



**Funding First Nations child and family services (FNCFS): A performance budget approach to well-being**

# Executive Summary

## Introduction

With the endorsement of the National Advisory Committee (NAC), the Institute of Fiscal Studies and Democracy (IFSD) at the University of Ottawa was asked by the Assembly of First Nations (AFN) and the Caring Society to define a **funding approach** and **performance measurement framework** for First Nations child and family services, with funding support from Indigenous Services Canada (ISC).

The purpose of this project is to present stakeholders with a funding **structure**; a means of developing **evidence** to understand the well-being of children, families and communities; and a range of scenarios to **cost** the proposed approach. There are four parts to this work:

- 1. Expenditure analysis and funding impacts:** Defining the existing baseline of FNCFS program allocations, expenditures and their impacts, including CHRT-mandated funding.
- 2. Performance framework:** Defining a measurable future state from which to build a funding approach for thriving children.
- 3. Funding approaches:** Identifying and analyzing approaches to funding that support improved outcomes for children.
- 4. Transition plan:** Defining approaches and considerations in moving to a new system of performance and funding focused on thriving children.

## Context for change

Supporting the well-being of First Nations children, families, and communities is the principal goal of this work. The current state is a challenging point of departure, with disparities in poverty, access to potable water flowing from a tap, health outcomes, the effects of intergenerational trauma, food sovereignty, safe and suitable housing, and broadband connectivity. Well-being is holistic and connected to an individual's environment and their community. Fostering well-being means considering the many contextual factors and considerations that shape children, families, and communities.

*An Act respecting First Nations, Inuit, Métis children, youth and families*, commits to reconciliation, substantive equality, and the well-being of

Indigenous children, youth, and families. Read through the lens of its preamble, the Act is an opportunity to restructure and resource First Nations child and family services (FNCFS) to deliver better results for children, families and communities with commitment to substantive equality, a culturally informed approach and the best interests of the child.

There is an opportunity to address the challenges associated to the protection system that the Canadian Human Rights Tribunal (CHRT) found to be discriminatory and underfunded in its rulings. A child's contact with the protection system has long-term consequences and increases their likelihood of interacting with social services such as the welfare system, the criminal justice system etc. later in life. These systems are corrective measures, often addressing downstream effects of risks that had the potential for mitigation. Independently costly to run, these systems are designed as final backstops to social challenges rather than addressing the *causes of the causes*. The current system invests in reactionary measures rather than proactive ones, that end up being more costly and less effective (see The cost of doing nothing).

This project seeks to reset the structure, funding, and governance of the current FNCFS system to mitigate and address the causes of contact with the protection system.

## **Phase 2 approach**

This work is developed from the ground-up, with collaboration and insight from FNCFS agencies, First Nations, and experts. Twelve in-depth case studies, a survey on FNCFS expenditures, three expert roundtables, and supplementary research and analysis from Canada and the United States, form the foundation of this work.

The existing funding gaps in the FNCFS system were well-defined by the Phase 1 project, [\*Enabling First Nations Children to Thrive\*](#). With the participation of 76% of FNCFS agencies, gaps in funding for prevention, poverty, information technology, and capital were identified.

This project (Phase 2) builds on the findings from Phase 1. With the goal of holistic well-being, Phase 2 proposes a performance framework (Measuring to Thrive) and a need-based block funding approach (Table 1).

**BLOCK FUNDING APPROACH:**

Resources are allocated based on a combination of previous financial data (to fund maintenance and protection) and need (e.g. population size, geography, poverty level, etc.).

Funds are provided for general purposes identified under terms and conditions in a contribution agreement or a statute. Service providers have flexibility to adjust allocations (e.g. operations and capital, protection and prevention).

The capacity to “carry forward” money (ability to move monies forward if not spent, in a current year, like the 10-year grant) and access to emergency funding, as provided, are consistent and additive to a block funding approach.

Emergency funds would be available should a service provider—due to an exceptional increase in service demands (e.g. protection requests, an increase in health-related issues)—be unable to meet the needs of their communities with pre-defined revenues.

In the proposed approach, risk is managed to empower service providers to act in the best interest of children, families, and communities.

