

UPDATE TO THE LEGISLATIVE ASSEMBLY

Department of Social Development, Child Welfare Spending



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BACKGROUND

On April 24, 2025, the Advocate advised the Legislative Assembly of concerns regarding the treatment of child welfare program funding in the Main Budget Estimates for the fiscal year 2025-26. The Advocate noted that there was a reduction in funding from the actual expenditures in the previous year, and that what was being portrayed as a budget increase over the previous year's budgeted amount would mean a reduction in actual dollars.

The Advocate further noted that there was, in the initial responses, a lack of clarity compared to previous years as to how and when the special warrant process would be used to provide necessary services to children in care, who are among the most vulnerable constituents government has. There was also a lack of clarity as to how government anticipated realizing the \$23.6 million in expenditure reductions and which areas were targeted for reduction.

As a result, there were three potential harms the Advocate sought to monitor:

- (1) A potential failure to meet the new demands of expanded service options as set out in the *Child and Youth Well-Being Act*,
- (2) Potential financial limitations upon front-line staff, real or perceived, that would slow down or discourage expenditures for discretionary expenditures to enhance the quality of life for children in care, such as recreation, extra-curricular activities and family activities, and
- (3) Potential to slow down or discourage participation of the Department of Social Development in complex or integrated service delivery files involving children in care.

The Advocate made three recommendations – to reconsider the cuts or, in the alternative, to take steps to clarify the scope of the anticipated cost reductions through a concrete plan and to enhance departmental accountability for delivery of integrated services through the Executive Council:

- (1) The Advocate recommends that the Departments of Finance and Social Development reconsider the target of requiring \$33 million in cuts from child welfare services.
- (2) If the Advocate's first recommendation is rejected. The Advocate recommends that the Department of Social Development, by June 30, 2025, produce a plan for how it intends to meet the fiscal target set out by the Department of Finance, what the expected impact upon children receiving services will be, and what the long-term costs over the next five years are likely to be from these impacts.
- (3) The Advocate recommends that immediate action be taken to protect vulnerable children from rigid decision-making through short-term improvements to Integrated

Service Delivery, including establishing a desk in the Executive Council Office with the power to resolve inter-departmental funding disputes, review files, and guarantee Integrated Service Delivery upon triggers such as partial day plans, mental health crisis intervention, and housing insecurity.

The Advocate further announced an intention to benchmark and monitor expenditures in key areas of child welfare expenditures to ensure that these areas were not being impacted by cost-cutting mandates.

RESPONSE OF THE EXECUTIVE BRANCH

By response dated June 30, 2025, the executive branch of government declined the recommendation to adjust the budget. However, the two contingent recommendations were accepted and additional details were provided. The Advocate requested a follow-up interview with departmental leadership and that occurred.

With regards to the second recommendation, additional clarity was provided which was not in the Departments' first response, as follows:

- The first response suggested a very broad cost-cutting mandate, stating that the Department of Social Development's instructions were *"to prioritize transformation efforts in this area to identify opportunities to help stabilize costs while sustaining or improving outcomes"*. This broad mandate was far more restricted in the follow-up review. The Department of Social Development confirmed that the mandate for cost restraint measures was now targeted at the area of "high cost cases". These are often escalated cases requiring intensive and specialized services, and the cost has grown from 58 cases costing \$21M in 2022-23 to 110 cases costing \$55M in 2024-25. Social Development leadership confirmed that their instructions from Treasury Board are now clarified to target cost control measures in these areas.
- The first response suggested a broad mandate to Social Development to find other areas for cuts in child welfare if complex case costs could not be reversed in the given fiscal year. The additional details from the Department of Social Development confirm that other areas of service to children in care are protected from such a mandate. The Department also provided specific details on areas of increased investment consistent with the *Child and Youth Well-Being Act*, including a long-overdue increase for post-kinship funding to young people transitioning out of care, additional stabilization services and care for youth in crisis, and increased positions to support kin families, group homes and other child placement providers in getting timely evaluation and advice. These are all consistent with past

suggestions of the Advocate's Office and these increases are explicitly protected from being rolled back to meet the departmental budget target.

