



New Fiscal Relationship with First Nations: 10-Year Grants



Presentation to support
regional outreach sessions
Updated: September 10, 2018





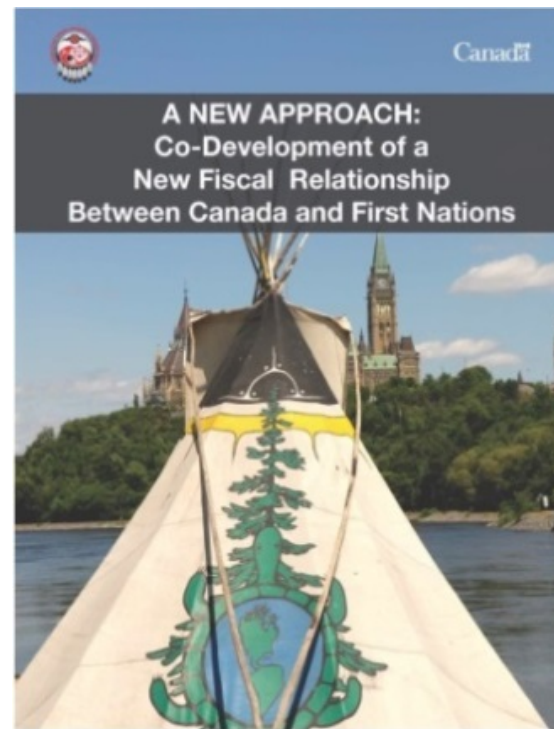
Purpose

- Provide up-to-date information on the proposed 10-Year Grant for First Nations, including:
 - What will be included in the 10-Year Grant?
 - What are the eligibility criteria for the 10-Year Grant, and how were they co-developed?
 - What are the options in working towards meeting the eligibility criteria?
 - How will accountability work with the 10-Year Grant?
 - What are the roles and responsibilities of the key players?
- Next steps and provisional timeline for implementing the 10-Year Grant



