



Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada



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2012-13 Financial Overview

2012-13 Main Estimates do not include Budget 2012 announcements

December 2012



Major Cost Drivers

Existing Federal Obligations

- Federal obligations in treaties and law (e.g. *Constitution Act, 1867 and Indian Act*); and major court interpretations (e.g. Guérin, Sparrow, Marshall, Mclvor).
- Settlement of outstanding litigation (e.g. residential schools).

Demographic and Inflationary Pressures

- Young, growing and highly dispersed Aboriginal population.
- Price and population have grown by about four per cent annually versus two per cent growth cap.

Policy Commitments

- To resolve and accelerate claims settlements; to provide comparable services to First Nations; to foster independence (e.g. self-government, self-sufficiency); to improve education outcomes; to facilitate opportunities for economic development.
- Environmental and resource management requirements – particularly in the North.
- Economic growth and stability.

Claims, Treaties and Rights

- Growing awareness and recognition of Aboriginal and treaty rights.

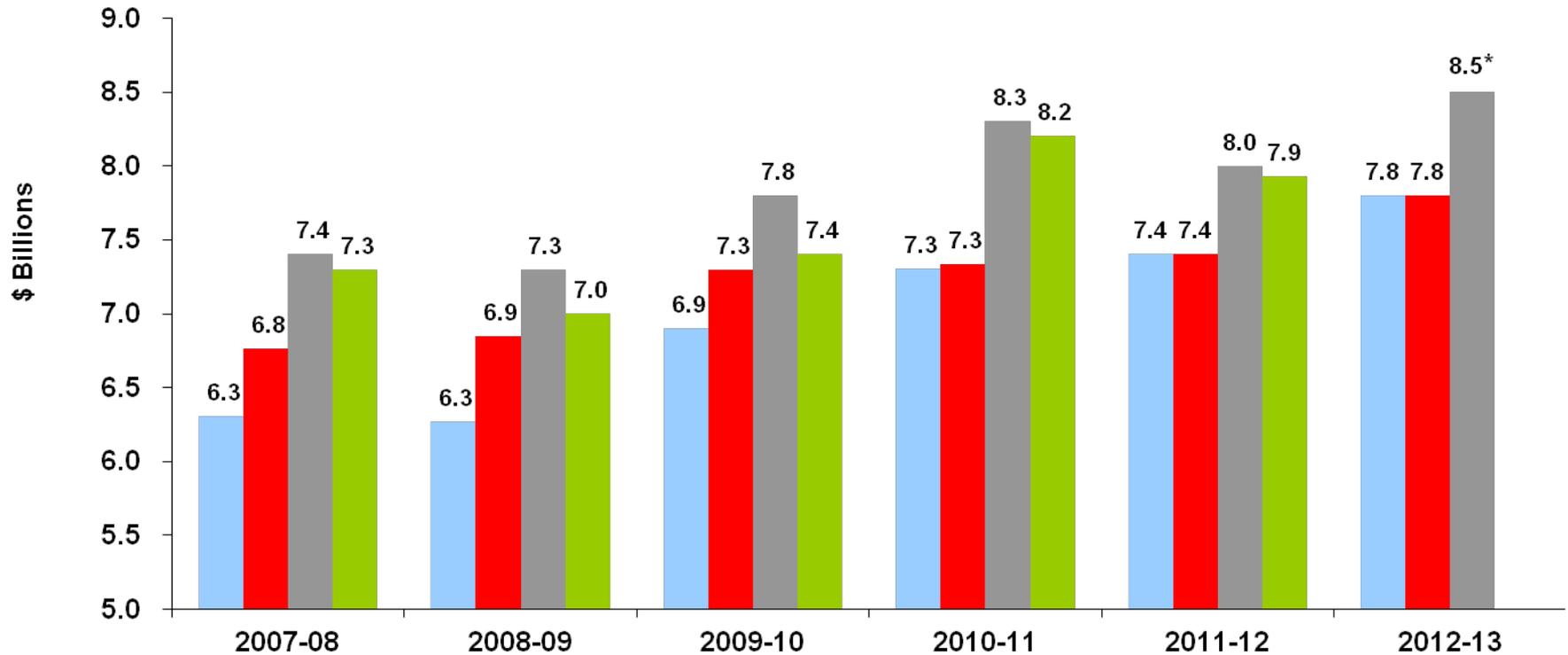
Devolution Issues

- Diseconomies of scale – community size and remoteness will impact cost of program delivery.
- Capacity at the community level to deliver programs effectively and efficiently.



Fiscal Cycle

- Main Estimates
- Report on Plans and Priorities
- Main + Supplementary Estimates
- Actual Expenditures



Note: Includes Supplementary Estimates (A) and (B)



Minister's Portfolio (\$7.8 billion in the 2012-13 Main Estimates)

Indian Residential Schools Truth and Reconciliation Commission

(\$7.7 million) has a mandate to learn the truth and to inform all Canadians about what happened in the residential schools.

**Aboriginal Affairs and Northern
Development Canada** (\$7,796.9 million) supports Aboriginal people (First Nations, Inuit and Métis) and Northerners in their efforts to improve social well-being and economic prosperity; develop healthier, more sustainable communities; and participate more fully in Canada's political, social and economic development to the benefit of all Canadians.

Canadian Polar Commission (\$1.3 million) monitors polar knowledge in Canada and around the world; works with Canadian and international institutions to determine scientific and other priorities; encourages support for Canadian polar research information to Canadians and fosters international co-operation in the advancement of polar knowledge.

