound sense of service and accountability to their own people. In addition to the inherent right of First Nations to care for their own people in their own unique intergenerational and cultural way, First Nations have expressed that they provide holistic (physical, emotional, mental and spiritual), interconnected care for the safety and well-being needs of every child and every family in their communities.

While evidence-based improvements in current provincial and territorial westernized child protection models occur, their focus remains limited, prioritizing the care of the child, sometimes at the expense of the family. In contrast to the western child welfare models, FNCFS providers prioritize relationship based, generationally connected approaches. While the best interests of children is a primary focus, FNCFS providers have a broader and traditional view of who their clients are, and include families and community as integral to better person-centered outcomes. Consequently, if form / structure follows function, and the function of a FNCFS provider is substantively different than the westernized child welfare programs, the form / structure of a FNCFS provider would be different and resourced differently as well.

The services for our hypothetical First Nation focus on the extent of needs, ranging from community development to the basic and developmental needs of children, youth and adults in the FN.

The following are some of the services that may be provided by a FNCFS agency serving the hypothetical First Nation:

- Food and Water security programs: hunting programs, fishing programs, gardening and gathering programs, community gardens and community kitchens, food banks, food purchase cards, food hampers, meals for events and programs, water provision programs, water infrastructure grants and supports
- Clothing and Shelter support programs: Clothing allowances: community consignment, clothing banks, clothing purchase cards, home building, financing for purchase, rent and mortgage assistance, supportive living programs, housing maintenance programs, temporary accommodation programs, transitional housing programs.

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- Transportation and Travel programs: payment for plane tickets, community travel cooperatives, agency drivers for ride service programs, child and family visitation programs, vehicle maintenance support.
 - Cultural Continuity programs: Elder programs, ceremony supports and cultural awareness programs, language programs, hunting and gathering programs, cultural camps and land-based programs, and other community development programs.
 - Health, Mental Health and Addictions: Elders and Traditional healing programs, ceremony supports, infrastructure for healing lodges and supplies, maternal health, pregnancy support, disabilities support, early childhood development programs, fly in counsellors and therapists for counselling, therapy, addictions and mental health, fly out to intensive specialized therapy, addictions and mental health supports.
 - Family Preservation support programs: Elder and community visit programs, cultural camps and land-based programs, child and family recreation programs, policing and justice programs, family support programs, homemaking, home visitation, child and youth workers, behavioral supports programs, maternal health programs, general health programs, counselling, therapy, mental health support programs.
 - Child Safety programs: Elder programs, ceremony support and cultural awareness programs, cultural camps and land-based programs, family support programs, homemaking, home visitation, child and youth workers, behavioral support programs, counselling, therapy, mental health support, supportive living programs, congregate care programs

b. Organizational Structure

As with any successful organization, a sustainable FNCFS agency would have:

- A clear, transparent and well understood (by the organization and the community) purpose and mandate
- Capable and qualified governance
- Clear, transparent, directional, and well understood organizational governance and operations policy
- Clear, transparent and defined processes, procedures and roles
- Visionary, compassionate, passionate, inspirational, and courageous leadership
- Knowledgeable, skilled, and experienced supervisors, managers and staff
- Core physical, support, business and process infrastructure for areas like:

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- facilities
 - human resources
 - legal
 - finance
 - policy
 - communications
 - planning, monitoring and reporting
 - information technology

From a refined modeling perspective, we have broadly structured the organization as follows:

The Executive Office:

- Executive Director overseeing all operations and program delivery and responsible for strategic leadership.
- Office Manager / Reception handling general office administration and reception duties.
- Executive Support to provide administrative support to the Executive Director and the Board.

Corporate Services:

- Staff who will manage, support and execute the corporate functions of HR, Finance, IT, Data, Policy, Communications, and Facility Management.

Program Operations:

- Staff consisting of managers, supervisors, and frontline workers, who work directly with the community, families, and children. Including specific cultural coordination and family preservation functions.

CHAPTER 4: Funding for FNCFS in the Draft Agreement

On January 26, 2016, The Canadian Human Rights Tribunal (CHRT) through its decision number CHRT-2 ordered the Government of Canada to cease its discriminatory conduct and reform its FNCFS Program, concluding it was tearing families apart and shattering lives through systemically racist funding practices. The Tribunal also found that the federal government's narrow interpretation and implementation of Jordan's Principle was creating service gaps, delays or denials, and overall adverse impacts on First Nations children and families on-reserve. On January 4, 2022, the Government of Canada announced that two agreements-in-principle had been reached; first, on a global resolution related to compensation for those harmed by discriminatory underfunding of FNCFS; and second, to achieve long-term reform of the FNCFS Program and Jordan's Principle to ensure that no child faces discrimination again.

In July 2024, the Government of Canada announced a draft Final Settlement Agreement (FSA) to achieve long-term reform of the FNCFS Program and Jordan's Principle. The Government of Canada proposed \$47.8 billion over ten years to fund the long-term reform of the on-reserve program for CFS. Appendix-2 provides brief descriptions of the key structural components of the Amended Draft Final Agreement on Long Term Reform of FNCFS Program, October 2024 (the Draft Agreement). The Draft Agreement was later rejected by the Assembly of First Nations. (Note: in February 2025 Canada signed a regional agreement for the long-term reform of the FNCFS Program with the First Nations of Ontario.)

We analysed the funding proposed through the Draft Agreement for FNCFS providers operating with jurisdiction, and the following are our observations on the broad implications of some of the key terms contained in it.

Observations on the Draft Agreement

a. Prevention Funding

The Draft Agreement proposes a fixed per capita amount based on the on-reserve population of a First Nation for prevention. Our consultations with FNCFS providers indicate that First Nations intend to provide culturally appropriate prevention outreach to their off-reserve members as well. This is consistent with the vision of substantive equality enshrined in the Act. About 62% of First Nations have more than half their population living off-reserve. Only about 12% of the First

Nations have a substantial majority (over 75%) of their members living on-reserve. It is logical to think that prevention services would be equally needed by families/communities living off reserve that have their children in care. The proposed funding therefore may not be sufficient to provide prevention services to all the members who need it. Our analysis also indicates a strong statistical correlation between the sufficiency of the proposed funding in the Draft Agreement and the percentage of population living on-reserve, implying that a large number of First Nations with high proportion of off-reserve populations will be financially challenged in their outreach.

b. Baseline Funding – a separate funding stream for Protection

According to the Draft Agreement, the baseline funding is intended to pay for the maintenance expenses of children when they are in care of a FNCFS agency. The nomenclature is misleading however, since the baseline funding is not minimum funding for the FNCFS agency; rather, it is funding that is available only as long as children are in the legal care of a FNCFS agency. The initial amount available to the FNCFS agency is based on the funding ISC was providing to the service provider at the time the child's care is transferred to the FNCFS agency, and subsequently, it is based on the actual maintenance cost for the children in care.

As it is labelled, baseline funding is to maintain children in care. The implication is that there is no incentive, from a funding perspective, for a FNCFS provider to reduce the number of children in care to zero. The baseline funding approach may not be aligned with the intent of the Act and the vision of all First Nations, which is to keep children in their families while providing culturally appropriate support for family preservation. However, unintentionally ISC's funding approach incentivizes family separation.

A more logical approach would be to transfer the baseline funding into prevention and family preservation funding as the number of children in care is reduced. This would create a true 'baseline' of funding and create incentives for achieving positive outcomes for children and families overall, and increasingly improved financial outcomes over time for the program. This approach also supports the argument for block funding for prevention and protection, which would provide FNCFS agencies with the flexibility to invest in the right areas of need in their communities. The single block funding approach better aligns with 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 the purposes of management and accounting.

The example of Lac Des Mille First Nation in Ontario (note, this First Nation is not one of the five FNCFS in the study sample) is demonstrative of the concerns related to the on-reserve population-based funding and the argument against separate funding streams for prevention and protection. The Lac Des Mille First Nation has a population of 10 on-reserve and 638 off-reserve members (Indigenous Registry System, ISC 2024). We estimate, based on the proportion of the total population, that there may be 12 Lac Des Mille children in care. Based on the proposed ISC funding for 2024, Lac Des Mille First Nation would receive \$25,000 for prevention, as the minimum guarantee does not apply to FNCFS providers serving one First Nation. We estimate the actual program costs for prevention to be \$66,500, not including the executive team or corporate services. The projected baseline funding for 12 children in care and top-ups will total approximately \$740k. The FNCFS agency will therefore qualify to receive about \$765,000 in ISC funding through the Draft Agreement for prevention, baseline, top-ups and remoteness adjustment. We have estimated that the minimum budget need for a FNCFS agency providing prevention and protection with self-jurisdiction for this population size and distribution, would be approximately \$2.9 million per year. If the prevention funding was based on total population, Lac Des Mille would receive \$2.34 million in funding, which is still short of the need, but much more manageable and supportive of the vision for self-jurisdiction.