The New Fiscal Relationship journey so far

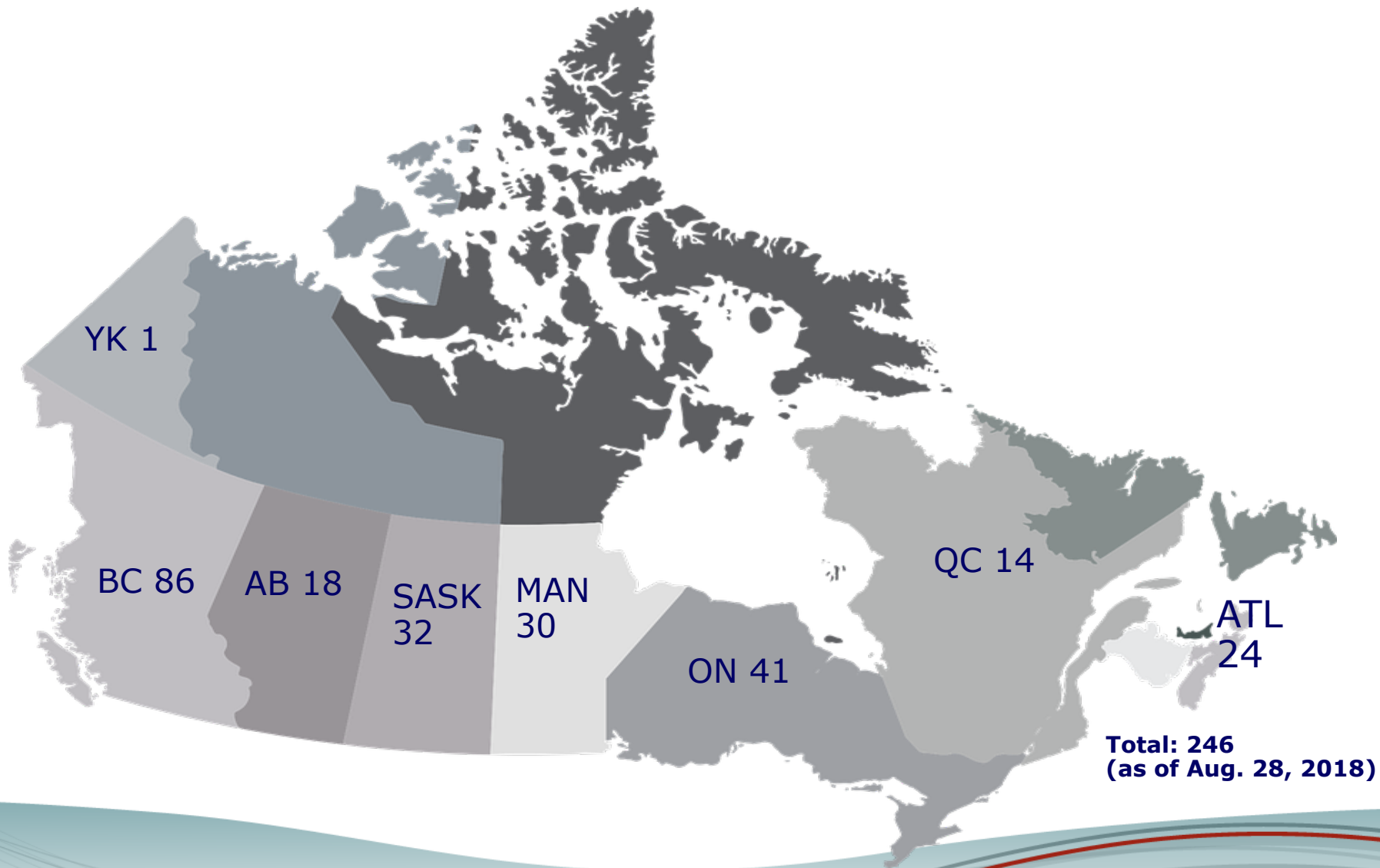
- July 2016 – Memorandum of Understanding with the Assembly of First Nations
- 2016-17 – Co-development and regional engagement
- December 2017 – Final Report under the MOU
 - Recommendations accepted by AFN Chiefs-in-Assembly
 - **Ministerial response sets priorities for implementation:**
 - **10 year grants for qualified First Nations**
 - **Default prevention reform**
 - **Advisory body to support ongoing co-development**
- **Summer 2018 – Outreach on the 10-Year Grant**
 - **Letters to First Nations**
 - **Information sessions and outreach in partnership with the First Nations Financial Management Board**
 - **As of August 28, 246 First Nation governments have expressed interest in the 10 Year Grant and have taken steps towards meeting eligibility criteria in time to get the Grant in April 2019**



Goal is for at least 100 First Nations to receive 10-Year Grants by April 1, 2019.



Expressions of Interest Across Canada





Context

The 10-Year Grant remains subject to final approval by Treasury Board in the Fall of 2018.

- To ensure First Nations have the information they need to apply for the 10-Year Grant and prepare for implementation of the grant in April 2019, ISC is beginning outreach now, while co-development and Treasury Board processes continue.
- Information being shared with First Nations on the 10-Year Grant is based on an approach for the grant eligibility process co-developed by ISC with the Assembly of First Nations with input from the First Nations Financial Management Board.

Information products on grants will updated by ISC and shared with stakeholders as required.



Overview

- The 10-Year Grant is a funding mechanism that would provide increased flexibility and predictability in how funding is used by First Nation governments over the course of the Grant period to address local needs and priorities.
- The 10-Year Grant should provide important benefits including:
 - ✓ Greater opportunities for long-term planning (most contribution agreements have shorter terms);
 - ✓ Flexibility in allocating, managing and using funding to better accommodate local needs and changing circumstances and priorities (possibility of annual installment for programs included in the 10-Year Grant);
 - ✓ Ability to retain unexpended funds; and,
 - ✓ Reduced administrative and reporting burden.
- The 10-Year Grant would be based on existing funding levels. The question of funding sufficiency applies to all First Nations. This issue is being addressed as part of continuing co-development on fiscal policies.

ISC will issue annual calls to apply for the 10-Year Grant. First Nations will have opportunities to qualify for the grant over time.



Scope of the 10-Year Grant

- The 10-Year Grant will include core program/service funding streams.
- First Nations that receive a 10-Year Grant will continue to receive funding through contribution agreements for programs that fall outside the scope of the grant.
- ISC plans to incorporate additional programs into the 10-Year Grant over time, including other programs from ISC, Crown-Indigenous Relations and Northern Affairs, and other federal departments.
- ISC hopes to expand the grant to include service aggregation-type entities, including Regional Health Authorities and Tribal Councils, before 2020.