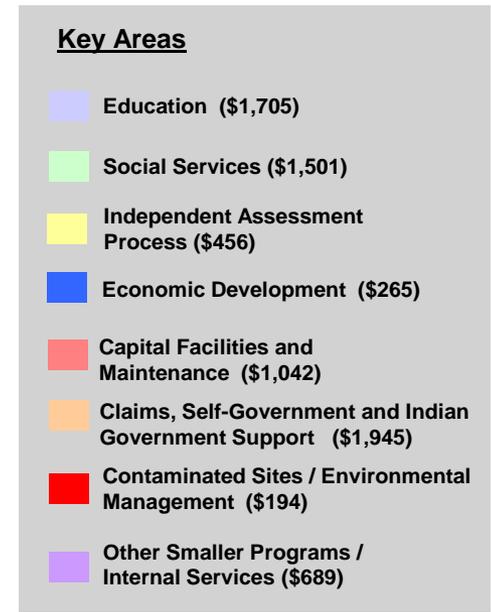
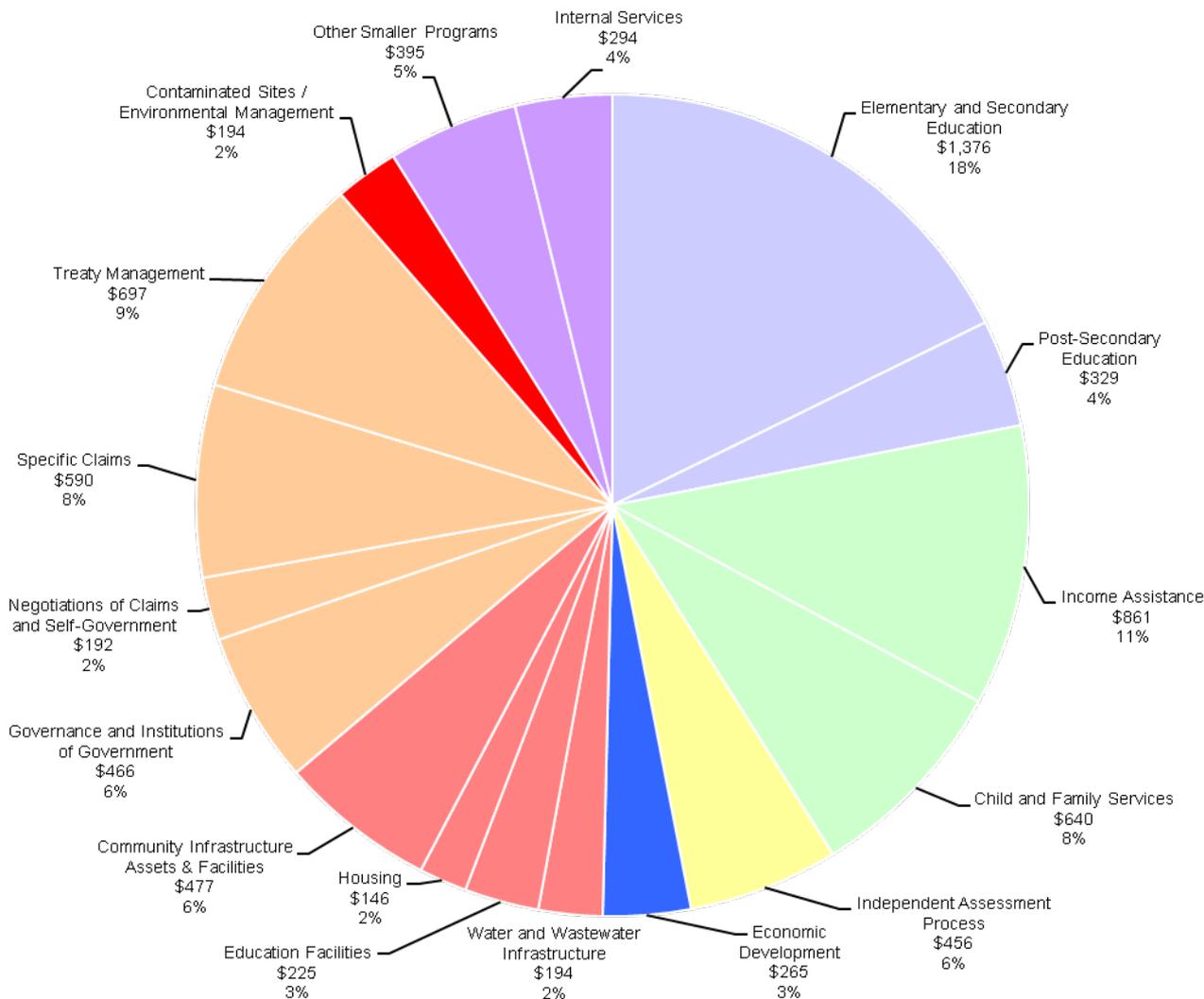
Registry of the Specific Claims Tribunal (\$2.8 million) facilitates timely access to the Specific Claims Tribunal through client service, quality of advice, efficient and timely processing and unbiased service delivery; ensures the smooth and efficient functioning of hearings; promotes awareness and understanding of the *Specific Claims Tribunal Act* and related rules and procedures; safeguards the independence of the Specific Claims Tribunal by placing them at arm's length from the Government of Canada.

First Nations Statistical Institute (\$5.0 million) provides First Nations and other stakeholders with timely, accurate, relevant, on-target and properly interpreted statistical information that supports program and policy development decisions and fiscal transfers relating to First Nations.