**TABLE 1:** Current state and proposed future state comparison of the FNCFS program.

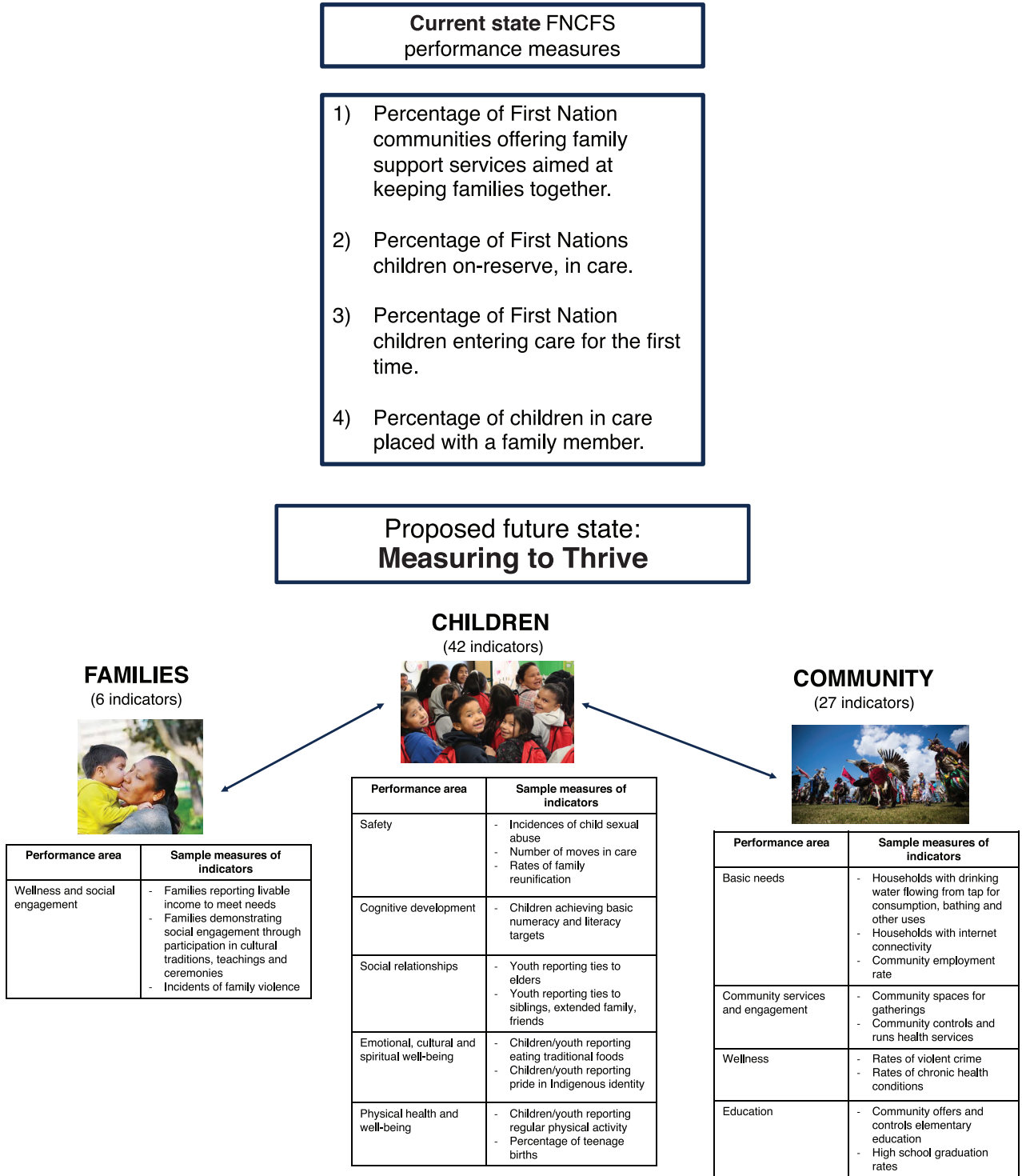
Current state	Proposed future state
<ul style="list-style-type: none"> <li>▪ Funding driven by children in care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Funding driven by indicators of well-being</li> </ul>
<ul style="list-style-type: none"> <li>▪ Top-down; formula-based funding with ad-hoc supplements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bottom-up budgeting complemented by need and performance components</li> </ul>
<ul style="list-style-type: none"> <li>▪ Mixed governance model</li> </ul>	<ul style="list-style-type: none"> <li>▪ First Nation control (<i>An Act respecting First Nations, Inuit and Métis children</i>)</li> </ul>