Because baseline funding is for direct costs of children in care, and prevention funding is based only on the on-reserve population for this First Nation, Lac Des Mille First Nation would be inadequately funded, as their prevention needs are more pronounced off-reserve, where most of their in-care children's families are located.

c. Top-up Funding

The proposed top-up funding is based on the baseline funding which, as explained earlier, is based on the number of children in care. The higher the number of children in care, the higher is the baseline funding, and the higher is the top-up funding. This implies that if the First Nation is successful in reducing the number of children in care, it loses both baseline and top-up funding. As there is no incentive funding that creates a proportional investment into sustainment and prevention work as the number of in-care protection cases goes down, it is not unreasonable to

assume that the most successful First Nations will lose all their baseline and top-up funding, even as they achieve improved outcomes and have no children in care.

A related concern is that top-up funding is tied to baseline funding only. This is inconsistent with First Nation's vision for a prevention focused CFS program. Measuring the impact of prevention services is integral to that vision and therefore the top-up for IT and Results ideally should be based on prevention funding alone, or both prevention and baseline.

d. Minimum Guarantee of \$75,000

The Draft Agreement provides a guaranteed funding amount of \$75,000 to First Nation affiliated with a FNCFS agency. For First Nations affiliated with a FNCFS agency which serves an amalgamation of more than one First Nation, the First Nation's total per capita prevention funding would be divided between the First Nation and the agency. The agency's share of the prevention funding is equal to the First Nation's per capita funding multiplied by the proportion that the First Nation's population constitutes in the total population of all the First Nations in the amalgamation.

The \$75,000 minimum guarantee ensures that First Nation's with a population of less than 30 on-reserve in 2024 participating in an amalgamated FNCFS agency, receives more (max of \$75k) than they would receive on a per capita basis if they were not participating in a shared FNCFS agency. Therefore, it appears, the sharing formula between the First Nation and the agency is intended to incentivize small First Nations to collaborate with larger First Nations in the delivery of prevention services. By doing so, the First Nation would receive a portion of its per capita prevention fund, which it could spend on its own priorities, in addition to receiving prevention services from the agency. The First Nation may decide to direct part or all of its share of prevention funding to the agency.

For non-agency First Nations, and when a FNCFS agency serves only one First Nation, the First Nation receives all the prevention funding based on the per capita rate. It appears that the Draft Agreement does not provide a minimum guaranteed funding for a First Nation with an on-reserve population of less than 30 if they are not part of an amalgamated FNCFS agency. The First Nation may decide to direct some or all of its prevention funding to the FNCFS agency.

The Draft Agreement does not provide a rationale for establishing the minimum guaranteed amount at \$75,000 adjusted for inflation. Information based on the Draft Agreement between Ontario First Nations and Canada states that it is ISC's belief that, with \$75,000, a First Nation would have sufficient funding to dedicate at least part of an employee's time in delivering prevention services. This may be partially true for a Band-delivered prevention service for a very small First Nation with on-reserve population of 30, but it does not consider the direct cost of support to families and other realities of staffing, such as backfill and vacancies.

There are only 10 First Nations with on-reserve population of 30 or less. This raises questions about the net impact of this incentive. If the purpose of the minimum guarantee is to provide stimulus for amalgamation of FNCFS, a population threshold and minimum guarantee that incentivizes more First Nations to amalgamate their CFS would have broader systemic impacts economically.

CHAPTER 5: Analysis of Budget Needs and Proposed Funding in the Draft Agreement for FNCFS Agencies with Jurisdiction

This chapter provides our findings from the analysis of the proposed funding through the Draft Agreement and the budget needs of FNCFS agencies operating with jurisdiction under the Act.

The Financial Projection Model (FPM)

To account for multiple variables and derive an estimate for the operational budget and funding available for a FNCFS agency assuming jurisdiction, a financial projection model was built that in addition to aligning with the hypothetical MOM can also replicate the financial parameters for larger First Nations, and is based on the Draft Agreement. The FPM is capable of estimating the operating budget needs of a FNCFS agency based on the required staffing, programming and indirect expenditures for serving the population, and also the funding that the FNCFS would qualify for under the Draft Agreement with self-jurisdiction. The financial projection model has the following characteristics:

General Parameters

- The FPM is based on the operations of FNCFS agencies delivering family preservation services (prevention and protection) as envisioned by the Act and the Draft Agreement.
- Financial and population data have been indexed to 2026 values using StatsCan and ISC data estimates for inflation and population growth.
- The FPM estimates the budgetary needs and funding for 2026-27, and the main drivers used to estimate the budget needs replicate the drivers described in the Draft Agreement as follows:
 - the on- and off-reserve population of the First Nation,
 - the number of children in care, and
 - the Remoteness Quotient Adjustment Factor (RQAF).
- The FPM does not distinguish between a FNCFS agency delivering service to one First Nation or an amalgamation of multiple First Nations. The model is driven by population, children in care and remoteness factors, regardless of whether the population source is one First Nation or multiple First Nations.

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- The FPM models the prevention and protection programs on a stand-alone basis, meaning that they are unaffected by expenditures and funding related to other programs or services like Post Majority Services, Band Representative Services, Tribunal and Dispute Resolution, or Crisis Line.
 - The FPM does not include start-up costs for establishing a FNCFS agency, such as the costs of acquiring new infrastructure or assets, and ongoing capital expenditures. These costs are funded by ISC on case-by-case basis, and it is assumed that the FNCFS will have, or will acquire, the necessary infrastructure and assets.
 - The budget estimate has these components:
 - Salaries and Benefits
 - Direct Program Costs
 - Indirect Costs

First Nation Population

- First Nation population (on- and off- reserve) was obtained from ISC's Indian Registration System as at December 31, 2024, and their report on Population Registered under the Indian Act by Gender and Residence in 2023.
- Cumulative population growth from 2023 to 2026 was estimated at 12.3% based on StatsCan estimates for First Nations population.

Children in Care

- The FPM uses the count of children in-care, based on total on- and off- reserve population, for estimating baseline funding and protection services expenditures.
- The number of First Nation children (under 19 yrs age) for each First Nation was derived using ISC 2023 population statistics in their report on Population Registered under the Indian Act by Gender and Residence in 2023.
- The percentage of First Nation children in care is based on the April 2020 national data reported by Crown Indigenous Relations and Northern Affairs Canada (CIRNAC), which estimated 5.87% of First Nation children are in care. The number of children potentially in care for each First Nation was calculated by applying this percentage to the total number of children under 19 years of age.

Baseline Funding

- The Draft Agreement states that baseline compensation will be calculated based on the current rates that ISC pays to the current service provider. The FPM calculates the baseline amount using the estimated cost from the sample First Nations of \$52,907 per child for 2026, multiplied by the estimated number of children in-care.

Prevention Funding

- According to the Draft Agreement, prevention funding would be based on the per capita amount of \$2,500 indexed to 2026 per on-reserve population.
- For the FPM, prevention costs are calculated using the assumption that First Nations will provide prevention services to both on- and off-reserve members.

Remoteness Adjustment

- The RQAF for each First Nation was calculated according to the prescribed method in Appendix 12 of the Draft Agreement. A community with a 2021 Remoteness Index less than 0.4 will have a RQAF of 0.
- RQAF for each agency was derived using the same remoteness adjustment formula; however, it is weighted based on the population of each First Nation served by the agency.

Top-up Funding

- In the Draft Agreement, top-up funding for IT, results, and emergency would be calculated as a percentage of baseline funding.
- In the FPM, ISC's Household Support fund of \$25.5 million was allocated to each First Nation using a simplified approach to reflect the formula in Appendix 11 of the Draft Agreement.

Analysis using the Financial Projection Model

We conducted an analysis of operational budget needs of a FNCFS agency providing prevention and protection services with self-jurisdiction, and the funding available from ISC based on the Draft Agreement. The FPM is a spreadsheet-based financial projection model capable of generating scenarios of FNCFS agency operations based on the three driving factors, i.e., on- and off- reserve population, children in care, and remoteness adjustment factor. In order to perform these calculations, it applies a variety of assumptions and rules for the cost drivers. These details are explained in Appendix 3 of this report.

Using Monte Carlo simulation, the FPM is programmed to create 620 scenarios by sampling the on- and off-reserve populations from the list of First Nations and generating approximate number of children in-care and approximate RQAF. The sampling of the population may not be unique, but the combination of children in care and RQAF makes each scenario unique. Based on these inputs, the FPM calculates the staffing needed, total operational budget needed, and the total funding the FNCFS provider qualifies for under the Draft Agreement. It is our view that the estimates fairly represent what a FNCFS provider operating with self-jurisdiction would experience. The resulting budget needs and ISC funding for delivering prevention and protection services with self-jurisdiction from the simulation were analyzed statistically. The table below shows some of the key statistics from the simulation and explanation follows.