Key Area Breakdown

2012-13 Main Estimates – Total \$7,797 million
\$7,108M is budgeted in 7 key areas on 15 major programs (each more than \$100 million)
(millions of dollars)

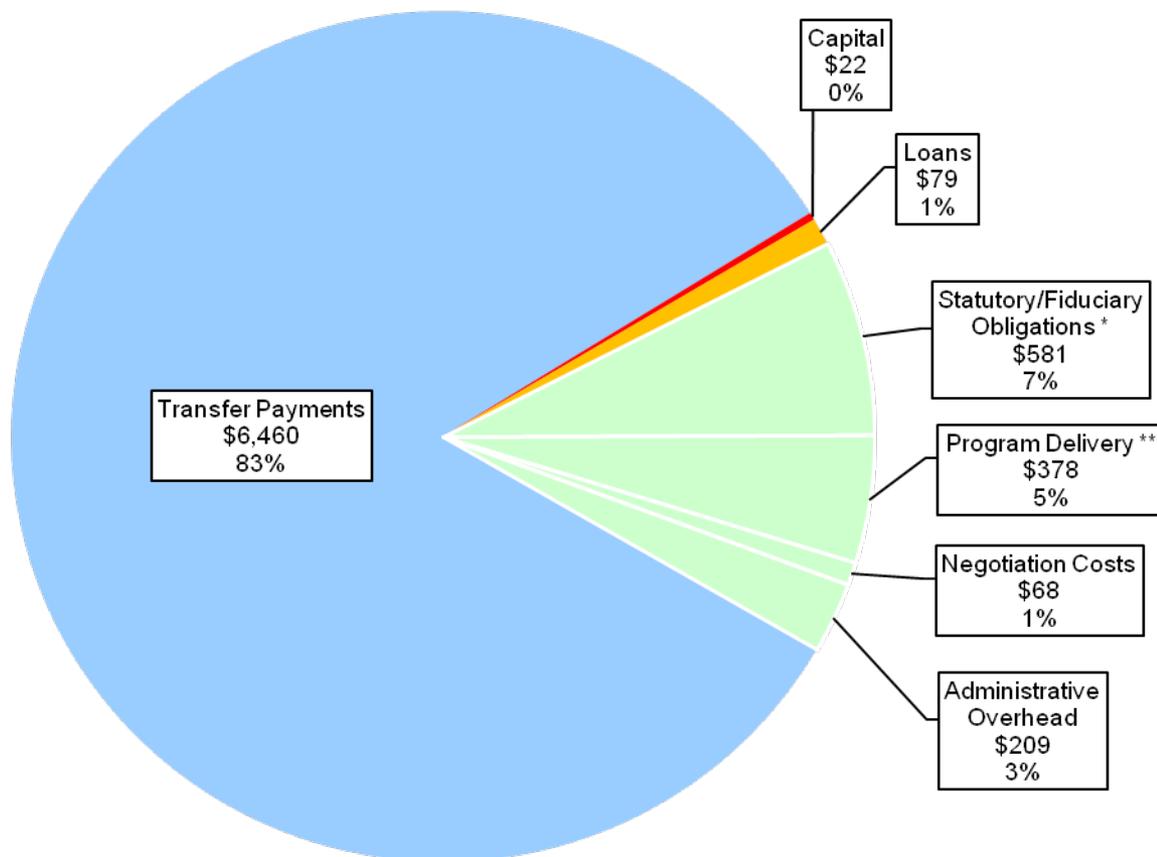




Departmental Finances

2012-13 Main Estimates – Total \$7,797 million

(millions of dollars)



Operating Total = \$1,236

Comprised of:

Vote 1 – Operating expenditures	\$1,166
(S) Employee benefit plans	65
(S) Resource royalties	3
(S) Loan guarantees	<u>2</u>
Total	\$1,236

Transfer Payments Total = \$6,460

Comprised of:

Vote 10 – Grants and contributions	\$6,365
(S) Land Claims Settlement Acts	75
(S) Labrador Inuit Claims Agreement	18
(S) Indian Annuities	<u>1</u>
Total	\$6,460

Reconciled to page 186 of the 2012-13 Main Estimates

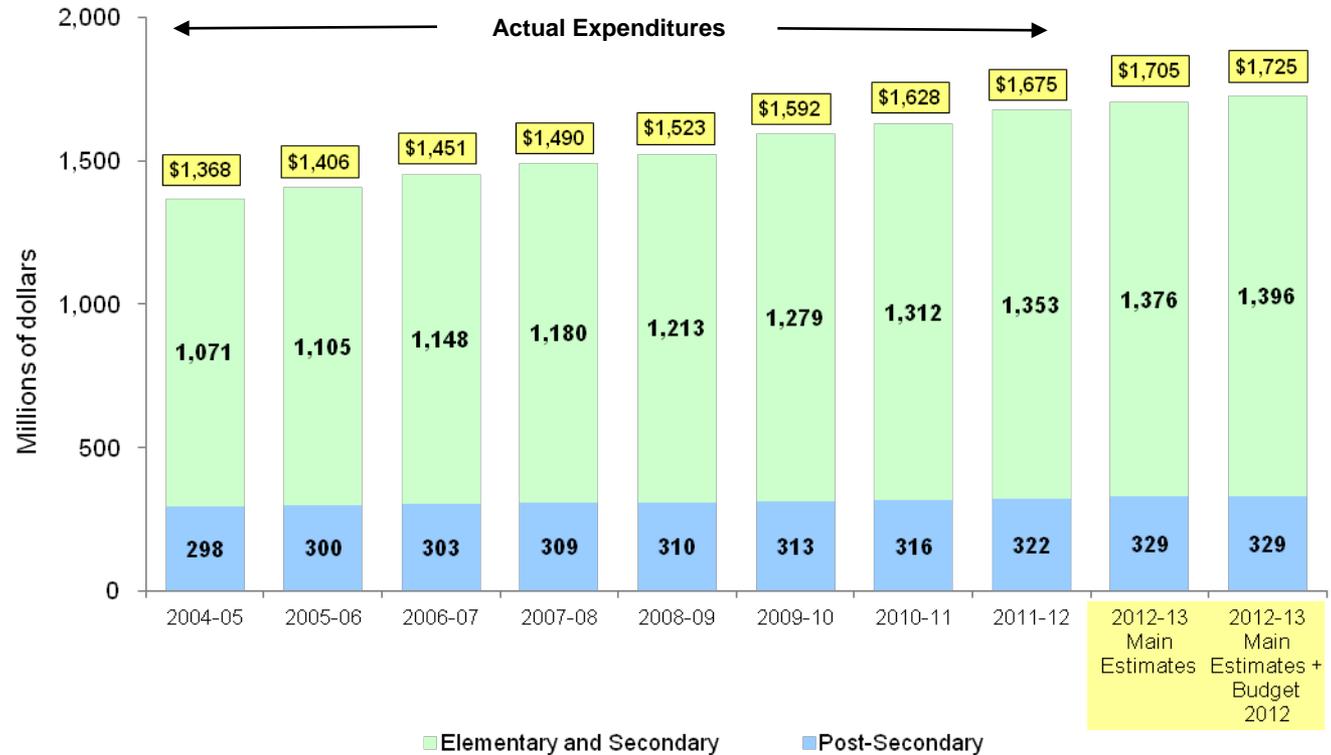
* Of the \$581 million for statutory/fiduciary obligations, about \$465 million is for direct payments to recipients including: \$380 million for obligations pursuant to the Indian Residential Schools Settlement Agreement; and, the remaining \$85 million for claims related obligations, Department of Justice costs, out-of-court settlements, etc.