## Performance framework

The Measuring to Thrive framework marks a departure from the current state of performance measurement for the FNCFS program. From four output-based measures focused on protection, to seventy-five indicators that capture the well-being of a child, their family, and their community environment (Figure 1). Understanding a child’s environment is integral to their well-being. How can a child be well if their housing is not safe and

secure? If potable water is not readily available? If the effects of trauma and addictions impact their communities? Measuring to Thrive connects children, families, and communities to capture a holistic vision of well-being. Thriving First Nations children need thriving First Nations communities.

FIGURE 1: Current state and proposed future state comparison of performance measures.

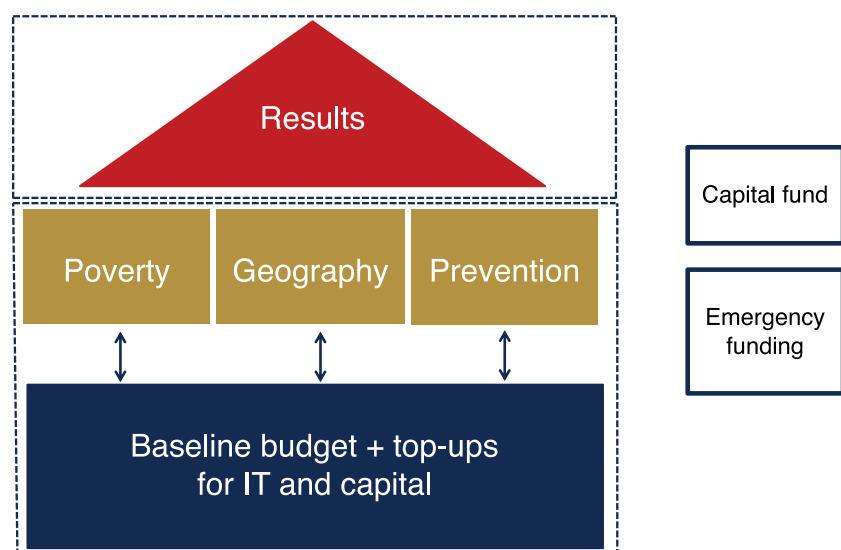


The approach in Measuring to Thrive is a manifestation of the Treasury Board of Canada Secretariat’s Policy on Results and *Guide to Departments on the Management and Reporting of Horizontal Initiatives*.<sup>1</sup> By collecting data on the *causes of the causes* that inform well-being, the measurement framework is a results-based tool to plan, monitor, and assess the performance of policies and programs, against the goal of thriving First Nations children, families, and communities. The horizontal view adopted in the framework is an expression of the interrelated criteria of wellness.<sup>2</sup> This type of integrated performance framework could be considered by provinces and unaffiliated First Nations to capture and track well-being in communities.

## Funding approach

To deliver on the desired goal expressed in Measuring to Thrive, a funding approach that is informed by need with latitude for service providers to act in the best interests of those they serve is necessary. A bottom-up funding approach was designed as a block transferred budget with components addressing gaps in need, including prevention, poverty, geography, IT, capital, with supplements for the shift to a results-focused approach (Figure 2).

FIGURE 2: Proposed funding approach overview.



<sup>1</sup> Treasury Board of Canada Secretariat, “Guide to Departments on the Management and Reporting of Horizontal Initiatives,” *Government of Canada*, updated May 17, 2018, <https://www.canada.ca/en/government/system/finances/horizontal-initiatives-database/guide-departments-management-reporting-horizontal-initiatives.html>.

<sup>2</sup> A cloud-based application for data collection, tracking, and reporting has been developed by IFSD for use by FNCFS agencies and First Nations.

The funding approach is connected to the Measuring to Thrive framework and is intended to provide FNCFS agencies with the resources necessary to deliver the programs and services needed for thriving First Nations children, families, and communities. The approach is consistent with the Act that commits to fiscal arrangements to support the delivery of FNCFS to secure long-term positive outcomes,<sup>3</sup> as well as the efforts on devolved fiscal relations for First Nations.