The goal would be to allow for a single funding agreement between a First Nation and the Government of Canada.



Preliminary List of Programs and Services

This list was prepared to support preliminary internal analysis and does not necessarily represent the final list of programs and services that could be included, all or in part, in a 10-Year Grant for April 1, 2019.

Governance	<ul style="list-style-type: none">• Band Support Funding and Employee Benefits
Infrastructure	<ul style="list-style-type: none">• Capital Facilities Maintenance
Social Development	<ul style="list-style-type: none">• Income Assistance and Assisted Living
Education	<ul style="list-style-type: none">• Elementary/Secondary and Post-Secondary Education
Health*	<ul style="list-style-type: none">• Primary Health Care, and Health Infrastructure Support
Lands and Economic Development	<ul style="list-style-type: none">• Lands and Economic Development Services
Individual Affairs	<ul style="list-style-type: none">• Registration Administration

* ISC will explore a distinct approach to health funding with the First Nations Health Authority in B.C.



Rationale for Approach to Eligibility Criteria

- Co-development to date on the new fiscal relationship has favoured policy proposals that are consistent with international research and best practices, and that are compatible with First Nations-led institutional approaches.
- First Nations Financial Management Board (FMB) standards were designed to align with the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s internationally recognized framework for risk management.
- These standards are currently used to determine eligibility for borrowing from capital markets via the First Nations Finance Authority. They are also being deployed as part of co-developed reforms to the Default Prevention and Management Policy.
- FMB standards provide internationally-recognized measures of risk management that empower First Nations to exercise their right to self-determination while instilling confidence that they are well-run, transparent and accountable.
- On this basis, ISC and AFN invited FMB to co-develop grant eligibility criteria built upon FMB's existing standards (FAL, FP).

ISC is prepared to continue co-development of funding policies that are based on international standards and compatible with First Nations-led institutional approaches.



Essential Steps for the 10-Year Grant

Provide a written request to be considered for a 10-Year Grant on or before July 13th, 2018, for operational and budgetary planning purposes.

If not already done, create a financial administration law or bylaw under the *First Nations Fiscal Management Act* or *Indian Act*, and confirm that it is consistent with FMB standards.

Provide audited financial statements for the past five years to demonstrate that Financial Performance standards are met.

FMB provides reports to ISC that FAL/FAB meets standards and minimal implementation provisions, and that Financial Performance (FP) meets standards.

First Nations that have not confirmed they have met the above criteria by December 14, 2018 may not be among the first group of grant recipients on April 1, 2019. The purpose of this deadline is to align with 2019-20 budget planning and funding arrangement preparation timelines.

ISC renders the final decision on awarding the grant.



Making the 10-Year Grant work: mutual accountability

- With a 10-Year Grant, First Nation governments will experience a reduction in administrative and reporting burdens in a number of ways, including:
 - Reduced administration (no “permissions” needed) as a result of greater flexibility to reallocate funding to fit local needs and priorities;
 - Elimination of compliance-based reporting for programs included in a 10-Year Grant; and,
 - No recipient audits or compliance reviews initiated by the department for programs funded through a 10-Year Grant.
 - Minimum set of results based indicators
- Instead, First Nation governments would report to their own members. This is part of a broader vision to shift from program management compliance to an outcomes –based mutual accountability framework that recognizes the primary importance of the accountability relationship between First Nation governments and citizens.
- Strategic plans and annual reports required by the Financial Administration Law would be based on outcomes, priorities and their key performance measures as determined by First Nation governments with their citizens; and would include a minimum set of co-developed indicators that would support reporting to Parliament.

Copies of Strategic Plans and Annual Reports would be shared with Indigenous Services Canada as a principle of mutual accountability.



