

Frequently Asked Questions (FAQs) on *a 10-Year Grant*

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1. What is a 10-Year Grant?	3
2. How will a 10-Year Grant benefit a First Nation government?	3
3. How would a 10-Year Grant reduce First Nation governments' administrative and reporting burdens?	3
4. Will a 10-Year Grant also ensure that funding levels are adjusted to meet needs?	4
5. Will the 10-Year Grant cover both core and proposal-based funding?	4
6. Will programs funded through a 10-Year Grant still be required to be delivered in accordance with certain ISC established rules or policies? For example, will services still have to be delivered in such a way that the services and benefits on reserve are comparable to those available off reserve (from Provincial or Territorial governments)?	4
7. Will First Nation governments be required to submit any reporting to maintain their eligibility for a 10-Year Grant for the duration of the agreement?	5
8. What makes a First Nation government eligible for a 10-Year Grant?	5
9. If a First Nation government has a certification from the FMB will they automatically be eligible for a 10-Year grant?	7
10. The December 2017 report, "A New Approach," notes that Block funding remains one of the flexible funding options available. Will new Block entrants be considered (assuming they are not eligible for a 10-Year Grant) for 2019-2020?	7
11. How does a 10-Year Grant differ from the current Block funding approach?	7
12. How will changes to annual funding levels be considered for recipients of a 10-Year Grant? Will they receive annual adjustments, or an escalator?	8
13. How does a 10-Year Grant differ from self-government grants?	8
14. Why are only First Nation governments and not Tribal Councils and other Indigenous entities being considered at this time?	8
15. Will all core program delivery have to be assumed by the community to be part of a 10-Year Grant or can alternative delivery approaches continue (use of a Tribal Council, use of a Treaty Based Education Authority, Direct Agreements between ISC and School Boards to pay provincial tuition, etc.)?	8

16. For First Nation governments that are not currently eligible, but would like to receive a 10-Year Grant in the future, will there be supports available for these First Nation governments to take the necessary steps to become eligible in the future? 9
17. Who will actually administer the eligibility determination process? Does this include ongoing monitoring of the First Nation governments' ongoing eligibility during the term of a 10-Year Grant? 9
18. It has been indicated that ISC is targeting 100 First Nations for 10-Year Grants by April 2019. Is this a "hard" target? 9
19. How will the "surge" of demands for eligibility assessments be handled to ensure First Nation governments can access a 10-Year Grant for 2019-2020? 10
20. Will First Nation governments still have a regional departmental representative to help them to access non-grant-based funding (e.g., proposals)? 10
21. Will recipient of a 10-Year Grant, who successfully accesses proposal-based funding, have two different agreements to manage? 10
22. Will long time block recipients with low General Assessment scores be eligible for a 10-Year Grant? 10
23. We receive funding from other federal government departments, not just ISC. Will this funding also be grant-eligible? 10
24. If a First Nation's initial self-assessment determines that they may not meet all eligibility criteria, should they apply for a 10-Year Grant anyways?..... 10

1. What is a 10-Year Grant?

A 10-Year Grant is a funding mechanism that will be made available as early as the beginning of fiscal year 2019/2020 to First Nations that provide a written request and meet the eligibility requirements. A 10-Year Grant was a key recommendation from the December 2017 joint report by Indigenous Services Canada (ISC) and the Assembly of First Nations (AFN), *"A New Approach: Co-developing a New Fiscal Relationship Between Canada and First Nations."*

Eligibility requirements for a 10-Year Grant are based on a co-developed approach to assessing financial performance and administration. To continue to receive grant funding, the recipients will have to demonstrate that they continue to meet these eligibility requirements during the entire term of the grant.

2. How will a 10-Year Grant benefit a First Nation government?

There could be a number of significant benefits, including:

- A ten-year term (most contribution agreements have shorter terms);
- Flexibility in allocating, managing and using funding to better accommodate local needs and changing circumstances and priorities;
- Ability to retain unexpended funds; and,
- Reduced administrative and reporting burden.

3. How would a 10-Year Grant reduce First Nation governments' administrative and reporting burdens?

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;
- Reduced reporting frequency to ISC (e.g. possible minimum annual reporting to First Nation community members) and scope (focusing on outcomes and results);
- 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.

In place of the old program-based reporting requirements, First Nation governments would commit to report to their own members. This is part of a broader vision, described in the report *"A New Approach"* to shift from program management compliance to a mutual accountability framework based on a common set of outcomes aligned with United Nations Sustainable Development Goals.

4. Will a 10-Year Grant also ensure that funding levels are adjusted to meet needs?

A 10-Year Grant is a funding mechanism only. It aims to provide increased flexibility and predictability for how funding is used by First Nation governments to address their local needs and priorities. It does not change funding levels or provide increased funding to grant recipients. Funding sufficiency is being discussed separately as part of the ongoing dialogues concerning the new fiscal relationship.