** Program delivery costs directly benefit First Nation and northern communities and include costs associated with education, social development, capital/infrastructure, economic development, Indian government support, environmental initiatives and northern programming. Of the \$378 million, about \$135 million is for direct payments to recipients, primarily related to the assessment, management and remediation of federal contaminated sites.



Expenditure Trend – Education

Overall, actual expenditures for education have increased by about 22% over the period 2004-05 to 2011-12 (or by about 2.9% annually)

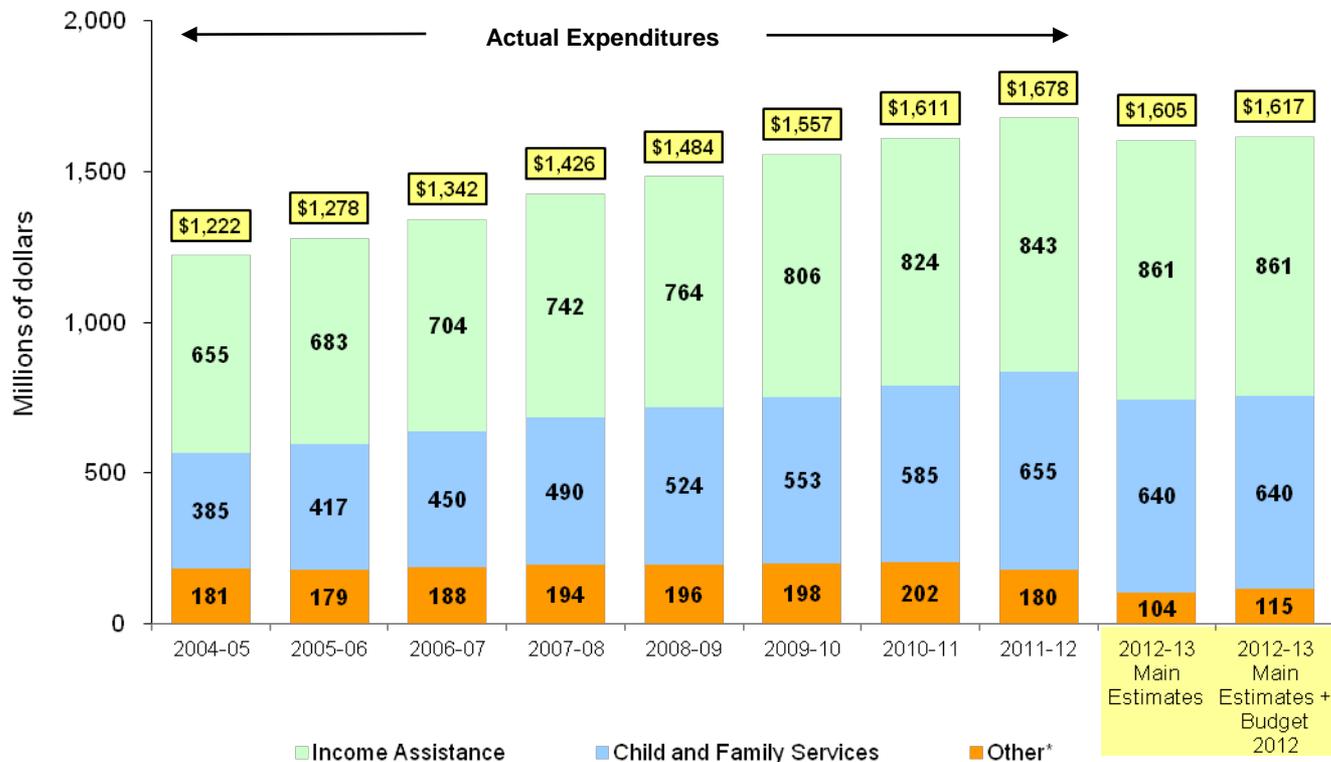


Source: 2004-05 to 2011-12 as per Departmental Performance Reports (2004-05 to 2010-11 restated); 2012-13 reflects \$1,705 million as per the Main Estimates + \$20 million from Budget 2012 to improve First Nations education. Note – to be consistent with figures displayed for 2012-13, figures originally reflected in DPRs for the period 2004-05 to 2010-11 have been restated to reflect the transfer of funding for Education Agreements to the Treaty Management program activity (as per the revised Program Activity Architecture for 2011-12) and the consolidation of Cultural Education Centres and First Nations and Inuit Youth Employment Strategy in Elementary and Secondary Education (as per the revised Program Activity Architecture for 2012-13). In addition, an adjustment has also been made to the DPR figures for the period 2004-05 through 2008-09 to provide consistency with the display of Internal Services as a separate program activity beginning in 2009-10 (ie. Internal Services was previously attributed across all program activities).