Key observations from the FPM analysis include:

Table 1 Summary Statistics from Simulation of Estimated Funding from Draft Agreement and Budgetary Need

Stat	On Res. Popn.	Total Popn.	RAQF	Children	Estimate of FTE	Budget Need (\$)	ISC Funding (\$)	Funding as % of Budget
Min	12	36	0.14	1	6.7	964,259	138,680	14%
Ave	702	1,498	0.62	22	20.5	5,441,616	3,530,836	57%
Max	7,145	12,051	1.29	179	105.8	35,799,365	32,017,869	107%

Note: the values in each column reflect the range from min to max generated in the simulation for that variable. Values from left to right in a row are independent of each other. For example, a First Nation with an on-reserve population of 12 and total population of 36 may not exist, but the numbers represent the smallest on-reserve and the smallest total population generated in the simulation.

Estimate of Staffing

- Table 1 shows that the minimum staffing required to operate a minimal FNCFS agency is 6-7 full-time equivalent (FTE) positions, including an executive office, corporate services, and program delivery serving on- and off-reserve populations. This would meet the needs of any First Nation with total population less than 166.
- The estimated staffing need for FNCFS agencies with prevention and protection services may be about 94-106 FTE for some of the largest First Nations, with total populations in 10,000 to 12,000 range. For the few FNCFS agencies with even larger populations, the number of staff needed may be up to 155 FTEs.
- Figure 1 shows the distribution of FNCFS agencies based on their estimated staffing need.

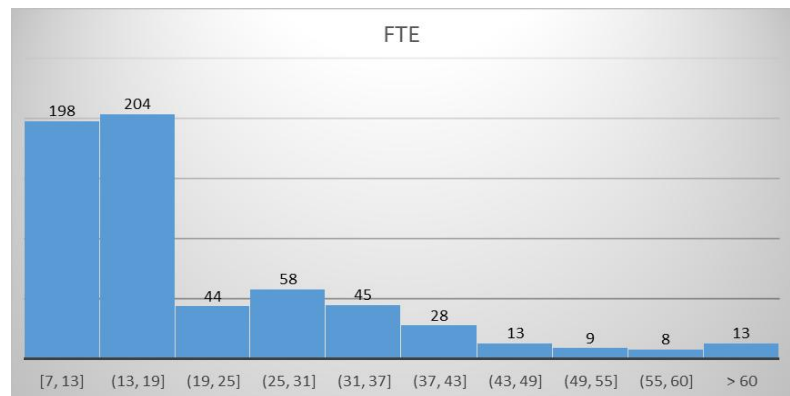


Figure 1 Number of FNCFS grouped by count of FTE Required

- About 72% of the FNCFS agencies will require less than 25 FTEs, 23% require between 25 and 50 FTEs and the remaining 5% will require 50 or more FTEs.

ISC Funding as % of Budgetary Need

- Table 1 indicates that the budgetary need of a FNCFS agency for operating costs may vary between \$964k to \$35.8 million, depending on population, number of children in care and remoteness. The average FNCFS agency requires about \$5.4 million per year to fund annual operating costs.
- The ISC funding available through the Draft Agreement ranges between \$138k to \$32 million, with the average FNCFS agency qualifying for about \$3.5 million per year.

- Table 1 also shows that, on average, the Draft Agreement is funding about 57% of the FNCFS agency's annual budgetary need for operations.
- Figure 2 shows the distribution of FNCFS agencies grouped by the percentage of their annual budgetary need for operations funded by the Draft Agreement.
- Figure 2 also indicates that for about 40% of the FNCFS agencies, the ISC funding based on the Draft Agreement may be less than 50% of their budgetary need.
- For about 50% of the FNCFS agencies, the ISC funding through the Draft Agreement may be 51-80% of their budgetary need, and for the remaining about 10% of the FNCFS agencies, the funding may be more than 80% of their budget.
- Accounting for the uncertainties in cost estimation and inherent error margins in the simulation, we may expect that about 10% of the FNCFS agencies who receive more than 80% of their budgetary need may be sufficiently supported to achieve their vision through the Draft Agreement. The FNCFS agencies that are funded between 51%-80% may be able to manage but would need to adjust their services/programming downwards to balance with the available funding. The remaining 40% of the FNCFS agencies receiving less than half their expected budget would struggle to deliver their mandate.
- Correlation analysis of the data from the simulation also confirms that the percentage of budget funded by the Draft Agreement is highly correlated (72%) to the percentage of on-reserve population. Therefore, First Nations with higher on-reserve populations will receive more funding compared to another with the same total population, but with a lower proportion living on-reserve.

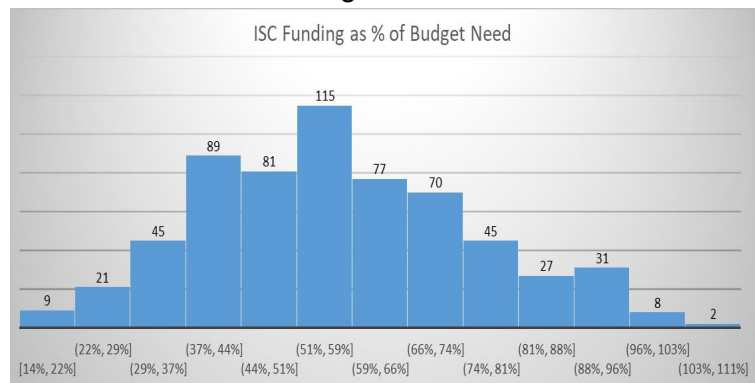


Figure 2 Number of FNCFS grouped by ISC Funding as % of Budgetary Need

Special Scenarios

To better understand the funding needs of FNCFS agencies with different demographics and address some of the key questions to be answered by this study, we analyzed the budgetary needs and funding from the Draft Agreement using some special scenarios, as described below.

- What is the operational budget need and funding available for the FNCFS agency serving the smallest population?
 - We analyzed the operational budget needed and funding available for the smallest FNCFS agency in terms of served population reflected in Appendix-1 which describes a hypothetical small First Nation and a minimum operating model for a FNCFS agency. This FNCFS agency serves a total population of 40 members (76% on-reserve), has an RQAF of 0.58 and has 1 child in care. Based on the simulation, the estimated budget needed for this FNCFS agency is \$968k, with 6 FTEs in the organization. It would receive funding of \$188k based on the Draft Agreement, which is about 20% of its need. A FNCFS agency of this size and composition will struggle to deliver the vision of self-jurisdiction enshrined in the Act, under this Draft Agreement.
- What population size can be served by the smallest FNCFS agency?
 - The simulation model indicates the smallest FNCFS agency needs a staffing level of 6-7 FTEs, with about half in CFS program delivery and the other half in executive office and corporate services. A FNCFS agency with this staff size may be able to support a total population size of up to 175, if it were sustainably funded. However, the simulation indicates that FNCFS agencies serving total populations up to 175 would, at best, receive 45% of their estimated budget need of \$1.2 million per year through the Draft Agreement.
- What is the operational budget need and funding available from the Draft Agreement for a FNCFS agency serving the median population of First Nations?
 - Based on the Indian Registry Services population data for 2024, the median population for all First Nations is about 1054 members. Our simulation has a scenario with total population of 1054 members (57% live on reserve), an

RQAF of 0.75 and 18 children in care. The estimated budgetary need of this FNCFS agency is about \$4.13 million per year, but based on the Draft Agreement, it would only receive \$2.99 million per year. This FNCFS agency would be funded for about 73% of its annual budgetary need.

- What is the budgetary need and funding available from the Draft Agreement for a FNCFS agency serving the median population among small First Nations (total population below 1000 members)?
 - Approximately 53% of First Nations have a total population of less than 1054 members. The median population for these First Nations is 504 members. The FPM generated a few scenarios that are close to the median population of small First Nations. The best scenario from a sustainability perspective is when a First Nation with 504 members has 97% of its population on-reserve, a RQAF of 1.2 and 7 children in care. This FNCFS agency has an estimated budget of \$2.2 million per year and would receive \$1.9 million (86% of its budget) through the Draft Agreement. It would receive less than its budgetary need but could be sustainable. The worst scenario is when, for the same total population, only 26% of the population lives on reserve, the RQAF is 0.41 and 9 children are in care. The estimated budget need for this FNCFS agency is \$2.6 million, but the available funding would be \$1.03 million, or 39% of its required budget.
- What is the population size at which the proposed funding in the Draft Agreement is sufficient for a FNCFS agency to sustainably operate with its own mandate and vision of self-jurisdiction?
 - We analyzed the population size for which the funding available from the Draft Agreement meets at least 90% of the budgetary need of the FNCFS agency. The assumption is that a FNCFS agency can manage its mandate with that level of funding. Our analysis indicates that financial sustainability is highly correlated to the proportion of the population living on-reserve, not necessarily to the total size of the population. Data from the simulation indicates that the smallest FNCFS agency, to have at least 90% of its budgetary need funded, has a total population of 1150-1300 with 90% or

more living on-reserve. The budget need for this size of operation is \$4-5 million per year. FNCFS with larger populations and similar proportions of on-reserve population would also be sustainably funded. This finding indicates that a target amalgamated population served in this range with the proportion of on-reserve population may be a strategy for sustainability under the Draft Agreement.