## Spending implications

Children, families and communities have needs. Some may need more support than others for various reasons. Professionals and communities should have the tools, resources, and flexibility with which to employ them to address the *causes of the causes* of need. The choice of tools should not have adverse fiscal consequences, when accountable decisions are made for the well-being of children, families and communities.

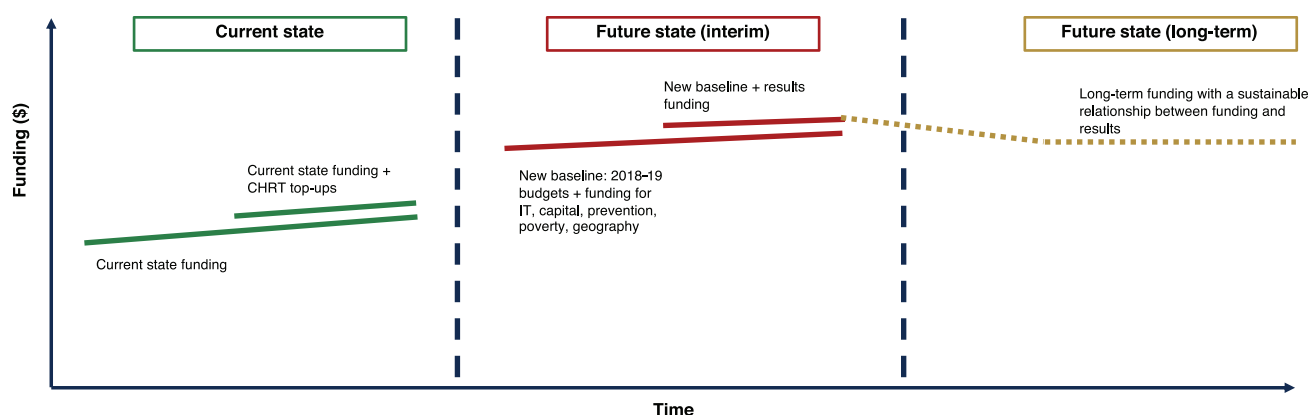
Working to improve well-being means increasing resources to prevention services, while maintaining support for protection services. Over the long-term, we expect the relationship between spending and results to change (Figure 3). There is well-established research that demonstrates the long-term benefits of early investment in child well-being, including better health, social and cognitive development, and even parental benefits. This and other research support a business case<sup>4</sup> for significant investment in prevention to mitigate potential negative downstream effects such as incarceration, homelessness, and lost opportunities, which can result in significant financial and social costs.

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<sup>3</sup> *An Act respecting First Nations, Inuit and Métis children, youth and families*, c. 24, s. 20 (2)(c), last modified July 14, 2020, <https://laws.justice.gc.ca/eng/acts/F-11.73/page-1.html>.

<sup>4</sup> A business case provides a justification for undertaking a project with relevant supporting evidence.

**FIGURE 3:** Modelling an adjustment to current state funding to achieve long-term goals, with a sustainable relationship between funding and results.



For the 2018–19 fiscal year, FNCFS agencies reported total expenditures of approximately \$1.7B (through the IFSD survey) which may include supplementary funding from CHRT-mandated payments.

With 2018–19 FNCFS expenditures as a baseline, the approach adjusts the baseline budget by adding components to reflect the First Nations served, to support the Measuring to Thrive performance framework, grown by the standard factors of inflation and population (Table 2).