Expenditure Trend – Social Development

Overall, actual expenditures for social development have increased by about 37% over the period 2004-05 to 2011-12 (or by about 4.6% annually)



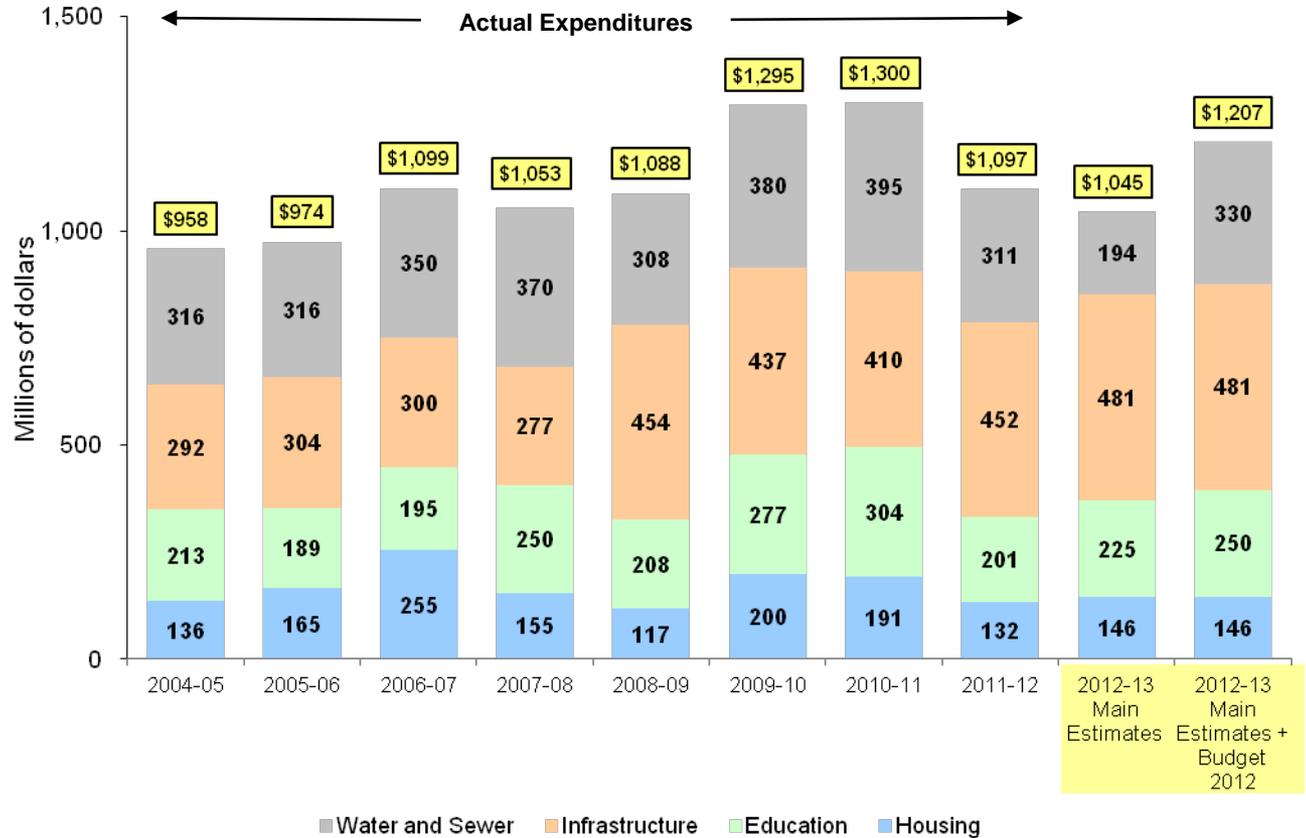
* Other includes Assisted Living, Family Violence Prevention, National Child Benefit Re-investment and Family Capacity Initiatives.

Source: 2004-05 to 2011-12 totals as per Departmental Performance Reports (2004-05 to 2008-09 restated); 2012-13 reflects \$1,605 million as per the Main Estimates + \$12 million from Budget 2012 for the Family Violence Prevention Program. Note – to be consistent with figures displayed in DPRs or the period 2009-10 to 2012-13, figures originally included in DPRs for the period 2004-05 to 2008-09 have been restated to reflect Internal Services as a separate program activity beginning in 2009-10 (ie. Internal Services was previously attributed across all program activities).