CHAPTER 6: Conclusion

The study meets the objective of conducting an exploratory analysis to better understand the interplay between population size, children in care and remoteness as applied to the funding proposed in the Draft Agreement and the corresponding operational budget needs of small FNCFS providers operating with self-jurisdiction. While much was learned from this small sample of FNCFS providers and the associated financial analysis, given the size and complexity of this topic, and the limitations of this study, there are many more questions to be answered regarding the operational needs, challenges and implications of the Draft Agreement on First Nations wanting to deliver CFS with self-jurisdiction.

In summary, our key findings and potential next steps are listed below.

Key Findings

1. The holistic, culturally relevant, culturally connected, person-centered, multi-generational, relationship-based approaches that characterize the five FNCFS providers in our sample establishes a foundation for organizational success. It could be inferred that the success that we observed in the five FNCFS organizations is due in large part to this overarching approach bringing them closer to their communities, enhancing cultural continuity, deepening their relationships, and creating an understanding of the people they serve that is unique to FNCFS providers. This type of compassionate understanding helps these organizations to be flexible, dynamic and focused on using their resources in the most effective ways. This culturally informed, citizen-centered approach is a leading practice that makes these organizations successful and positions them well for the future.
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 organizations can gradually enhance their functional capacity in data and analytics, financial management and leverage technology to optimize CFS delivery to remote and sparse populations.

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3. There appear to be structural challenges with the ISC funding approach that do not align with the stated visions of First Nations delivering or wanting to deliver CFS with self-jurisdiction. 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 in which many FNCFS providers intend to serve their people. The division between prevention and protection funding constrains rights based, holistic, culturally relevant, person-centered prevention approaches and is not aligned with the naturally changing needs of children, youth and families over time. Over the lifetime of their involvement with a CFS agency, a child, youth or family's needs can "fit" into both prevention and protection categories, and often into both categories at the same time. Determining that a child, youth or family only requires prevention services, or only a protection service, fails to recognize that people's needs and developmental paths are multi-dimensional, interconnected and complex. This failure, at its extreme, could result in "force" fitting people into services that may not be optimal. A block funding approach for prevention and protection services better conforms to First Nations' 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. We note that the funding for prevention in the Draft Agreement is based on on-reserve population and appears not to account for the migration of First Nation members. Members who generally reside off-reserve would not have access to prevention services from their own First Nation. This funding approach also does not account for the additional complexity of service delivery to First Nation members living off-reserve. It raises the question of how an off-reserve First Nation member will receive services if their Nation's off-reserve infrastructure is limited and the First Nation member's acceptance into Provincial/Territorial services is limited as well. Given that most First Nations intend to provide services to members living off-reserve, it is crucial to provide adequate funding to support off-reserve delivery and well-articulated and well understood reciprocal service delivery agreements between Provincial/Territorial governments and FNCFS agencies.

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5. The baseline funding as defined in the Draft Agreement would be better structured to incentivize keeping children at home and reducing the number of children in care. As defined in the Draft Agreement, FNCFS agencies who are able to reduce the number of children in care to zero are destined to lose their baseline funding and top-up funding.
 6. The top-up funding is tied to baseline funding and therefore is bound to decrease when fewer children are in care of the agency. As well, tying the top-up funding to baseline funding only is inconsistent with First Nation's vision for a prevention focused CFS program. Measuring the impact of prevention services is integral to that vision and therefore the top-up for IT and Results ideally should be based on prevention funding alone, or both prevention and baseline.
 7. The Draft Agreement does not provide ISC's rationale for establishing the minimum guaranteed amount at \$75,000 adjusted for inflation, except that it may fund a full- or part-time prevention staff in very small First Nations. This may be partially correct 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 that the minimum guaranteed funding is not available for a First Nation if they are not part of an amalgamated FNCFS agency.
 8. The minimum operational staffing and funding needed to serve any size of population is about 6-7 FTEs and approximately \$1.2m in annual operating budget. This amount of resource may be sufficient to support prevention and protection services for populations up to 175 members, subject to remoteness and the proportion of on-reserve population. Our analysis shows that funding from the Draft Agreement only supports approximately 45% of the required budget.
 9. There appears to be a pathway to financially sustainable operations for small FNCFS agencies through amalgamation. FNCFS agencies who are able to attain the threshold, estimated by the financial analysis, for total population and proportion of on-reserve population through amalgamation (1150-1300 in total population with 90% on-reserve), may receive funding that adequately supports their vision of self-jurisdiction.

Potential Next Steps

This study is a small step in a longer journey towards fulfilling the information needs of First Nations planning or contemplating self-jurisdiction in CFS. The following next steps are proposed for consideration:

1. Gain further clarity regarding the terms of the Draft Agreement or any future agreement and validate the implementation of the terms and related assumptions in the Financial Projection Model. A more rigorous study and modeling based on more participative but focused data gathering and consultation with First Nations would add further value and confidence in the findings.
2. Conduct financial modeling and scenario analysis to determine the fallback or minimum outcomes and preferred outcomes that would be acceptable to First Nations from any future negotiated agreement with ISC.
3. Conduct a thorough analysis of the Draft Agreement and any future agreements for alignment and compatibility with all relevant CHRT rulings related to the long-term reform of the FNCFS program.
4. Plan and implement strategies to incrementally build consistency and shared standards in gathering, storing, and reporting financial and operational data across the FNCFS sector to ensure the availability of reliable data, and enable reliable analysis on regional and national levels.
5. Plan and implement strategies to enhance the capacity of FNCFS organizations for data management, analytics and performance management to build on their operational successes and position them to meet the expectations and accountabilities stemming from the Draft Agreement, or any other future funding agreement.

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Appendix-1: Hypothetical First Nation & Hypothetical FNCFS Agency - Minimum Operating Model (MOM)

The Hypothetical Community Profile

This hypothetical First Nation is a community located on a remote northern reserve approximately 300 kilometers from the nearest urban center. It has a remoteness index of approximately 0.6, indicating significant geographic isolation. The community is not accessible by year-round roads and relies on seasonal winter roads and air transport for supplies and travel.

The total population of the community is approximately 40 members, with 30 (76%) residing on reserve. The age composition is as follows: approximately 9 (22%) are children aged 0-19 years, including 1 child currently in care; 3 are youth aged 20-24 years (8%), 21 are adults (50%), and 12 are seniors aged 60+ years and older (20%). The community has about 8 families with many facing economic and social challenges. Half of the families (4) are considered at risk and may benefit from prevention services.

Food Security

There is only one convenience store and one produce store on the reserve; both have a small selection of food choices. The community relies heavily on external supplies from supermarkets and discount stores located outside the reserve, which are difficult to access due to the remoteness and seasonal road conditions.

Some members of the community were displaced decades ago due to construction work on water infrastructure which destabilized the local water supply. This resulted in the community being under a boil water advisory for the past 5 to 10 years. This has led to increased health risks and disrupted routine housekeeping in the community.

Health

There is a small nursing station on the reserve, but it provides only basic medical care. Specialized care is unavailable and doctor visits are infrequent. For more complex health issues, including maternity care, residents must travel long distances to urban hospitals (~400

km). To get emergency medical care, community members travel by air. However, weather conditions and the seasonal nature of the roads frequently delay or prevent timely medical evacuations, increasing residents' vulnerability in life-threatening emergencies.

Education

The community has an elementary and middle school on reserve, but there is no high school. High school students must leave the community to attend schools or post-secondary institutions in larger towns or cities, which causes emotional and cultural disconnection. Many students face challenges adjusting to life outside the community; these challenges include limited cultural, financial and emotional support. This leads to high dropout rates that perpetuate low community educational levels, community unemployment, and health and social areas like mental health, addictions, and crime.

Social Development

Many of the older community members are residential school survivors. Intergenerational trauma, substance misuse and mental health issues are legacies of the residential school system. Many families are raising children and relatives without financial support, while some parents are unable to be involved due to addiction and trauma-related challenges. Alcoholism and drug addiction are common, contributing to domestic violence and child neglect in some households, resulting in placements which are outside the community due to lack of caregivers.

Parks and recreational facilities are poorly maintained or nonexistent. Youth have limited access to positive, structured activities, which has resulted in high rates of substance use, antisocial behavior and mental health issues. Community leaders and volunteers attempt to organize sports and cultural activities, but their efforts are constrained by a lack of funding and infrastructure.

Culture and Tradition

Traditional practices like fishing, hunting, and ceremonies are important parts of community life. Regular cultural events are organized and cultural kits are distributed to children to promote Indigenous knowledge and traditions. Efforts to preserve the language are ongoing, but progress is slow due to limited resources and the influence of western education systems.

While there is not a traditional site like a turtle lodge, the community has a shared gathering space supported by the Band Council for cultural events and ceremonies. Elders and knowledge keepers play a key role in passing down traditional knowledge, but the loss of language and cultural practices remains a significant concern.