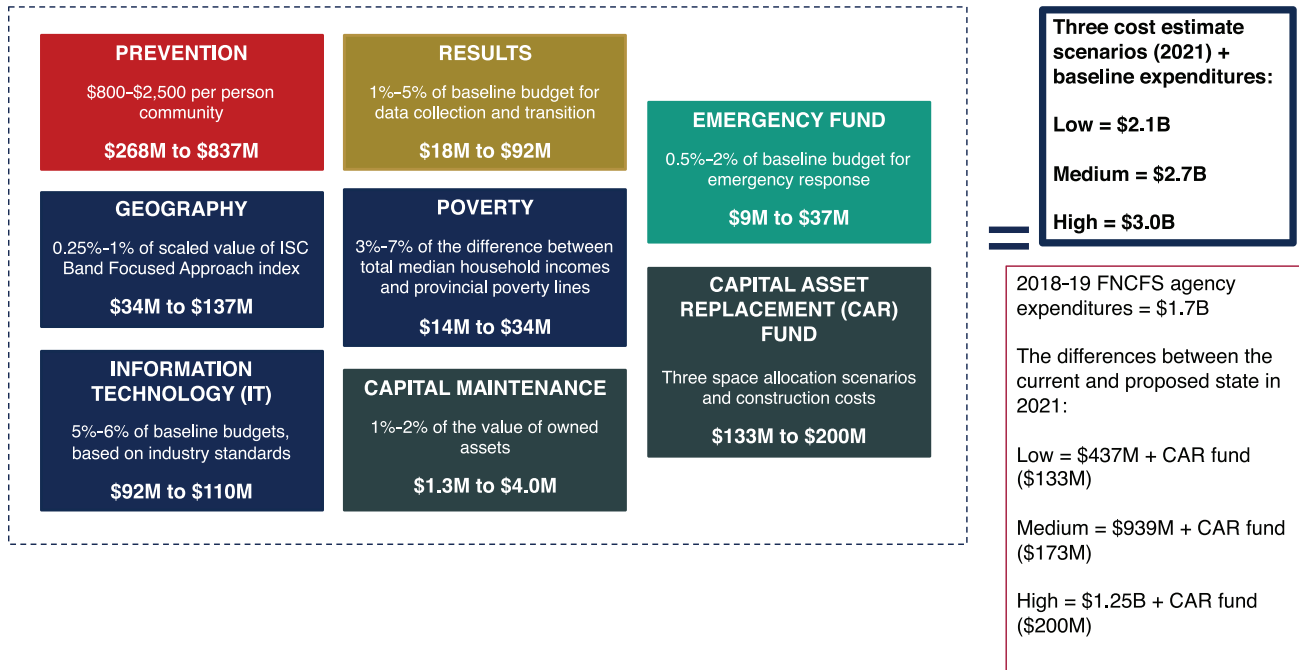
**TABLE 2:** Funding approach components and their applications.

Component	Quantification
<b>Results</b>	<ul style="list-style-type: none"> <li>Funding to support goals in the Measuring to Thrive framework. Percentage of baseline budget.</li> </ul>
<b>Prevention</b>	<ul style="list-style-type: none"> <li>Per capita allocation, \$800, \$2,000 or \$2,500 by population on-reserve.</li> </ul>
<b>Geography</b>	<ul style="list-style-type: none"> <li>Factor increase to baseline budget, using ISC's weighted remoteness quotient.</li> </ul>
<b>Poverty</b>	<ul style="list-style-type: none"> <li>Household basis; relative to provincial poverty line; Census 2016 data.</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>Percentage (e.g. 2%) of total value of capital assets for capital maintenance.</li> <li>Application-based fund for major capital projects, e.g. new building, extensive renovation, etc.</li> </ul>
<b>IT</b>	<ul style="list-style-type: none"> <li>Percentage top-up to baseline budget of 5% to 6% based on industry standards for not-for-profit service organizations.</li> </ul>
<b>Emergency funding</b>	<ul style="list-style-type: none"> <li>Percentage top-up to baseline budget to address unanticipated circumstances related to CFS, that affect demand for an agency's core services.</li> </ul>