Expenditure Trend – Community Infrastructure

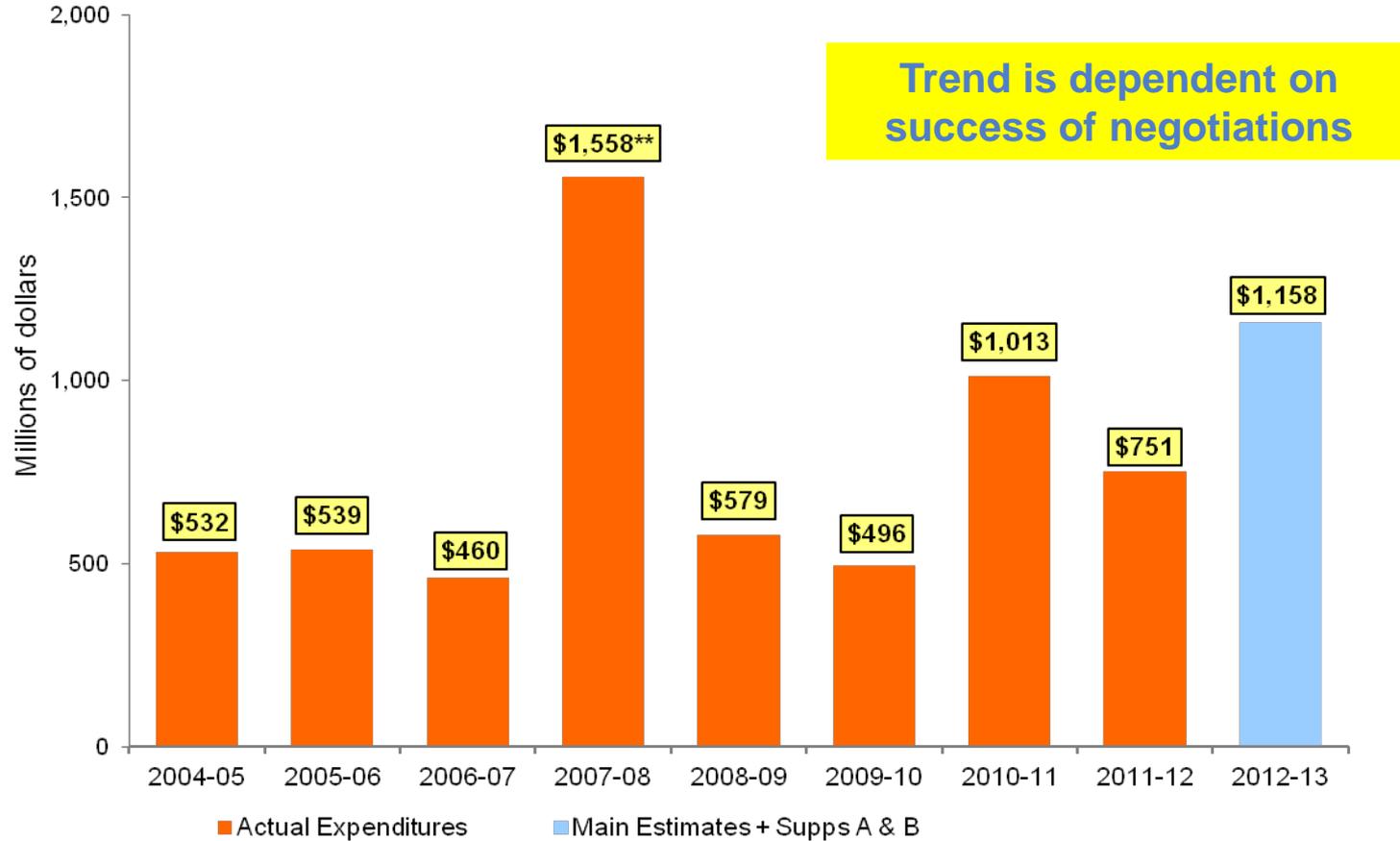
Overall, actual expenditures for community infrastructure have averaged about \$1.1 billion annually over the period 2004-05 to 2011-12.



Source: 2004-05 to 2011-12 totals as per Departmental Performance Reports (2004-05 to 2008-09 restated); 2012-13 reflects \$1,045 million as per the Main Estimates + \$162 million from Budget 2012 for the First Nations Water and Wastewater Action Plan (\$137 million) and to build and renovate schools on reserve (\$25 million); additional detailed information extracted from the Long-Term Capital Plan. Note – to be consistent with figures displayed for 2009-10 to 2012-13, figures originally reflected in DPRs for the period 2004-05 to 2007-08 have been restated to reflect the transfer of capital and O&M funding for the James Bay Crees, the Oujé-Bougoumou Crees and the Naskapi bands of Quebec to the Treaty Management program activity (as per the revised Program Activity Architecture for 2011-12). In addition, an adjustment has also been made to the DPR figures for the period 2004-05 through 2008-09 to provide consistency with the display of Internal Services as a separate program activity beginning in 2009-10 (ie. Internal Services was previously attributed across all program activities).



Expenditure Trend – Claims*



* Includes funding for negotiation, settlement and implementation of claims; excludes non-budgetary (loan) funding.

** Reflects \$1.1 billion one-time payment to the Cree of Quebec for matters arising from the implementation of the James Bay and Northern Quebec Agreement.



Program Delivery at AANDC

Highly decentralized with 10 regions

South of 60°

- About 80 per cent of resources are used to fund programs delivered by First Nations community governments, Tribal Councils, etc.
 - Most funds are for basic provincial/municipal type services to individuals on reserve.
 - The federal government is committed to providing services on reserves comparable to those typically provided by the provinces.
 - Provincial standards guide program delivery leading to variability across regions.

North of 60°

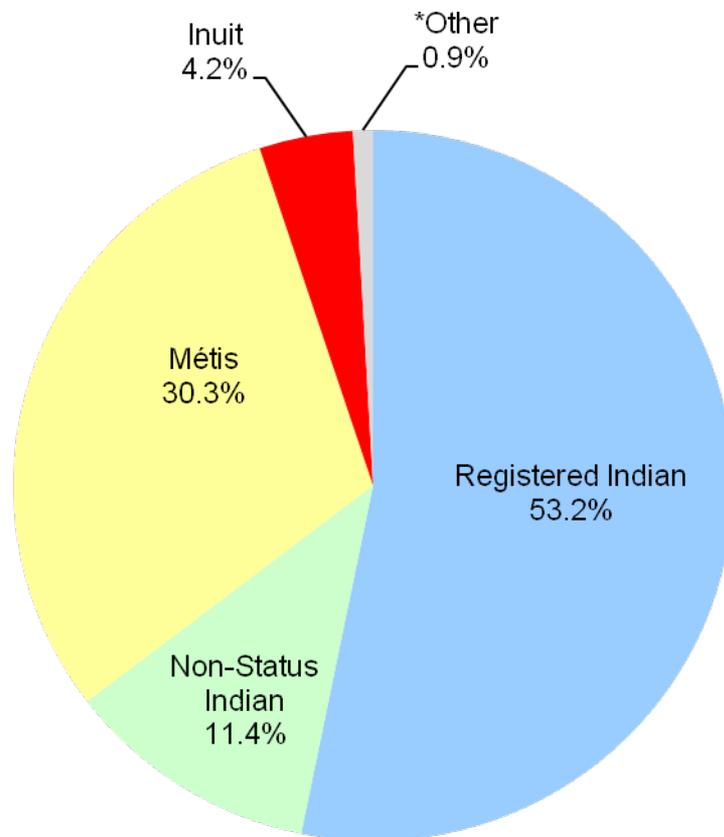
- Within the federal government, the Minister has the lead responsibility for the North, including the Northern Strategy.
- The department has a province-like role in water and oil and gas management.
- AANDC manages land and resources in Nunavut and the Northwest Territories (Yukon is devolved).