Reduced Reporting to ISC

- The Financial Administration Law standards set out requirements for accountability to First Nation citizens including:
 - Annual audited financial statements
 - Multiyear Strategic plan
 - Annual progress report
- ISC will also ask that copies of the above reports be shared with the department as a principle of mutual accountability.
- Strategic Plans would be based on outcomes, priorities and their key performance measures consistent with the financial planning horizon. (An example of internationally recognized outcome categories can be found in the United Nations Sustainable Development Goals).
- Annual Reports would report on progress against the strategic plan and include a minimum set of annual performance indicators to support parliamentary reporting. The precise list is still under review.
- The ISC Departmental Plan 2018-19 provides an example of a common set of indicators consistent with the 2018-19 Departmental Results Framework.
<https://www.sac-isc.gc.ca/eng/1523374573623/1523904791460>



Ongoing co-development of the 10-Year Grant

- **Supporting mutual accountability and a nation-to-nation approach**
 - To support the emergence of a relationship based on mutual accountability, ISC is proposing that First Nations with the 10-Year Grant convene an annual meeting between representatives of the Council and regional officials from ISC to discuss the implementation of the 10-Year Grant and the overall functioning of the fiscal relationship.
 - These meetings could include collaborative discussions on how to support First Nations in continuing to meet eligibility criteria for the 10 Year Grant and in achieving their goals and priorities with respect to programs and services.
- **Monitoring of eligibility criteria**
 - The Policy on Transfer Payments requires that Grant recipients maintain their eligibility through the course of a funding arrangement.
 - ISC, AFN and FMB are co-developing an approach to provide for minimally intrusive, risk-based monitoring of eligibility criteria for 10-Year Grant recipients, including tracking of financial ratios and limited follow-up verification of financial administration laws



Funding levels for the 10-Year Grant and Co-development on Sufficiency

- The 10-Year Grant is a funding mechanism only. Implementation of the 10-Year Grant for April 2019 is being planned based on existing funding levels.
- That said, First Nation governments will benefit from changes to program funding levels regardless of the type of funding mechanism they may be in. Future adjustments to program funding, including escalators, would be incorporated into all funding mechanisms for First Nation governments including 10-Year Grants.
- The question of funding sufficiency applies to all First Nations. The Government of Canada made new investments in funding for First Nations in Budgets 2016, 2017 and 2018; however it is recognized that more investments could be required to address funding sufficiency.
- The joint report by ISC and AFN calls for the co-development of a Fiscal Policy Model to address sufficiency by April 2019.



Summary of Roles and Responsibilities

Eligibility Criteria and Application		Implementation of Grants
First Nation Governments	<ul style="list-style-type: none"> • Choose path for adopting FAL or FAB, if required • Provide information to verify eligibility • Work with ISC, FMB to obtain support as needed to meet eligibility criteria 	<ul style="list-style-type: none"> • Provide information to verify continued eligibility • Inform ISC if they no longer meet eligibility criteria • Work with ISC, FMB to obtain support needed to maintain eligibility, meet requirements of the agreement
Indigenous Services Canada	<ul style="list-style-type: none"> • Issue final decisions on grant eligibility • Coordinate information on grants, responses to questions from stakeholders • Support First Nations during application process 	<ul style="list-style-type: none"> • Confirmation of authority to create grants • Co-development of grant agreement model • Information to First Nations to support grant implementation by April 2019 • Delivery of grant funding arrangements • Capacity supports, informed by regular dialogue between FN, ISC regional offices
First Nations Financial Management Board	<ul style="list-style-type: none"> • Report to ISC on assessing against eligibility criteria • Support First Nations during application process • Co-development of eligibility criteria 	<ul style="list-style-type: none"> • Monitoring of eligibility criteria, financial performance trends • Capacity support services • Co-development partner
Assembly of First Nations	<ul style="list-style-type: none"> • Co-development of eligibility criteria 	<ul style="list-style-type: none"> • Co-development partner

