

# Engagement on the Comprehensive Funding Agreement



*Building a New Fiscal Relationship with First Nations*





# Purpose

- Update on the New Fiscal Relationship
  - Indigenous Services Canada
  - Priority Commitments 2018-2019
- Overview of Comprehensive Funding Agreement (CFA)
  - What's New
  - 10-Year Grant Plan
  - A new approach to default management and prevention
  - Implementation
- CFA Engagement



# Indigenous Services Canada

- In August 2017 the Prime Minister announced the dissolution of INAC and the creation of two new departments: Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC), and Indigenous Services Canada (ISC).
- ISC includes First Nations and Inuit Health programs and services as well as former Indigenous Affairs programs and services, and is focused on the following priority areas:
  - Improving Health Outcomes
  - Quality Education
  - Children and Families Together
  - Reliable Infrastructure
  - **Building a New Fiscal Relationship**, including access to longer-term more flexible funding; reducing the reporting burden; and adopting a new proactive approach to replace the default prevention and management policy.





## Priority Commitments to First Nations in 2018-19

Building on the results of the New Fiscal Relationship engagement report from December 2017 and the Ministerial Response, priority areas were identified:

- Grants based on mutual accountability
  - Co-developed eligibility criteria, accountability provisions and risk management
- DPMP/governance capacity reform
- Advisory body
  - First Nation partners to provide guidance and recommendations on building new fiscal relationship
  - Via Ministerial Appointments, 2 year mandate
  - Mandate to co-develop options for a permanent advisory function



# Comprehensive Funding Agreement - Overview

## Comprehensive Funding Agreement Elements

- Comprehensive Agreement:
  - Majority of clauses selected from the current templates;
  - Option to include Other Governments Departments in the agreement, with the future potential for one agreement per community.
- Adopts New Fiscal Relationship language
- For maximum flexibility, includes all funding approaches: Set, Fixed, Flexible, Block and Grant; and 10-Year Grant
- Client-focused in keeping with ISC's vision to leverage best practices, harmonize, integrate, streamline, and simplify selection of funding approach



## Comprehensive Funding Agreement – What's New

- 10-Year Grant
- Reflects a new proactive approach to default prevention and management founded on capacity building.
- Duration of Flexible funding approach is not limited to 24 months. At a minimum the agreement must span 2 fiscal years.
- An Unexpended Funding Plan is not a requirement if the funds are used to continue work that is already identified in the agreement.
- Ability to use the Fixed Funding Approach for FNIHB programs.
- Grant funding can be spent across all programs (no restrictions between Health, Social, Education, etc.).



# Plan for Ten Year Grants - Predictability

*(Co-development partners: Assembly of First Nations, First Nations Financial Management Board)*

- Currently working with First Nations that have expressed an interest in the 10-Year Grant.
- The proposed grant will include core program/service funding streams.
- Co-developed Eligibility Criteria:

Financial Administration Law (FAL) – A financial administration law is a set of governance and financial practices that assist a First Nation government in making informed financial decisions. First Nations would have the option of passing a FAL under the *First Nations Fiscal Management Act* or the *Indian Act*.

Financial Performance (FP) – A First Nation government's financial statements for the preceding 5-year period must meet certain financial performance standards.

#### Minimum FAL Implementation Provisions:

- As of today these are still subject to some ongoing co-development discussions.
  - First Nations would be asked to ensure that certain provisions of their FAL are supported by policies and procedures that have been implemented.
  - These could include: audited consolidated financial statements available to First Nation citizens, establishment of a Finance and Audit Committee, and community plans and annual reports to citizens.
- **Mutual Accountability Framework: Community Outcomes**
    - There would be a shift from program compliance to community outcomes based reporting by First Nations to citizens, framed around the UNSDGs through community plans and annual reports





# A new approach to default management and prevention

	Current DPMP	Proposed Approach
Definition of default	Many circumstances, from administrative to breakdowns in essential services, regardless of ability or willingness of Chief and Council to act.	Chief and Council are unable or unwilling to address a situation that threatens the health and safety of community members and/or the integrity of federal funds
Levels of default	3 levels: Management Action Plan (MAP), Recipient-Appointed Advisor (RAA) and Third Party Funding Agreement Management (TPFAM)	Single level: Default Trustee
TPFAM/Trustee responsibilities	Extensive, ranging from managing federal funding, restoring essential services, and assisting with capacity development.	Limited to restoring essential services and/or managing federal funds until Chief and Council are re-engaged and willing and able to lead.
Spirit	“Punishment” for perceived mismanagement*	Assistance to restore essential services and supports to close capacity gaps provided through a new capacity development strategy
ISC responsibilities	Extensive. Range from establishing the level of default, selecting and appointing company involved in intervention, making escalation/de-escalation decisions, monitoring progress, etc.	Limited. Appointment of Default Trustee and responding to requests for support from First Nations.
Responsibility for costs	First Nations from Band Support Funding.	ISC
Conduct of interventions	A range of accounting firms, few with Indigenous connections. Skillset mostly limited to management of funds.	FNFMF, supported by other specialized, multi-skilled Indigenous-led organizations (e.g., AFOA, FNHMA, etc.)

\*Reflects the findings of the INAN Standing committee on Default Prevention and Management 2017





## CFA Implementation

- All First Nations will have the option to renew expiring funding agreements with the CFA on April 1, 2019.
  - For agreements expiring March 31, 2019 (Year 1) – First Nations will be given a choice to extend their expiring agreements for one additional year in order to become more familiar with the CFA.
- After Year 1, all agreements will be renewed with the CFA as they expire.
- Former INAC or FNIHB funding agreements that expire March 31, 2019, and are renewed with the new CFA, may also include other agreements that expire in future years; these agreements will be terminated early for inclusion.
- The 10-Year Grant is only available under the CFA.



## Engagement – Draft Comprehensive Funding Agreement

- During September and October 2018, the draft Comprehensive Funding Agreement is being shared with First Nations with the intent to collect feedback:
  - to inform final drafting of the 2019-20 agreement which will be shared in December 2018; and
  - to support continued policy development of the 10-Year Grant and new DPMP policy.
- To assist with engagement, a worksheet has been developed capturing key components of the draft agreement, linked to specific engagement questions.
- Summaries of regional engagement sessions will be summarized and available publicly on the department's [Consultation and Engagement](https://www.aadnc-aandc.gc.ca/eng/1307644732392/1307644769769) website <https://www.aadnc-aandc.gc.ca/eng/1307644732392/1307644769769> later this fall.
- Concurrent with this engagement, the draft agreement is being shared with Indigenous partners to ensure that it reflects co-development work thus far.