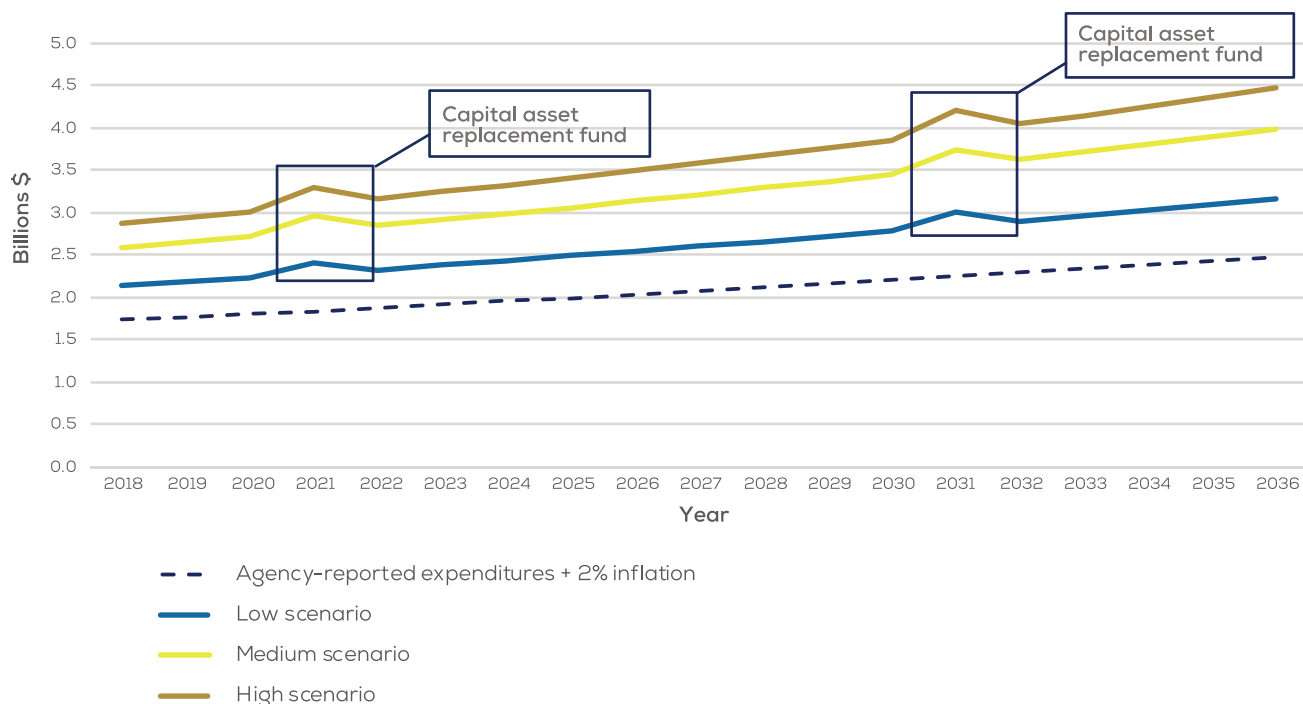
To model the funding approach, three scenarios are proposed, based on low, medium and high points in the ranges associated to each of the cost factors (Figure 4).

**FIGURE 4:** Cost estimate overview of the proposed funding approach.



The proposed funding approach represents an increase in overall system costs between \$437M and \$1.25B in 2021, depending on the selected scenario, plus capital asset replacement fund investments (Figure 5).

**FIGURE 5:** Total estimated system costs (low, medium and high scenarios), 2018–2036 (with Statistics Canada’s constant population scenario and 2% inflation).



The performance framework and funding approach are directionally consistent with the Act, seek to address CHRT findings, and propose a way forward focused on the well-being of First Nations children, families, and communities.

## Challenges

Change is difficult. Transitioning to a bottom-up funding approach and performance framework informed by the lived realities of First Nations children, families and communities will impact existing practices. It will take great effort to shift the system from one focused on protection to one focused on well-being, which includes child safety. This transition from a protection-based fee-for-service model to a block funding approach that supports both protection and prevention will require a new system structure, a results-focused performance framework, and related governance practices.

Data availability, access, and collection will take time to develop. There will be challenges along the way. Shifting from the current to future state system will require an openness to collaboration, in-course adjustments, unforeseen challenges, data-driven approaches, and learning.

To support the transition from the current to future state, a First Nations-led secretariat is proposed. With a dual mandate to support data collection and analysis and operations, the secretariat will be a resource for FNCFS agencies and First Nations.

Resourcing for substantive equality in outcomes will require investment. The new funding and performance architectures represent fundamental changes to the way FNCFS is funded, as well as its accounting for results through the Measuring to Thrive framework, and accountability is reoriented to a dual dynamic between ISC and FNCFS agencies and First Nations.

## **Recommendations**

Pursuant to the findings in this report, the following four recommendations are made:

- 1.** Adopt a results framework for the well-being of children, families, and communities, such as the Measuring to Thrive framework.
- 2.** Budget for results with a block funding approach that addresses gaps and is linked to the results framework.
  - a.** Undertake a full assessment of current capital stock.
- 3.** Establish a non-political First Nations policy and practice secretariat to support First Nations and FNCFS agencies to transition to First Nations governance.
- 4.** Establish a group of FNCFS agencies and First Nations willing to be early adopters of the new performance and funding approach to model implementation.