Program Delivery – Demographic Realities

- According to the 2006 Census of Population, there are **1,172,785** Aboriginal individuals in Canada, representing 3.8% of the total Canadian population.
- Registered Indians account for over half of the Aboriginal population.
- In 2006, almost half (47.8%) of Aboriginal people were less than 25 years of age compared with almost one-third (30.7%) of non-Aboriginal people.
- The median age for Aboriginal people is 27 years, 13 years less than for non-Aboriginals (40 years).
- The total population of the territories is approximately 101,000 - slightly over half are Aboriginal.

Distribution of the Aboriginal Population by Registration Status and Identity, Canada, 2006



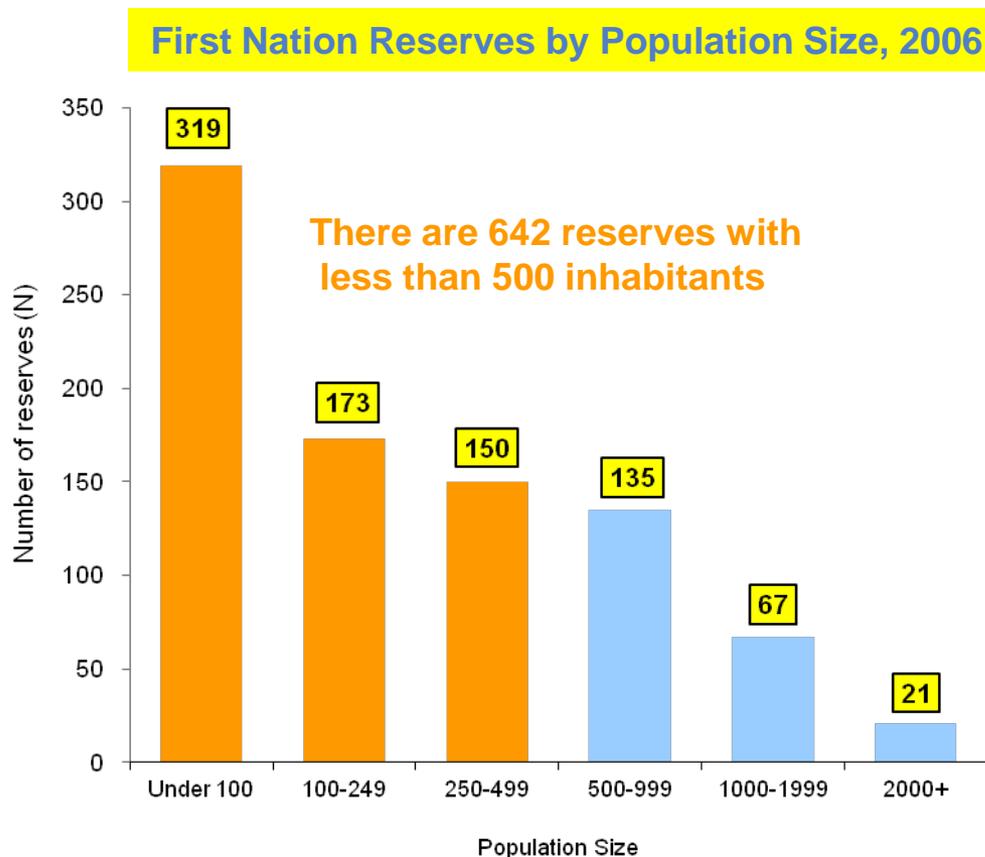
* Other refers to individuals who reported more than one Aboriginal group, and those who reported being a Band member with no Aboriginal identity and no Registered Indian status.

Source: 2006 Census of Population, AANDC tabulations. Data from the 2011 Census will be available in early 2013.



Program Delivery – Geographic Realities (Small Communities)

- According to the 2006 Census of Population, 75% of First Nations reserves have less than 500 inhabitants; the majority are located in British Columbia.
- First Nations communities include legally defined Indian reserves, Indian settlements, other land types created by the ratification of self-government agreements, and northern communities affiliated with First Nations.



Note: N=865 out of a possible 1,176 First Nation communities delineated by Statistics Canada in 2006. Not included are unpopulated reserves and 22 incompletely enumerated reserves that did not participate in the Census.

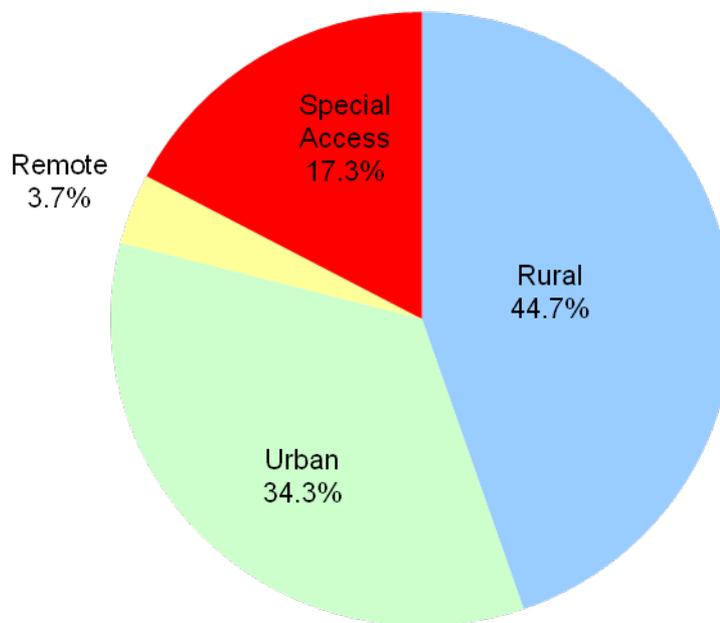
Source: AANDC derived from 2006 Geosuite, Statistics Canada. Data from the 2011 Census will be available in early 2013.