The Government of Canada made new investments in funding for First Nations in Budgets 2016, 2017 and 2018 and recognizes that more investments could be required to address funding sufficiency. The joint report by ISC and AFN calls for the co-development of a new Fiscal Policy Framework to address sufficiency by April 1, 2019.

While co-development proceeds, existing funding levels will be applied to a 10-Year Grant. 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 would be incorporated into all funding mechanisms for First Nation governments including 10-Year Grants.**

5. Will the 10-Year Grant cover both core and proposal-based funding?

Core refers to program funding that is provided on an on-going basis and is normally formula-based. Proposal-based refers to funding that may be provided from time-to-time and requires a successful proposal.

The intention is to cover both but in the immediate term ISC is exploring approaches to include all current core funding in a 10-Year Grant. Program reform currently underway in ISC is focused on converting as much of proposal-based funding as possible into core funding. ISC will keep you informed of developments on this front as they emerge.

6. Will programs funded through a 10-Year Grant still be required to be delivered in accordance with certain ISC established rules or policies? For example, will services still have to be delivered in such a way that the services and benefits on reserve are comparable to those available off reserve (from Provincial or Territorial governments)?

First Nation governments would gain full control of the delivery of their programs and have greater flexibility to set the standards and the levels of service associated with those programs. Community members, who will receive complete performance reports from Council, would decide whether those standards and the delivery performance of those programs are acceptable to them.

7. Will First Nation governments be required to submit any reporting to maintain their eligibility for a 10-Year Grant for the duration of the agreement?

Under the approach for grants compliance reporting will be eliminated – instead, there will be a focus on outcomes-based reporting by First Nations to their citizens. The reporting requirements to First Nation members would include:

- Audited financial statements prepared in accordance with Canadian Public Sector Accounting standards
- Multi-year strategic plans that
 - reflect community plans and priorities with short, medium and long-term targets and measures set by First Nations
 - are structured around common outcome categories (e.g. health, education, social, economic wellbeing etc.) consistent with the United Nations Sustainable Development Goals; and
 - incorporate a limited set of minimum common performance indicators meaningful both to First Nations and to the Department; and
- Annual Reports on progress.

The above First Nations' reports would be made available to First Nations members and to Indigenous Services Canada as a principle of mutual accountability. The Department would use this information to support ongoing policy co-development work, and to inform its reports on progress to Parliament at the national level.

It should be noted that to continue to receive grant funding, 10-Year Grant recipients will have to demonstrate that they continue to meet eligibility requirements during the entire term of the grant. Information will need to be made available to determine ongoing eligibility.

8. What makes a First Nation government eligible for a 10-Year Grant?

Eligibility will be based on a co-developed approach:

1. **Financial Administration Law (FAL)** – A First Nation government wishing to be eligible for the 10-Year Grant must have in place a financial administration law. A financial administration law is a set of good governance and financial practices that assist a First Nation government in making informed decisions, and can be passed either under the *Indian Act* or the *First Nations Fiscal Management Act*. This ensures that a First Nation can build a strong financial future, grow the local economy, ensure financial transparency, and demonstrate good governance and financial practices. A sample FAL that sets out the basic requirements for the law is attached as a guide.

If the First Nation Government chooses to pass the financial administrative law under the *Indian Act* rather than under the *First Nations Fiscal Management Act*, the law must obtain Ministerial approval.

Minimum FAL Provisions – First Nations applying for the grant would be asked to ensure that certain provisions of their FAL are supported by policies and procedures and have been legally brought into force. See the attached Sample FAL for information on the required minimum provisions (provisions highlighted in

yellow in the Sample FAL need to be implemented immediately; provisions highlighted in green would need to be implemented within one year of receiving the grant).

Regardless of whether a First Nation chooses to pass the law under the *Indian Act* or the *First Nations Fiscal Management Act*, the same criteria for the FAL will apply. The First Nations Financial Management Board (FMB) will provide reports to ISC on whether First Nations have met the eligibility criteria related to the FAL.

It should be noted that while the Financial Administration Law practice is being leveraged for the grant eligibility criteria, a FAL under the *First Nations Fiscal Management Act* or under the *Indian Act* should be understood as a First Nation government's law (it belongs to the First Nation government). Having this law in place means that a First Nation government intends to live by it.

