

*Aboriginal Financial Officers
Association Of Canada
(AFOA)*

**DEVELOPING AN
EFFECTIVE REMEDIAL
MANAGEMENT PLAN**

Developing an Effective Remedial Management Plan

This is a new course offered by AFOA, with a launch as of February 2008.

It offers the opportunity for First Nation leaders, financial managers, community members and external advisors to familiarize themselves more fully with the Remedial Management Plan process.

Developing an Effective Remedial Management Plan

The primary course publication is entitled "Developing an Effective Remedial Management Plan" and consists of an Introduction and:

- ✦ Six sections, comprised of several chapters each
- ✦ Two First Nation case studies
- ✦ Addendum – RMP template

Developing an Effective Remedial Management Plan

After the Introduction, the publication's six sections are:

1. What is a Remedial Management Plan
2. Understanding the Remedial Management Plan and its Impact
3. Who, What and Where in the RMP
4. How Do You Develop a Remedial Management Plan
5. Measuring and Assessing Performance of the RMP
6. Communicating Around the RMP

Developing an Effective Remedial Management Plan

Together with the publication, this course includes:

- ✦ A companion scenario entitled ABCDE First Nation.
- ✦ A series of six structured Lessons.

Developing an Effective Remedial Management Plan

The ABCDE Scenario is based on an actual community, with changes to protect its identity. The scenario has six sections:

1. Introduction
2. Co-management
3. Capacity Development
4. Select Programs
5. Financial Information
6. Summary

Developing an Effective Remedial Management Plan

With this and the next few slides, we will look at some key learning points in the course material.

Defaults which could trigger an INAC intervention:

1. Council failing to meet funding agreement terms & conditions.
2. Auditor denies clean opinion on statements.
3. Cumulative deficit exceeds 8% of annual revenues.
4. Failed delivery of essential services.

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INAC may choose among 3 levels of intervention depending on Council's approach to the default. Each level requires a Remedial Management Plan.

1. Low – Council will organize the RMP process.
2. Moderate – Council will get co-management help to organize the RMP process.
3. High – A Third Party Manager will organize the RMP process (Council inclusion as appropriate).

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What does INAC mean by the term "Remedial Management Plan"?

It is a process to (i) gather and document information about the causes leading to the intervention, preparation of remedies and financial projections, targets for deficit reduction, and (ii) then executing the plan over its duration.

INAC provides a template for use in documenting the RMP.

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A Band's cumulative deficit is typically accompanied by a similar level of debt.

There are 6 common reasons leading to debt build up:

1. Program overspending in excess of funding agreement.
2. Unqualified program spending leading to funding agreement clawbacks.

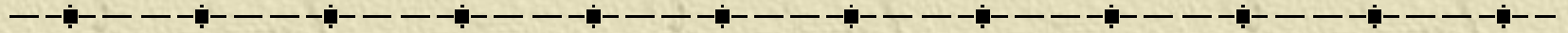
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3. Unfunded spending outside funding agreements
4. Overruns on Capital projects (no fixed contract prices)
5. Capital spending without financing certainty
6. Unrecovered loans to Community members

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There are 2 basic funding structures –.

✦ Comprehensive Funding Arrangement, and.

✦ Canada/First Nation Funding Agreement.

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Comprehensive Funding Arrangement (CFA)

A targeted, one-year program in 1 of 3 forms:

1. Contribution Funding – unexpended or unallowable expenditures to be reimbursed to Canada
2. Flexible Transfer – program compliance allows retention of unexpended balance
3. Grant – unconditional funding

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Canada/First Nation Funding Agreement
(C/FNFA):

5 Year block funding re INAC and other Federal departments

- ✦ 2 funding streams – core and targeted programs
- ✦ More flexibility for the First Nation re program design and fund reallocation
- ✦ Predictability of funding levels over each of the 5 years

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Who are the Primary Parties to a RMP?

- ✦ First Nation Council and Community Members
- ✦ INAC
- ✦ Co-Manager/Third Party Manager (if appointed)
- ✦ Creditors

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What are the steps to develop a RMP?

- ✦ Determine Community Strengths, Weaknesses, Opportunities, Threats (SWOT factors)
- ✦ Identify Community Values
- ✦ Establish Community Vision and Mission
- ✦ Determine Strategic Direction, Goals, Priorities
- ✦ Financial Budgets, Cash Flow, Deficit Elimination

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The INAC template for a RMP has a main document with 5 parts, and includes 8 appendices. The 5 parts are:

1. Basic Requirements
2. Council Analysis and Action Plan
3. Council Responsibilities
4. Minister Responsibilities
5. Approval

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The INAC template has 8 appendices:

1. Audited statements most recent fiscal year
2. Projected Revenue and Expense next fiscal year
3. Council Listing of Control Measures
4. On-Site RMP Monitoring Meetings
5. Auditor's Management Letter to Council
6. Council Progress (review)
7. Financial Projections for Term of RMP
8. Debt Management Plan

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It is important to remember the RMP process has 2 major components:

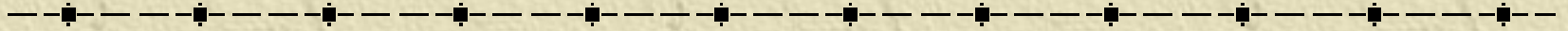
- ✦ Gathering and documenting information in a written plan
- ✦ Administering and executing the plan over its lifespan (capacity building would be a core element needed to contribute to the desired outcome of the RMP)

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Once the RMP is in place, it is important to ensure:

- ✦ There is assigned responsibility for the various initiatives in the Plan, and things get done
- ✦ Qualified people monitor results
- ✦ Council agrees to implement corrective measures if needed
- ✦ Council maintains effective communication with all stakeholders about progress, especially Community members

Aboriginal Financial Officers Association Of Canada



Questions?

Thank You