Community Facilities

The community's facilities are limited and aging. There is lack of traditional gathering places such as a turtle lodge, ceremonial grounds, fire areas, and ceremonial spaces, like a sweat lodge or smudging room. The community gathering space is one of the few well-used facilities that accommodate cultural and community events, but it lacks modern amenities. The Band office, nursing station and community center require renovation and repair.

Housing

Families live in overcrowded homes, since no new housing construction has taken place in the past 5 to 10 years. Rental units are in poor condition, requiring repairs that are usually delayed or left unfinished due to limited funding and bureaucratic barriers.

Transportation

The community is accessible only by air or seasonal winter/ice roads. There is no public transit or taxi service, and personal vehicle ownership is low, primarily due to the high cost of ownership. Transporting supplies and medical emergencies requires expensive charter flights, which are often delayed or canceled due to weather conditions.

Health and Medical Facilities

The nursing station is not equipped to handle complex medical cases. Medications and supplies are limited, while emergency services are scarce. Serious medical issues require evacuation by air, but inconsistent flight schedules and weather-related disruptions often delay care. There are no First Nations midwives in the community, so pregnant women must leave the community weeks before their due dates to access maternity care, adding stress and financial strain on families.

Recreational Facilities

Recreational infrastructure is minimal; it is limited to a few informal outdoor spaces. There is no gym, sports field or dedicated community center for youth activities. Volunteers try to organize sports and events, but inconsistent funding and a lack of resources make it hard to sustain these programs.

Economic Drivers

The Band Council is the main employer, but jobs are limited. Seasonal work in firefighting, construction, and environmental monitoring is available but does not provide long-term stability.

Unemployment is high, especially among youth. Many residents leave the reserve for better economic opportunities, leading to population decline and social instability. Financial struggles are made worse by the lack of childcare and the high cost of transportation and living expenses.

The Hypothetical MOM FNCFS Functional Profile

Governance

1. Board of Directors Governance Administrative Support
2. Community Engagement and Communications

Minimum Suggested Functions or Roles

– Board Governance Support

Rationale – A First Nations Child and Family Service agency will have a governing board or body. For the purposes of this exercise, it is assumed that the governance body is a community-based Policy Board. Given that all Boards have accountability for the direction and the achievement of outcomes for the clients/people they serve, it is reasonable to suggest that all FNCFS providers have adequately resourced and dedicated capacity to support the governance of their organizations. This argument is even more compelling when considering the essence of First Nation's traditional, intergenerational relationship-based governance, where Elders, Chiefs, Band Councilors, and the Nation's citizens are integral, interrelated, and inseparable members of the Nation's decision making, and consequently, play a large role in the support that a child and family would receive. A primary role of a Governance Board Member of a FNCFS agency will be to liaise and connect with this broad and sometimes complex collective of care giving stakeholders and will often be the de facto voice of their respective First Nation community when broad-based community engagement is not possible.

Corporate Services

1. Human Resources
2. Legal
3. Planning, Monitoring, Quality Assurance and Continuous Improvement
4. Finance and Audit
5. Procurement and Contracting
6. Program Development
7. Infrastructure
8. Communications, Promotions and Marketing
9. Policy Development

10. Information Technology

11. Corporate Services Administrative Support

Minimum suggested Functions or Roles

Human Resources

Rationale –The recruitment, retention and support of compatible and qualified staff is foundational for the effective functioning of the organization. In addition to the recruitment, retention and support challenges of a larger, urban organization, a small remote FNCFS agency will have the added challenges of issues like distance and associated travel, the availability of qualified candidates for delivery of Indigenous and non-Indigenous service delivery, housing, and higher salary costs for comparable positions. As FNCFS providers continue to address the historical injustices of past policy and the design of uniquely First Nations delivery of Child and Family Services, having a skilled and qualified Human Resource professional that understands the following is required:

- the historical context and reputation of non-Indigenous Child and Family Services, and today's unique First Nation design of the work;
- the unique community context of the work, and;
- the need to have an equally unique and innovative approach to Human Resources.

A FNCFS agency must have a tailored recruitment, retention and support strategy for leading, managing and supporting their staff. This will help realize the First Nation's vision for self-jurisdiction in CFS.

Legal Services

Rationale – Considering the general litigious nature of historical child protection work, it is reasonable to assume that a FNCFS agency may have a similar experience with their service delivery, albeit with the hope that it will be to a lesser degree. In addition, the ongoing negotiation of organizational agreements with Federal, Provincial and service delivery entities, along with drafting of Nation specific laws and corresponding policy, will require dedicated legal services support.

Financial Services, Audit, Procurement & Contracting, Program Development, Infrastructure

Rationale – All FNCFS providers will require the capacity to effectively manage their finances, regardless of the size of the organization. While the day-to-day management of financial resources will be paramount, having associated specialized functions, such as audit, procurement, contracting and infrastructure support would be value-added additions on a as needed basis. In addition to performing periodic specialized activities, these supplementary resources can also help with the day-to-day transactional activities associated with developing in-house programs, procuring needed infrastructure and program services, drafting contracts and agreements and reviewing those services from a cost-benefit or cost-effective perspective. These functions can assist FNCFS agencies' accountability in meeting their Nation's and funder's expectations regarding transparent disclosure of the resources received, resources allocated and results achieved.

Communications, Promotions, and Marketing

Rationale – The holistic, culturally relevant, multi-generational, relationship-based prevention approach to safety and well-being constitutes the general foundation for FNCFS delivery. That approach is unique and substantially different than the western, colonial, provincially mandated approach to child protection. A FNCFS agency will require a resource to support the Board, Executive Director and staff in dispelling the perception that the FNCFS agency is the same as CFS agencies based on the colonial system, and promoting and marketing the new, Nation specific, design, delivery and outcomes of the FNCFS agency. If a goal is to model a traditional approach of community caregiving to achieve improved safety and well-being outcomes, the community must be engaged and involved in a trusting relationship and be supportive. This requires ongoing engagement, transparency, communications, marketing, and promotion of the context, rationale and strengths of the FNCFS agency and services.

Planning, Monitoring, Quality Assurance and Continuous Improvement

Rationale – Person-centered or citizen-centered organizations have the client or customer at the center of what they do, and they measure whether they are making a difference for their clients or customers. The First Nations establishing FNCFS agencies are resuming the care of their children and families and epitomize a citizen-centered approach to service. Consequently, FNCFS agencies that are accountable to their Nations will want to use their available resources in the most effective and efficient ways possible. They want to know if what they are doing is making a difference for their people. FNCFS agencies require dedicated resources to help plan,

monitor, assess, review and evaluate their services with a capacity for data collection, analysis and reporting to meet their accountabilities to their people, funders and others, as they deem necessary.

Policy Development

Rationale – Historic, colonial child welfare policy has clearly not met the needs of First Nation children, families and communities. The foundational premise of the reformation of First Nations child welfare is a change in policy that recognizes the inherent right of First Nations to care for their children and families and places the responsibility of creating, drafting, communicating and operationalizing Nation-specific child and family services policy on each First Nation. To align a FNCFS agency's policy with the law and operational needs, it is reasonable to suggest that FNCFS agencies have a dedicated policy capacity to effectively support the policy reformation agenda.

Information Technology

Rationale – We are living in an ever-increasing digital world requiring ongoing adaptation to changing technology. While it can be argued that this technology can be both enabling and constraining, there is little debate regarding the pervasiveness of emerging technology and the need for service delivery agencies to have capacity. For remote communities, up-to-date technology is critical; it enables operational efficiency and mitigates some aspects of remoteness and limited access to services.

Administrative Support

Rationale – Administrative professionals provide a division of labor between the specialized functions and the administrative tasks that support those functions. Having enough skilled administrative professionals to assist specialized functions can create efficiencies when there is effective grouping and assignment of administrative tasks. This division of labor allows staff to focus on the tasks that best suit their knowledge, skills and abilities.

Executive Leadership & Management

1. Chief Executive Officer or Executive Director
2. Executive Administrative Support

Executive Director

Rationale – All organizations require administrative leadership and management. Given the proposed policy governance board structure, it is important to have a position that reports to the Board and translates and manages the policy direction into operational activity. This position is critical in developing, leading, managing and supporting the policy direction as established by FNCFS laws when enacted and through the Board, and operationalizing them into relevant services for Nation members.

Executive Support

Rationale – As with previous comments made regarding the division of labor for administrative vs. specialized tasks, having a skilled administrative professional to support executive leadership is value added and efficient when tasks are categorized and assigned effectively. When implemented correctly, executives can focus on the core (strategic and operational) work of their positions vs. the important but more transactional work of administrative professionals.

