



**Aboriginal Affairs and  
Northern Development Canada**

**Affaires autochtones et  
Développement du Nord Canada**



## **2013-14 Financial Overview**

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**July 2013**



# 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 escalator.

## 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

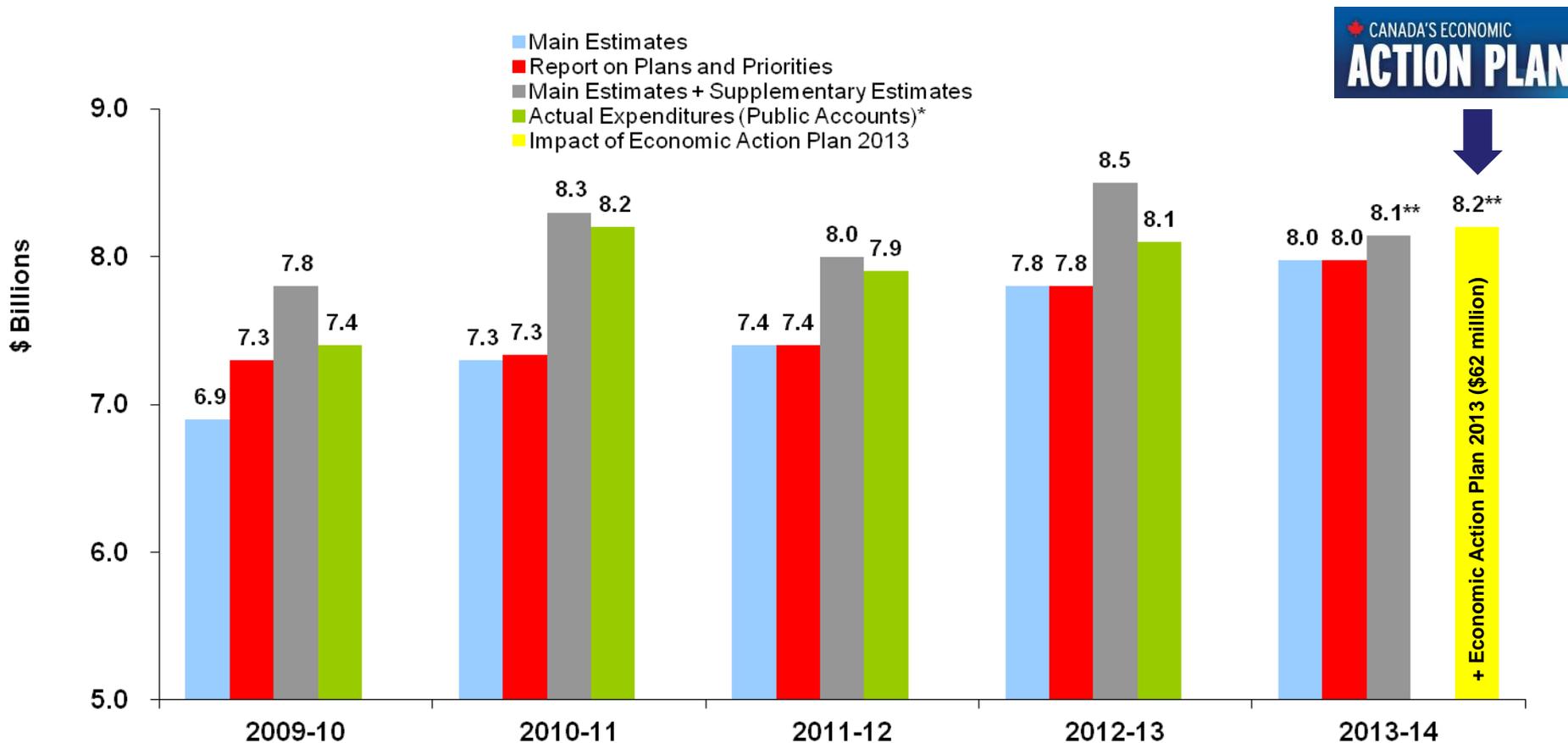
- Growing awareness and recognition of Aboriginal and treaty rights.

## 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



\* Actual expenditure figures for 2012-13 reflect current forecast and expenditures for 2013-14 are not yet available.

\*\* Includes Supplementary Estimates (A).