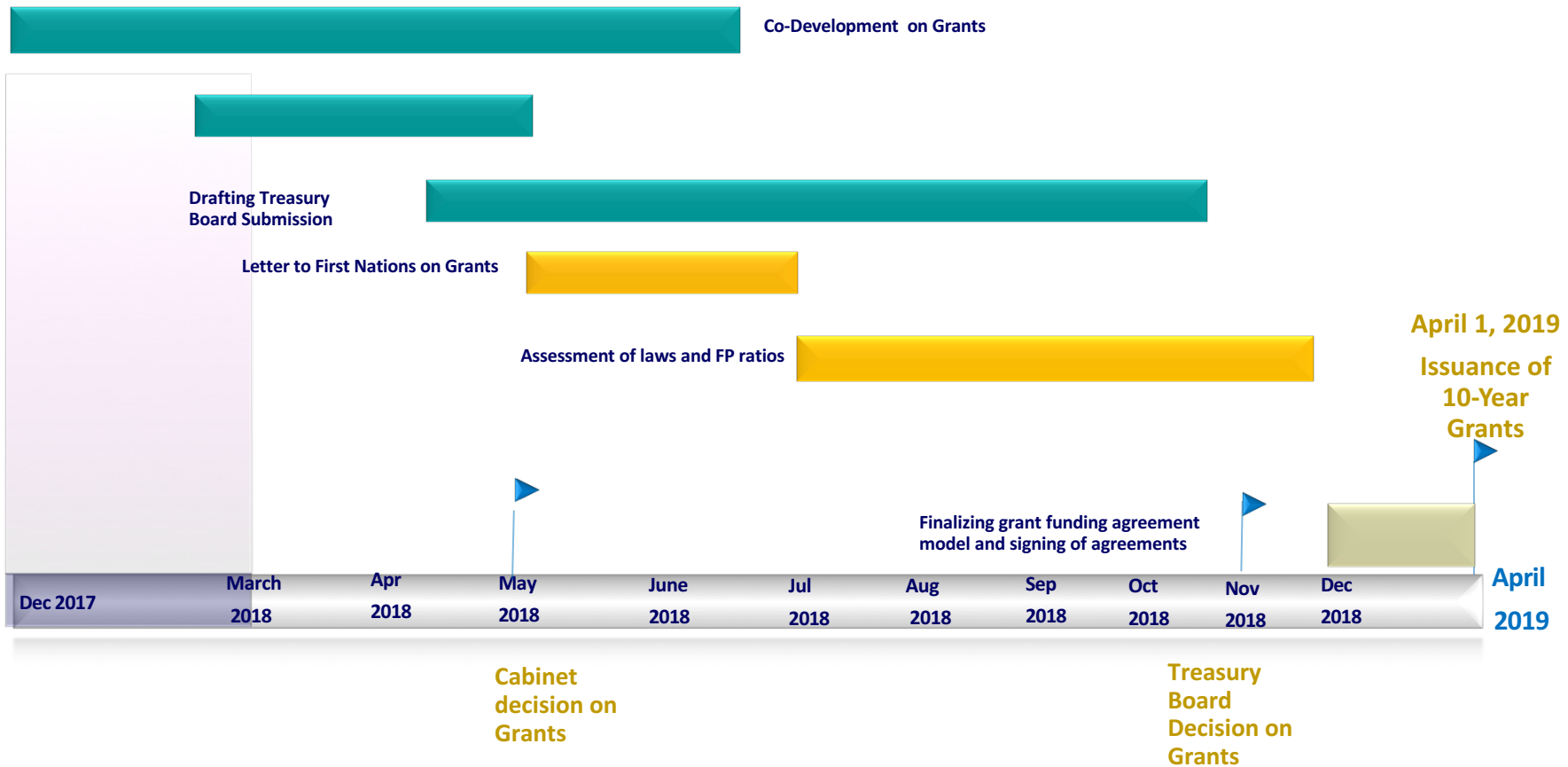


Provisional timeline for implementing the 10-Year Grant

1 Policy Development

2 Outreach and Assessment

3 Implementation





Next Steps

- **First Nations:**

- **Work towards meeting eligibility criteria before December 14, 2018**
- All First Nations interested in developing their governance capacity **to support qualifying for the Grant – either by April 2019 or later** - can submit a project proposal through the Professional and Institutional Development Program.

- **FMB:**

- Work with First Nations on meeting eligibility criteria for the 10-Year Grant
- **Provide reports to ISC on eligibility criteria**

- **ISC:**

- ***Obtain necessary approvals to support implementation of the 10-Year Grant as proposed by April 1, 2019***
- Communicate with First Nations on status of 10-Year Grant applications
- Continue to update and share information on the 10-Year Grant
- Continue co-development of the New Fiscal Relationship