Operations

1. Cultural Coordinators
2. Early Childhood Development
3. Prevention, Early Intervention, and Well-being
4. Youth Support
5. Family Preservation and Support
6. Child, Youth and Family Safety

Cultural Coordinator

Rationale – As demonstrated by the sample of FNCFS providers in this review, at the core of FNCFS organizations are inherent rights and cultural continuity. The historical damaging experience of First Nations caused by colonial policy and associated child welfare systems has resulted in many losses for First Nations that include cultural identity, language and traditions. To address this, FNCFS providers require dedicated resources that are focused on building and supporting culture and cultural continuity, repairing the damage caused by the colonial systems and assisting the transition to new First Nations driven systems, with reconciliation both internally between the community and Child and Family Services, as well as externally between

Indigenous and non-Indigenous people. Cultural Coordinator positions are a principal strength in delineating between colonial child welfare and the contemporary First Nations-led services.

Minimum Staffing

Rationale – Regardless of the population of any First Nation, to create an effective FNCFS agency, there is a minimum staffing that is needed to operate. Variables like remoteness, operating hours, mandate and programs delivered impact the minimum number.

Having a minimum staff allows for logical and effective resource assignment based on needs. It would support a rotational assignment of staff to after-hours and on-call services to meet the 24/7 requirement of a FNCFS agency. Depending on community needs, it allows for reasonable balancing of emergency response and ongoing case management, as well as reasonable coverage for vacancies due to illness, vacations and training.

This minimum baseline is also contingent on having the other previously listed specialized and support functions available to assist.

Key Physical Infrastructure

- Operational Office Buildings
- Cultural/Community Buildings
- Vehicles
- Information Technology (software, hardware, and support) – Program, Finance, Human Resources, Communications, Quality Assurance
- Communications

Appendix-2: The Amended Draft Agreement

CHRT Decision on Compensation and Reform

- The First Nations Child and Family Caring Society and the Assembly of First Nations filed a human rights complaint at the Canadian Human Rights Commission in 2007 alleging that the Government of Canada is providing less child welfare funding to First Nations children and failing to fully implement Jordan's Principle.
- In January 2016, The Canadian Human Rights Tribunal through its decision CHRT-2 ordered the federal government to cease its discriminatory conduct and reform its First Nations Child and Family Services Program, concluding it was tearing families apart and shattering lives through systemically racist funding practices. The Tribunal also found that the federal government's narrow interpretation and implementation of Jordan's Principle was creating service gaps, delays or denials, and overall adverse impacts on First Nations children and families on-reserve.
- On January 4, 2022, the Government of Canada announced that 2 Agreements-in-Principle had been reached:
 - on a global resolution related to compensation for those harmed by discriminatory underfunding of First Nations Child and Family Services.
 - to achieve long-term reform of the First Nations Child and Family Services Program and Jordan's Principle, to ensure that no child faces discrimination again.
- After the first compensation settlement amount was disapproved by CHRT, a revised compensation settlement worth \$23.376 billion was announced in 2023 that included all children victims of the underfunded First Nations child-welfare system.
- The CHRT confirmed on July 26, 2023, that the compensation agreement satisfied all 2019 compensation orders.
- The Federal Court of Canada approved the agreement on October 24, 2023.
- In July 2024 Canada announced a draft Final Settlement Agreement (FSA) negotiated with AFN, Chiefs of Ontario (COO) and Nishnawbe Aski Nation (NAN) for the reform of the FNCFS program. It was presented as a \$47.8 billion deal over 10 years.
- Closer scrutiny revealed serious shortfalls, including insecure funding commitments and governance that lacked regional participation, transparency and First Nations decision

making. In October 2024, First Nations voted overwhelmingly to reject the FSA and reset negotiations to allow regional representation.

- On February 10, 2025, Canada, along with COO and NAN released a draft FSA on FNCFS long-term reform that is only for Ontario First Nations.
- On February 26, 2025 –COO and NAN ratified a \$8.5 billion Ontario Final Agreement on the Long-Term Reform of the FNCFS Program.

Long Term Reform Funding

The following general terms were proposed for funding under the draft agreement for long-term reform by Canada, which was rejected by the First Nations in late 2024.

Baseline. Starting April 1, 2025, FNCFS agencies will receive operations & maintenance funding as a fixed baseline amount, calculated based on 2022-2023 actual expenditures. This replaces the reimbursement of actual costs for operations and maintenance expenditures, such as intake, investigations, legal fees, building repairs and child service purchases. Baseline funding is subject to adjustments for inflation and population growth based on the Indian Registration System (IRS) population count. For non-agency First Nations, the baseline is calculated based on the amount of maintenance funding ISC provides to the jurisdiction (provincial or territorial) providing protection services less any administrative expenses related to the program for the jurisdiction.

Prevention. Funding at \$2,500 (\$2603.55 for 2024-25) per registered First Nation on-reserve for culturally relevant, community-based programs and services that address the structural drivers that place children, youth and families at risk. Prevention funding was implemented as part of immediate measures on long-term reform, which began on April 1, 2022. First Nations not served by a FNCFS agency will receive all the prevention funding attributable to the First Nation based on the per capita rate. First Nations served by a FNCFS agency have the option to direct their funding to a service provider. Where a FNCFS agency is affiliated with one or more First Nations, the funding may be divided between the First Nation and the agency based on a proportionate to population formula. At a minimum, each First Nation with or without an affiliated agency will receive \$75,000, even if their calculated allocation would fall below this amount. The total prevention funding provided to a First Nation and its agency may not exceed the amount based on the per capita rate for the First Nation's population.

Post-Majority Support Services. Post majority support services would be provided?? for registered or ordinarily resident on-reserve First Nations young adults aging out of care and formerly in care, up to their 26th birthday as they transition to adulthood and independence. Funding would be based on actuals as part of the Immediate Measures (2022 CHRT8) and would transition to a formula-based approach with a new funding methodology for the FNCFS Program.

Poverty. A top-up funding for household support to address challenges associated with poverty, such as basic needs that could result in children coming into care is available to First Nations. The top-up will be a proportionate to the population of the First Nation that is below LIM-AT and the total funding available from ISC (\$25.5 million for 2024-25). This funding is provided to the First Nation.

Capital Asset Funding. A top-up percentage of up to 2% of the total value of FNCFS agency's capital assets to support maintenance (e.g. buildings and vehicles) is available to First Nations. A capital asset replacement fund for major capital projects, such as new purchases, builds or extensive renovations, would be determined by Phase 3.

Insurance Premium. First Nation and FNCFS service providers will receive funding for eligible insurance costs.

Adjustments

Inflation. A percentage increase each year to account for the forecasted inflation rate using the Consumer Price Index.

Population. Funds to account for First Nations population growth as a top-up to the baseline budget. The population of the First Nation is to be based on the population on-reserve, on Crown land or in Yukon drawn from the IRS as of September 30th of the previous year. For FNCFS agencies the population is the sum of populations of the First Nation to which it is affiliated.

Geography/Remoteness. A funding top-up to address the increased costs of delivering services in remote First Nations by utilizing the Remoteness Index Score. A remoteness adjustment will apply to those First Nation whose remoteness score is 0.40 or greater based on 2021 index of remoteness.

Top-Up Funding

To be calculated on baseline funding adjusted for population and inflation.

Information Technology (IT). A 6% top-up of the baseline budget for FNCFS agencies information technology needs for the implementation of the reforms.

Results. A 5% top-up on the baseline budget to support the implementation of the performance measurement framework or other results-based indicators.

Emergency Funds. A 2% top-up to the baseline budget for emergency situations that create additional demands on FNCFS agencies such as disasters and unanticipated circumstances. This funding is to be shared equally between the First Nation and with the agency, if served by an agency.

Appendix-3: Financial Projection Model Assumptions and Cost Drivers

Human Resource Needs

The FPM estimates staffing and budget needs based on the premise that a First Nation that decides to assume jurisdiction for CFS will create an organization, business model and systems that support the base functions of any successful business, but also include functions and infrastructure that support their unique First Nation's vision. For example, it will have a Board representing its community, staffing to perform a minimal level of corporate and program functions and systems and physical facilities to support its operations, with particular emphasis on functions, roles or infrastructure that are First Nations specific, like Elder and ceremony supports.

The FPM estimates the FTEs and related costs in salaries and benefits for the minimum staffing required to operate a FNCFS agency providing prevention and protection services with self-jurisdiction. The human resource needs have been grouped into three categories as described below.

The Executive Office consists of:

- Executive Director overseeing all operations and program delivery and responsible for strategic leadership.
- Office Manager / Reception handling general office administration and reception duties.
- Executive Support to provide administrative support to the Executive Director and the Board.

The FPM calculates the FTE needs for each based on assumptions driven by the overall size of the FNCFS organization. The combined size of the Executive office is capped at 4.5 FTEs for large FNCFS.

Corporate Services consists of staff who will manage, support and execute the corporate services functions of HR, Finance, IT, Data, Policy, Communications and Facility Management.

- The manager to staff ratio of 1:6 has been used to determine the number of manager positions in the corporate services function.