Should a First Nation government choose to pass and implement its FAL under the *First Nations Fiscal Management Act*, it can also choose to work towards a Financial Management System Certificate from the FMB. This Certificate shows that a First Nation government has good governance and finance practices in place. This Certificate is not required for any 10-year grant eligibility or reporting and is entirely the choice of the First Nation government. The FMB offers training and workshops to First Nation governments who are working towards bringing their law to life under the *First Nations Fiscal Management Act*. The FMB is a First Nation institution formed by and for First Nations and its services are provided at no cost. For more information on the FMB, visit their website at: www.FNFMB.com or contact them directly at: 1 877 925 6665.

2. **Financial Performance (FP)** – A First Nation government's financial statements for the preceding 5-year period must meet certain financial performance standards as at March 31, 2018. The FMB would provide opinions to ISC on whether First Nations meet these standards.

Specifically they must demonstrate:

- a. An average "fiscal growth ratio" of no lower than minus 5%;
- b. An average "operating margin ratio" of no lower than minus 5%;
- c. An average "asset maintenance ratio" of no lower than 100%;
- d. A weighted average "net debt ratio" of no more than 50% or a "net debt ratio" for the most recent year of no more than 50%; and,
- e. An average "interest expense ratio" of no more than 5%.

Additional information on these standards is available at <https://fnfmb.com/en/services/set-standards/standards>

First Nations that express interest in the 10-Year Grant will be provided with more detailed information on meeting the eligibility requirements based on their unique circumstances.

9. If a First Nation government has a certification from the FMB will they automatically be eligible for a 10-Year grant?

While the final decision on the eligibility requirements rests with ISC, the FMB will provide reports on the assessment of the Nation's financial performance and FAL against the co-developed eligibility requirements described above. The requirements for a 10-Year Grant are aligned to FMB certification standards:

- If a First Nation government has previously obtained a **Financial Performance Certificate from the FMB** they will be required to provide the information for eligibility to ensure their financial statements for the preceding 5-year period meet financial performance eligibility requirements as at March 31, 2018.
- If a First Nation government previously developed and enacted a **FAL approved by the FMB** and has brought into force the minimum provision required by FMB standards, the 10-Year Grant eligibility requirement for enacting a FAL will have been met. However, the FMB will also be asked to confirm that these minimum provisions have been implemented.
- Additional minimal provisions (highlighted in green) will need to be brought into force within one year of the signing of the grant agreement to continue meeting the eligibility requirements for the 10-Year Grant. The First Nation government will be required to demonstrate in the form of a new report issued by the FMB that these additional provisions have been implemented within this period.
- If a First Nation Government previously obtained their **Financial Management System Certificate** from FMB they will have met and exceeded the eligibility requirement of a FAL and minimum provisions for the 10-Year Grant.

10. The December 2017 report, “A New Approach,” notes that Block funding remains one of the flexible funding options available. Will new Block entrants be considered (assuming they are not eligible for a 10-Year Grant) for 2019-2020?

All existing funding approaches will continue to be available for First Nations.

11. How does a 10-Year Grant differ from the current Block funding approach?

There are some significant differences. These include:

- Block funding generally has a five-year term;
- Block funding is a contribution, not a grant. As such, it comes with more onerous administrative and reporting requirements;
- Block funding recipients have to complete unexpended funding plans at the end of the agreement;
- Block funding generally does not permit program redesign in favour of a results-based accountability to local membership; and
- Block funding recipients are subject to department-initiated recipient audits and compliance reviews.

12. How will changes to annual funding levels be considered for recipients of a 10-Year Grant? Will they receive annual adjustments, or an escalator?

This is a key topic of our ongoing co-development work with the Assembly of First Nations (AFN) and First Nation fiscal institutions, as well as the work ISC does with our Government of Canada partners. The report, "*A New Approach*," calls for the co-development, by April 1, 2019, of a new Fiscal Policy Framework to address sufficiency. ISC will ensure that all First Nations benefit from changes to program funding levels regardless of the type of funding agreement they may be in. While co-development proceeds, current funding levels will remain and will be applied to a 10-Year Grant. Any future adjustments to program funding escalators will be carried over into 10-Year Grants as they occur.

13. How does a 10-Year Grant differ from self-government grants?

Self-government grants are provided in the context of self-government arrangements, including modern treaties (comprehensive land claims) between Indigenous Governments and the Government of Canada. Pursuant to self-government arrangements, Canada and an Indigenous Government (and as applicable, the relevant province or territory) enter into fiscal agreements which are negotiated every 5 to 8 years, and provide the Indigenous Government autonomy and fiscal discretion in the provision of program and services responsibilities. These fiscal agreements also set out how Canada will provide federal funding, via self-government grants, to the Indigenous Government.

Self-Governing Indigenous Governments by virtue of their recognized jurisdictions, have the legal status and capacity to assume responsibility from Canada for the delivery of those programs and services over which they have jurisdiction.

A 10-Year Grant on the other hand will be issued under the authority of the government's Policy on Transfer Payments.