# Minister's Portfolio (\$8.0 billion\* in the 2013-14 Main Estimates)

## **Aboriginal Affairs and Northern Development Canada (\$7,975.3M):**

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 (\$2.6M):**

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 (\$1.0M):**

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.

## **Indian Residential Schools Truth and Reconciliation Commission (\$9.7M):**

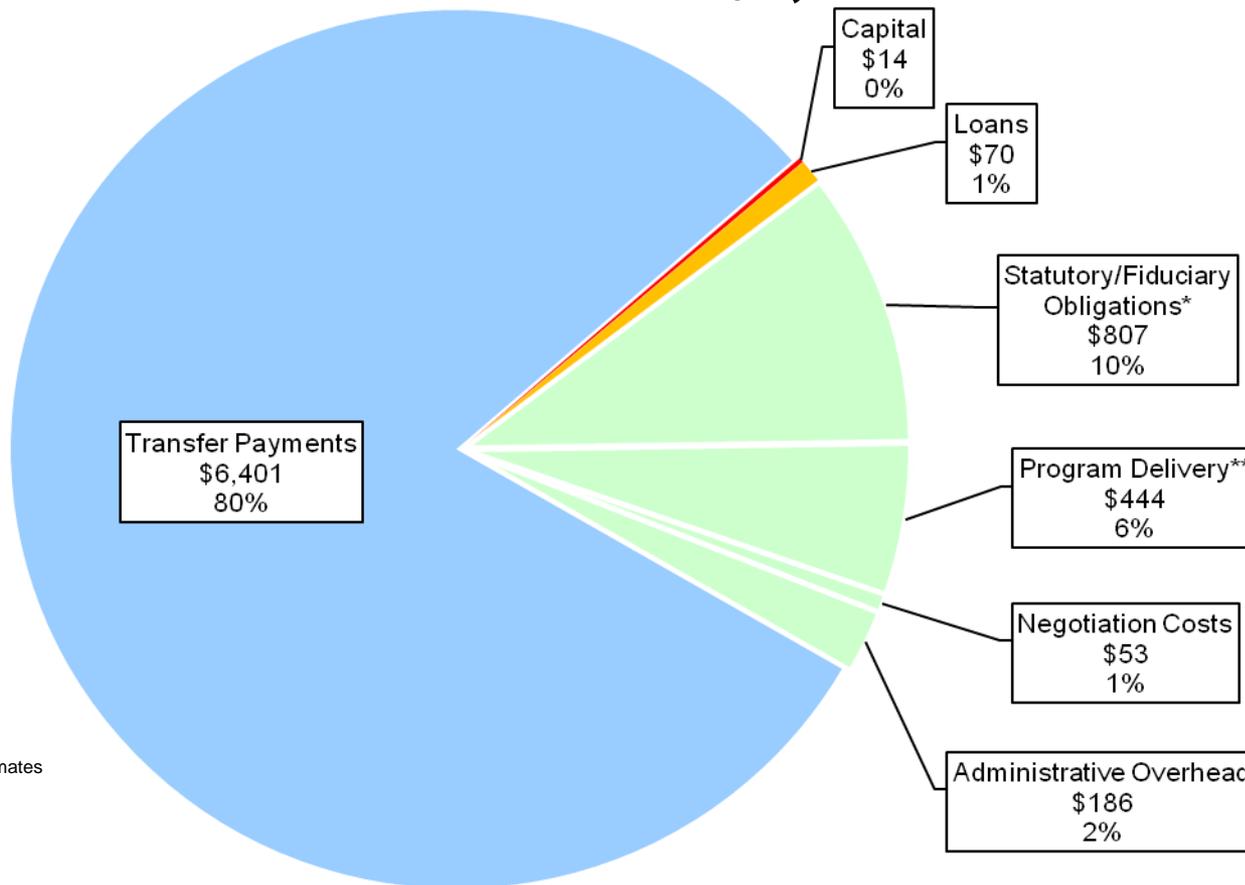
The Commission has a mandate to learn the truth about what happened in the residential schools and to inform all Canadians about what happened in the schools.

\* Figures reflect Budgetary and Non-budgetary amounts.