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- A ratio of 1:8 has been applied to determine the number of administrative support staff.
 - The staffing needs for HR, Finance, IT and Maintenance have been calculated by applying industry standards for these functions, along with a minimum base staffing required when the population or total employee count is under a certain threshold.
 - HR generalist positions are calculated based on 1 FTE per 50 employees in the FNCFS agency with a minimum of 0.5 FTE. Accounting and Finance staffing are based on 1 FTE per \$3 million in budget but no more than 5 FTEs.
 - IT, Data Management and Social Media staffing is minimum of 0.5 FTE for less than 20 total employees, 2 FTEs for less than 100 employees and an additional 1 FTE for every 100 employees in the FNCFS.
 - Facility Maintenance and Operations staffing is based on 1 FTE per 1000 population, with a minimum of 0.5 for under 500 people.

Program Operations consist of managers and supervisors, as well as frontline workers who work directly with the community, families and children.

- A fractional Director of Program Operations position is allowed for agencies that have fewer than 8 frontline employees, and an FTE if there are more than 8 employees in frontline positions.
- A ratio of 1:8 has been used for determining direct supervision to frontline social workers, and a ratio of 1:8 has been applied to calculate the number of administrative support staff.
- Cultural Coordinator and Community/Clan relations staffing is based on 1 FTE per 2000 total population, with a minimum of 0.25 FTE.
- Family Preservation Generalists who provide prevention services is calculated on the basis of the proportion of population to be targeted through outreach.
- Family Preservation Specialists who provide protection services are calculated based on a caseload of 8 children per caseworker, with a minimum of 0.5 FTE for any FNCFS.
- The caseload and supervision ratios are based on industry standards, but First Nations may have different requirements depending on factors like community needs, uniqueness of their culturally relevant delivery model, case complexity, availability of resources and travel distances.

Salaries & Benefits

Total expenditures on salaries were estimated based on market averages for similar roles listed on credible internet sources, and benefits were calculated at 30% of the annual salary, consistent with industry standards. A contingency budget has been estimated for the frontline roles at 20% of salaries and benefits to fund back-fill for vacancies, unplanned absence and after-hours work, assuming that factors such as location and availability of temporary staff do not create a barrier for the FNCFS to utilize the contingency.

Direct Program Costs

Direct program costs relate to expenditures incurred in the direct delivery of the prevention and protection services to children, families and the community. They do not include salaries and benefits for program delivery staff, which have been estimated in the salaries and benefits for program operations.

- Direct Program Costs for Contracted Services include the cost for contracted professionals. This amount was calculated by multiplying the population of the First Nation by the per population cost for this service in two of the sample FNCFS. This line includes contracts for:
 - Elders, trainers, teachers, consultants, mental health practitioners, etc., to deliver prevention program-related services that directly benefit children and families as described in the MOM.
- Direct Program Costs for Prevention include direct expenditures related to children and families as part of the prevention initiatives. This amount was calculated by multiplying the population of the First Nation by the per population cost for this service in two of the sample FNCFS providers:
 - direct financial assistance, groceries, clothing, transportation and entertainment supplies, and any other supports based on needs as described in the MOM.
- Direct Program Costs for Protection include direct expenditures related to child protection activities, foster care placements, kinship care and emergency housing. This cost was calculated by multiplying the number of children in care of the FNCFS agency with the maintenance cost per child calculated for a sample FNCFS agency indexed to 2026 dollars. The maintenance cost per child in 2026 is estimated at \$52,907, as per the

terms of the Draft Agreement. The baseline maintenance cost per child excludes operating costs, such as staff salary and administration.

Indirect Costs

Indirect costs include the expenditures related to corporate services and other activities that support the social programs but are not direct expenditures to children and families, including:

- Board Honoraria and Expenses include payments and reimbursements for board members' time and expenses related to governance activities. Board members are to be compensated for expenses and provided with an Honoraria based on number of board meetings. The number of board members, typically between three and six, with First Nation who have an on-reserve population of less than 250 would have a three-member Board, and those with an on-reserve population of over 500 would have a six-member Board.
- Volunteer Honoraria include payments or stipends for volunteers like youth, adults and Elders who give their time to support the First Nation's programs and community initiatives. The amount is based on an estimate of 20 hours per year per volunteer and an hourly cost per volunteer.
- Legal, Accounting and Professional Fees include costs for legal fees, financial audits and other professional services. Legal costs were estimated at minimum \$10,000 for all First Nations, \$30,000 for First Nations with on-reserve population less than 500, \$75,000 for on-reserve population less than 1000 and \$150,000 for larger First Nations.
- Insurance for employer and employee liability coverage was estimated at \$500 per staff.
- Meetings & Gatherings include expenses for organizing community meetings, gatherings and associated costs, and were estimated at \$2,000 for every 50 participants.
- Office and Administrative costs, including general administrative costs, such as supplies, office equipment, and communications were estimated at \$1000 per employee per year.
- IT, Data Management and Social Media costs include costs related to maintaining IT and phone systems, data storage, software and social media. These were estimated at an average of \$3,500 per staff based on industry estimate for medium sized non-profit.
- Facility Maintenance Costs include costs for maintaining physical spaces and transportation, repairs and upkeep. These were estimated at 4% of total budget based on industry estimates.

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- Travel and other expenses are costs for staff travel and related expenses and were estimated at \$500 per frontline staff per month, to account for geographically dispersed populations and child placements.

ISC Funding Based on the Amended Draft Agreement

To determine the total ISC funding available for family preservation based on the Draft Agreement, we calculated the allowable funding for each line item as below.

- The baseline amount was calculated using the estimated cost of \$52,907 per child for 2026, multiplied by the estimated number of children in-care.
 - We note that this amount, which is based on our sample data, is lower than ISC's published data of \$56,094 on average per child maintenance cost for 2019-20 for all First Nations (\$66,242 in 2026 dollars). The Draft Agreement proposes that baseline compensation will be calculated on specific First Nations per child maintenance costs, or provincial/territorial costs of maintenance for children from the First Nation.
- Prevention funding was based on the per capita amount of \$2,705 per on-reserve population in 2026 dollars.
- The Draft Agreement requires the Household Support funding to be calculated using the LIM-AT criteria. We found that the household support funding calculated using the LIM-AT criteria was approximately 1%-2.5% of baseline funding for the five sample First Nations. As a simplification of a more complex LIM-AT based calculation, the FPM calculates the household support as percentage of baseline by multiplying the baseline with a random percent between 1%-2.5%.
- Funding for Capital Asset Maintenance and Insurance were treated as flow through and funded at the amounts of the estimated expenditures.
- Top-up funding for IT, Results and Emergency were calculated as percentages of baseline as stipulated in the Draft Agreement.
- A remoteness adjustment amount was calculated using the RQAF for the agency applied to the sum of top-up funding for IT, results, emergency and household support.

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Analysis of Operating Budget and Funding based on On-reserve Population

(Addendum to “Study of Budget Needs and Funding in the Amended Draft Agreement for Long Term Reform of FNCFS Program” Final Report April 2025)

Introduction

In July 2024, the First Nation Child and Family Caring Society (the Caring Society) contracted EngageFirst Management Consultants, a leading consultancy with a background in First Nation’s child and family services (FNCFS), to analyze the funding needs of small First Nations and the adequacy of the funding proposed in the Amended Draft Agreement for the Long-term Reform of FNCFS Program (the Draft Agreement). EngageFirst reported the findings of this study in April 2025. The study was focused on reflecting the needs and aspirations of small First Nations (with total on- and off-reserve population below 1054) delivering or wanting to deliver CFS with their own jurisdiction. Premised on that vision, the analysis reflected the operations and budget needs of FNCFS agencies providing services to families, youth and children living on- and off-reserve.

This addendum, presents the results of the financial analysis based on the premise that FNCFS agencies provide their services only to families, youth and children living on-reserve.

Findings of Analysis

The financial model developed in the original study, was used to generate scenarios of FNCFS agency operations based on three driving factors, i.e., on-reserve population, children in care, and remoteness adjustment factor. In order to perform the calculations, the assumptions and cost drivers for this analysis were reviewed and adjusted to reflect service delivery to on-reserve population only.

The financial model is programmed to create 620 scenarios by sampling the on-reserve populations from the list of First Nations and generating approximate number of children in-care and approximate RQAF. It is our view that the estimates fairly represent what a FNCFS provider operating with self-jurisdiction would experience. The resulting operating budget needs and ISC funding for delivering prevention and protection services with self-jurisdiction from the simulation

were analyzed statistically. The table below shows some of the key statistics from the simulation and explanation follows.

Table 1 Summary Statistics from Simulation of Estimated Funding from Draft Agreement and Budgetary Need

Stat	On Res. Pop.	Total Popn.	RAQF	Children	Estimate of FTE	Budget Need (\$)	ISC Funding (\$)	Funding as % of Budget
Min	10	36	0.00	-	6.1	791,670	107,502	13%
Ave	884	1,711	0.61	24	15.9	4,336,722	4,038,758	76%
Max	10,320	13,501	1.36	294	107.4	40,993,791	47,098,821	119%

Note: the values in each column reflect the range from min to max generated in the simulation for that variable. Values from left to right in a row are independent of each other. For example, a First Nation with an on-reserve population of 12 and total population of 36 may not exist, but the numbers represent the smallest on-reserve and the smallest total population generated in the simulation.