- The first response lacked clarity regarding the criteria for the use of special warrants, which historically had been clearer at the time of the budget. However, the Departments now acknowledged in writing that “fully addressing both current and future cases will take more than one year” and that there is now an “expectation that funding will continue to support individuals throughout this process, even in the event of a departmental deficit”. The \$10M in increased funding for the purpose of developing new models for youth with complex needs is also protected from cost-control measures in the event of overruns, and the Department reported being in a position to state definitively that its “Reimagine Team” can work with secure access to the full amount of funding.
- There have also been encouraging steps from the executive branch of government with regards to increased accountability-for-outcomes steps which will offset any perceived pressure on front-line workers to slow down or deny needed programming for children in care. After several years of pointed prodding from the Advocate, the Department of Social Development has now provided the first hard data benchmark with regards to outcomes for children in care. The Department is now tracking rates of high school graduation and post-secondary participation for children in care. The Advocate has urged the Department to use these and other key outcomes such as homelessness, academic performance and justice-system involvement to measure regional offices and sub-units and hold them accountable. While there is still more work to be done, the Department has expressed an intention to move in this direction and taken this long-overdue step.
- The Executive Council Office has accepted and implemented the Advocate's third recommendation, which is to establish a central desk responsible for reviewing Integrated Service Delivery and to begin developing a framework to hold line departments accountable for prompt and effective collaboration when children's needs require cross-departmental work. While this will involve more work (and will be detailed in the Advocate's review of the budget process for the Department of Education and Early Childhood Development), this still represents a first step taken which had been recommended by the Advocate for several years. This communication from the centre of government of heightened expectations for effective departmental participation in Integrated Service Delivery is a helpful bulwark against perceived pressure to deny needed expenditures and is consistent with the guidance in *How It All Broke*.

ADVOCATE'S COMMENTS AND FUTURE MONITORING

While the Advocate's concerns regarding the budget process planning stand, the Departments have met the Advocate's alternate recommendations in spirit and substance. The Advocate's stated goals for protecting vulnerable children were that support and prevention programs be clearly hived off from cost reduction mandates, that incentives to encourage early intervention and prevention investments be put in place, and that realistic expectations and clear conditions for special warrants be established. The initial response from the executive branch of government has made acceptable progress on all three fronts.

The explosion in complex case expenditures is largely the result of some of the governance failures identified in *How It All Broke*, specifically a failure to build future costs and impacts into resource planning for supporting children in care and families in crisis. While underfunding of interventions may have met fiscal targets in the short term, it created a deficit of unmet needs that has turned into a high number of young people in crisis. The lesson to be drawn here is one about the benefits of upstream investments and prevention, and long-term reduction of complex cases will require a change in how these are planned, funded, and reflected in budgets.

That said, the Department has demonstrated promising first steps in funding research on alternate models of providing support to young people with complex needs and establishing a realistic transition plan. Young people living in highly regulated settings with three- or four-to-one care may be necessary for short-term safety, but it is a difficult and restrictive way to live. The Advocate sees the importance of allowing the Department space to explore alternatives and innovate.

The Advocate will be requiring quarterly spending updates in three spending areas to ensure that the framework to protect children is being respected:

- Funding for post-kin, youth engagement, and transition services (*CYWBA, Sections 29, 30 & 31*)
- Support for children with disabilities and their families (*CYWBA, Section 26*), and
- Support for in-home family supports and respite care (*CYWBA, Sections 27 & 44(2)(b)*)

In addition, the Advocate anticipates providing input to Executive Council in the re-imagining Integrated Service Delivery, and to the Department in improving data collection and accountability frameworks in key areas like youth engagement service refusals, extra-curricular involvement for children in care, and school participation. The Advocate will make a further report to the Legislative Assembly regarding progress in these areas in early 2026.

In conclusion, while there are significant challenges ahead in addressing service delivery and budgeting processes, the Advocate can report to the Assembly that the concerns contained in

“Children Cut First, Installment #1” were taken seriously and that appropriate progress on the two contingent recommendations has been demonstrated.

SUBMITTED TO THE LEGISLATIVE ASSEMBLY this 4th day of September, 2025

Kelly A. Lamrock, K.C.

Advocate