Program Delivery – Geographic Realities (Dispersed Communities)

As of 2011, 66% of Registered Indians on reserve lived in rural, special access, or remote zones; 34% lived in urban zones.

On-Reserve Population by Geographic Zones, 2011



Note:

Urban: The First Nation is located within 50 km of the nearest service centre with a year-round road access.

Rural: The First Nation is located between 50 and 350 km from the nearest service centre with a year-round road access.

Remote: The First Nation is located over 350 km from the nearest service centre with year-round road access.

Special Access: The First Nation has no year-round road access to a service centre and, as a result, experiences a higher cost of transportation.

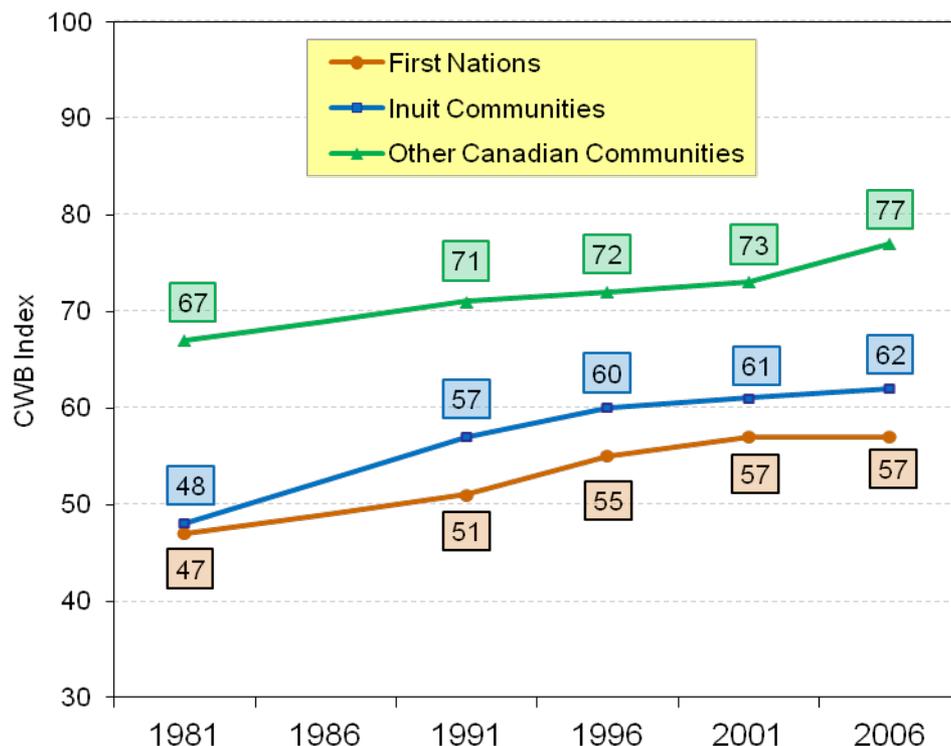
Source: Indian Register Population by Geographic Zone, 2011. This data does not reflect the impact of the Gender Equity in Indian Registration Act (Bill C-3) or the creation of the Qalipu First Nation in Newfoundland.



Program Delivery – Socio-Economic Realities

Community Well-Being Index (CWB)
Average CWB Scores, 1981-2006

- There has been progress over the last 25 years in improving the socio-economic conditions in First Nations and Inuit communities.
- A significant gap still exists in the socio-economic conditions of First Nations and Inuit communities compared to those of other communities.



Source: Statistics Canada, 1981, 1991, 1996, 2001 and 2006 Census of Population. Data from the 2011 Census will be available in early 2013.



Operating Environment – Departmental Accountability for Spending

- Each year the department produces a spending plan (the Report on Plans and Priorities) and a performance report (the Departmental Performance Report) as part of the government-wide Estimates and Public Accounts.
- Quarterly financial reports and annual financial statements are published on the department's website.
- All auditable units are audited using a risk-based audit plan. The plan and all audits are posted on the department's website following review by the department's Audit Committee, which is composed of five external experts.
- All spending programs are evaluated for effectiveness and the reports are published on the department's website.
- All contracts (above \$10,000) are listed on the department's website.
- External reviews are conducted by the Auditor General and other Officers of Parliament.



Operating Environment – Accountability of Funding Recipients

- In 2011, following an internal audit and evaluation, and discussions with First Nation governments and financial experts, AANDC implemented the [Default Prevention and Management Policy](#) (DPMP).
- The DPMP exists to help First Nations improve their financial management and reporting practices and to develop their capacity to be self managing. It focuses on default prevention and provides a more flexible range of remediation strategies to address default situations, including [intervention](#) through the development of a management plan, the hiring of external expert resources (co-management), and third-party management.
- Under this policy, AANDC also provides tools to help remedy specific defaults and support longer-term community development (i.e. [General Assessment](#)).
- Annual consolidated audited financial statements must be submitted to AANDC and are reviewed, along with other information to ensure the terms and conditions of the funding agreement are being met.
- These financial statements must also be disclosed to the membership of the funding recipient. This is being strengthened by the tabling of the [First Nations Financial Transparency Act](#), which puts these obligations in law and also requires the information to be disclosed to the public at large.
- Funding agreements also include an audit clause to allow AANDC to ensure that funds are used for intended purposes.
- The department is committed to supporting stronger performance management and reporting to ensure that funds are managed with integrity, transparency and accountability while reducing recipients' reporting burden.



In Summary

- AANDC is one of several federal departments delivering programs and services to Aboriginal peoples and Northerners.
- The department's overall funding is increasing due to significant investments made in priority areas and through successive budgets since 2006.
- Spending is impacted by deeply embedded cost drivers such as demographics, inflation, comparability, devolution/self-government, etc.
- Investments are primarily directed at basic services – Education, Social Development, Community Infrastructure.
- The department has a number of measures in place to strengthen financial and performance management.