Estimate of Staffing

- Table 1 shows that the minimum staffing required to operate a minimal FNCFS agency is about 6 full-time equivalent (FTE) positions, including an executive office, corporate services, and program delivery serving on-reserve population. This would meet the needs of any First Nation with on-reserve population less than 175.
- The average staffing requirement among all First Nations for delivering prevention and protection with self-jurisdiction to on-reserve population is about 16 FTE.
- The estimated staffing need for prevention and protection services may be about 52-105 FTE for some of the large First Nations, with on-reserve populations in 4,000 to 10,000 range.
- Figure 1 shows the distribution of FNCFS agencies based on their estimated staffing need.
- About 85% of the FNCFS agencies will require less than 25 FTEs, 12% require between 26 to 50 FTEs and the remaining 3% will require more than 50 FTEs.

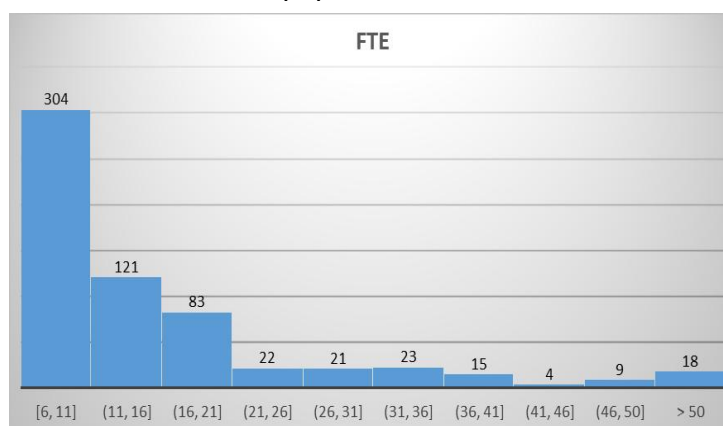


Figure 1 Number of FNCFS grouped by count of FTE Required

ISC Funding as % of Budgetary Need

- Table 1 indicates that the budgetary need of a FNCFS agency for operating costs varies between \$791k to \$41 million, depending on on-reserve population, number of children in care and remoteness. The average annual operating budget among all FNCFS agencies is about \$4.3 million.
- The ISC funding available through the Draft Agreement ranges between \$107k to \$47 million, with the average funding among all FNCFS agencies of about \$4 million per year.
- Table 1 also shows that, on average, the Draft Agreement is funding about 76% of the FNCFS agency's annual budget need for operations.

- Figure 2 shows the distribution of FNCFS agencies grouped by the percentage of their annual operating budget funded by the Draft Agreement.

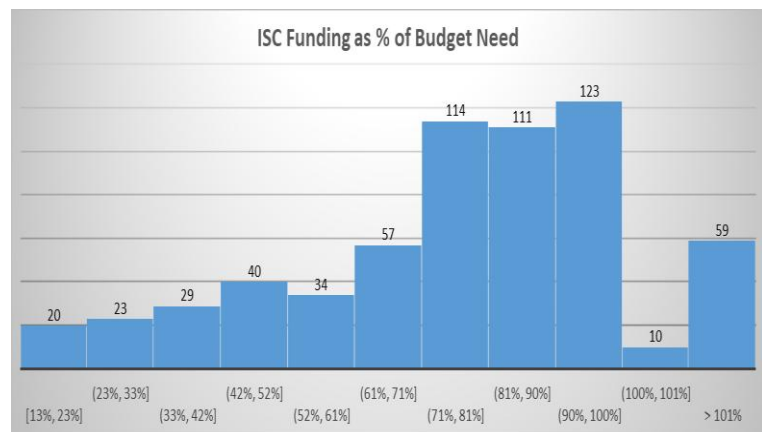


Figure 2 Number of FNCFS grouped by ISC Funding as % of Operating Budget

- Figure 2 indicates that for about 18% of the FNCFS agencies, the ISC funding based on the Draft Agreement may be less than 50% of their budget need.
- For about 33% of the FNCFS agencies, the ISC funding through the Draft Agreement may be 51-80% of their budget need, and for the remaining about 49% of the FNCFS agencies the funding may be more than 80% of their budget. (Note: the overfunding shown in the chart may be due to the difference in the scaling of costs and funding for large FNCFS.)
- Accounting for the uncertainties in cost estimation and inherent error margins in the simulation, we may expect that about 49% of the FNCFS agencies who receive more than 80% of their budgetary need may be sufficiently supported to achieve their vision through the Draft Agreement. The FNCFS agencies that are funded between 51%-80% may be able to manage but would need to adjust their services/programming downwards to balance with

the available funding. The remaining 18% of the FNCFS agencies receiving less than half their expected budget would struggle to deliver their mandate with self-jurisdiction.

- It appears from the analysis that on a net system-wide basis the total ISC funding would balance the combined operating budget needs for prevention and protection services of all the FNCFS agencies.
- Correlation analysis of the data from the simulation also confirms that the percentage of budget funded by the Draft Agreement is highly correlated (72%) to the percentage of on-reserve population. Therefore, First Nations with higher on-reserve populations will receive more funding compared to another with the same total population, but with a lower proportion living on-reserve.

Special Scenarios

To better understand the funding needs of FNCFS agencies with different demographics and to address some of the key questions to be answered by this study, we analyzed the budget needs and funding from the Draft Agreement using some special scenarios, as described below.

- What is the operational budget need and funding available for the FNCFS agency serving the smallest on-reserve population?
 - We analyzed the operational budget need and funding available for a very small FNCFS agency as reflected by the hypothetical small First Nation and the minimum operating model for an FNCFS agency described in Appendix-1 of the final report. This FNCFS agency serves an on-reserve population of 42 members (29% of total population), has an RQAF of 0.75 and has 1 child in care. Based on the simulation, the estimated budget needed for this FNCFS agency is \$971k, with 6.7 FTEs in the organization. It would receive funding of \$219k based on the Draft Agreement which is about 23% of its need. An FNCFS agency of this size and composition will struggle to deliver the vision of self-jurisdiction enshrined in the Act, under this Draft Agreement.
- What population size can be served by the smallest FNCFS agency?
 - The simulation model indicates the smallest FNCFS agency needs a staffing level of 6-7 FTEs, with about half in CFS program delivery and the other half

in executive office and corporate services. An FNCFS agency with this staff size may be able to support on-reserve population of up to 175, if it were sustainably funded. However, the simulation indicates that FNCFS agencies serving on-reserve populations up to 175 would, at best, receive 60% of their estimated budget need of \$1.3 million per year through the Draft Agreement.

- What is the operational budget need and funding available from the Draft Agreement for an FNCFS agency serving the median on-reserve population of all First Nations?
 - Based on the Indian Registry Services population data for 2024, the median on-reserve population for all First Nations is about 454 members. Our simulation has a few scenarios with on-reserve population of 454 members, RQAF between 0.7-1.0 and between 11-14 children in care. The estimated operating budget need of these FNCFS agencies is between \$2.6-\$2.8 million per year, and based on the Draft Agreement the ISC funding would be between \$2.0-2.3 million per year. These FNCFS agencies would be funded for about 80-90% of their annual operating budget, which may be close to sustainable.
- What is the budgetary need and funding available from the Draft Agreement for an FNCFS agency serving the median population among small First Nations (on reserve population below 454 members)?
 - Half of the First Nations have on-reserve population less than 454 members. The median on-reserve population for the small First Nations is 194. The model generated a few scenarios that are close to the median population of small First Nations. This on-reserve population size is very close to the population that the minimum operating model can serve. The required staffing is estimated at 7.2 FTEs and the operating budget need for the FNCFS agency is about \$1.3-\$1.5 million per year. However, the funding available from the Draft Agreement would be about \$835-975k per year or 62-67% of required budget.
- What is the on-reserve population size at which the proposed funding in the Draft Agreement is sufficient for an FNCFS agency to sustainably operate with its own mandate and vision of self-jurisdiction?

- We analyzed the on-reserve population size for which the funding available from the Draft Agreement meets at least 90% of the operating budget need of the FNCFS agency. The assumption is that a FNCFS agency can manage its mandate with that level of funding. Data from the simulation indicates that the smallest FNCFS agency, to have at least 90% of its budgetary need funded, has an on-reserve population of 820 members. The budget need for this size of operation is \$4 million per year. FNCFS with larger on-reserve populations would also be sustainably funded. This finding indicates that a target amalgamated on-reserve population above 820 may be a strategy for sustainability under the Draft Agreement. There are about 198 First Nations (32% of all First Nations) with on-reserve population more than 820 who may be sustainably funded through the draft agreement.

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