14. Why are only First Nation governments and not Tribal Councils and other Indigenous entities being considered at this time?

ISC will focus first on First Nation governments, acting on the recommendations of the recent report ([*A New Approach: Co-development of a New Fiscal Relationship Between Canada and First Nations*](#)) tabled on December 6, 2017, on a new fiscal relationship between First Nation governments and the Government of Canada. Tribal Councils and other Indigenous entities are potential future candidates for 10-Year Grants at a later date.

15. Will all core program delivery have to be assumed by the community to be part of a 10-Year Grant or can alternative delivery approaches continue (use of a Tribal Council, use of a Treaty Based Education Authority, Direct Agreements between ISC and School Boards to pay provincial tuition, etc.)?

The current mechanism of flowing funds via Tribal Council Funding Arrangements for alternative delivery of services will not be impacted. First Nation governments currently getting funding or services through a Tribal Council funding agreement may maintain their current approach as they deem appropriate. There will be no prohibition on continuation (or renewal under the same or under different terms and conditions) of those alternative service delivery arrangements.

16. For First Nation governments that are not currently eligible, but would like to receive a 10-Year Grant in the future, will there be supports available for these First Nation governments to take the necessary steps to become eligible in the future?

ISC is examining options to establish First Nation-led capacity development supports that First Nation governments can access in order to become eligible for a 10-Year Grant.

Ongoing capacity development is an important objective for all First Nation governments, not just for those hoping to become eligible for a 10-Year Grant. Depending on resources, the levels of funding available to support increased 10-Year Grant eligibility will need to be balanced against other First Nation government capacity development needs.

17. Who will actually administer the eligibility determination process? Does this include ongoing monitoring of the First Nation governments' ongoing eligibility during the term of a 10-Year Grant?

ISC will make the final decisions on eligibility, based on a co-developed approach with the AFN and FMB. The final decisions on eligibility for grants will be guided by advice provided to ISC by FMB on assessments against the co-developed eligibility criteria as described above.

Monitoring of ongoing eligibility will be a collaborative process including roles for ISC, the FMB, and First Nation governments:

- ISC officials will host regular meetings with First Nation grant recipients to discuss challenges First Nations may be facing in meeting requirements for the grant, and to jointly identify opportunities for proactive capacity strengthening measures to address these risks.
- The FMB will conduct regular tracking of eligibility requirements over the term of the grant, and would report back to both First Nations and ISC on their findings.

18. It has been indicated that ISC is targeting 100 First Nations for 10-Year Grants by April 2019. Is this a “hard” target?

No. The target of 100 First Nations to receive grants by April 1, 2019 is a “soft” target. In fact, ISC hopes that more than 100 First Nations may become eligible for a 10-Year Grant by April 2019.

ISC intends to make annual calls for proposals for grant eligibility post April 1, 2019 to those who have not yet demonstrated eligibility, so that all First Nation governments, over time, will have an opportunity to receive grants subject to meeting eligibility requirements.

19. How will the “surge” of demands for eligibility assessments be handled to ensure First Nation governments can access a 10-Year Grant for 2019-2020?

ISC is working with the AFN and First Nation fiscal institutions on options to ensure that sufficient capacity is available for the system to be accessible, timely and efficient for all First Nation governments across the country.

20. Will First Nation governments still have a regional departmental representative to help them to access non-grant-based funding (e.g., proposals)?

First Nation governments, regardless of whether or not they enter into a 10-Year Grant agreement, will see no change in service levels available from the department. The new funding relationship means more flexibility for recipient First Nation governments, not less service from the department.

21. Will recipient of a 10-Year Grant, who successfully accesses proposal-based funding, have two different agreements to manage?

ISC is aiming to reduce the number of agreements a First Nation government would need to manage to the absolute minimum by offering comprehensive agreements with multiple funding mechanisms that would include grants.

22. Will long time block recipients with low General Assessment scores be eligible for a 10-Year Grant?

Only if they meet the eligibility requirements identified earlier.

23. We receive funding from other federal government departments, not just ISC. Will this funding also be grant-eligible?

This is an objective that will take some time and effort to achieve given the differences in program mandates, objectives and authorities between departments. ISC is working with other departments to identify barriers and to develop approaches to overcome them to help other federal departments move in that direction.

24. If a First Nation’s initial self-assessment determines that they may not meet all eligibility criteria, should they apply for a 10-Year Grant anyways?

First Nations should apply for a 10-Year Grant even if they are unsure that they meet all eligibility criteria. Information from the assessment against the eligibility will be shared

with First Nations to allow them to take steps towards meeting the criteria in the future. In some instances, the assessment may also find additional information that would allow the First Nation to qualify immediately.