# Expenditures by Category

## 2013–14 Main Estimates – \$7,975 million



### Operating Total = \$1,491M

Comprised of:

Vote 1 – Operating expenditures	\$1,416
(S) Employee benefit plans	70
(S) Resource royalties	3
(S) Loan guarantees	<u>2</u>
Total	\$1,491

### Transfer Payment Total = \$6,401M

Comprised of:

Vote 10 – Grants and contributions	\$6,317
(S) Land Claims Settlement Acts	74
(S) Labrador Inuit Claims Agreement	9
(S) Indian Annuities	<u>1</u>
Total	\$6,401

Reconciled to page 177 of the 2013-14 Main Estimates

\* The major item in the \$807M is \$696M for obligations stemming from the Indian Residential Schools Settlement Agreement. Furthermore, of the \$807M, about \$594M is for direct payments to recipients including obligations pursuant to the Indian Residential Schools Settlement Agreement, claims related obligations, Department of Justice costs, out-of-court settlements, etc.

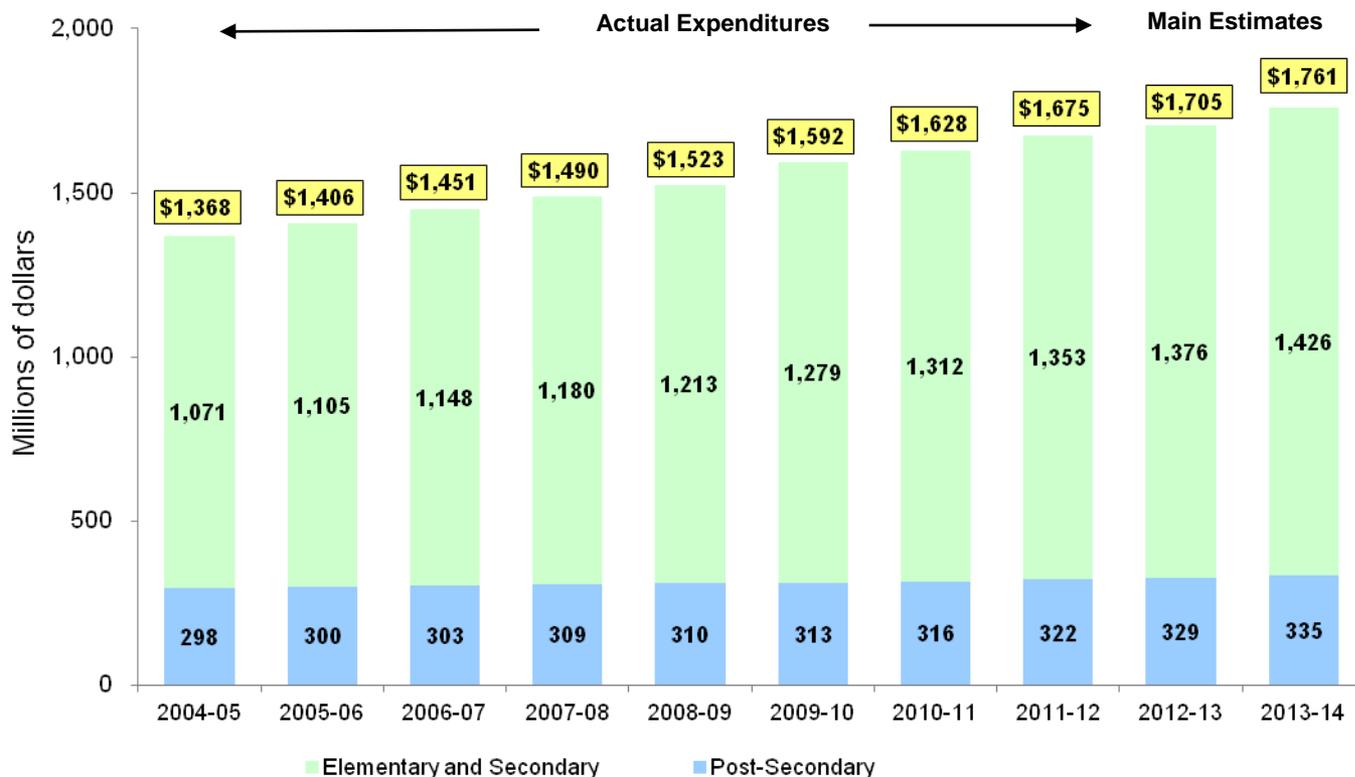
\*\* Program delivery costs directly benefit First Nation and northern communities and include costs associated with education, social development, capital/ infrastructure, economic development, Indian government support, environmental initiatives and northern programming. Of the \$444M, about \$169M 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)

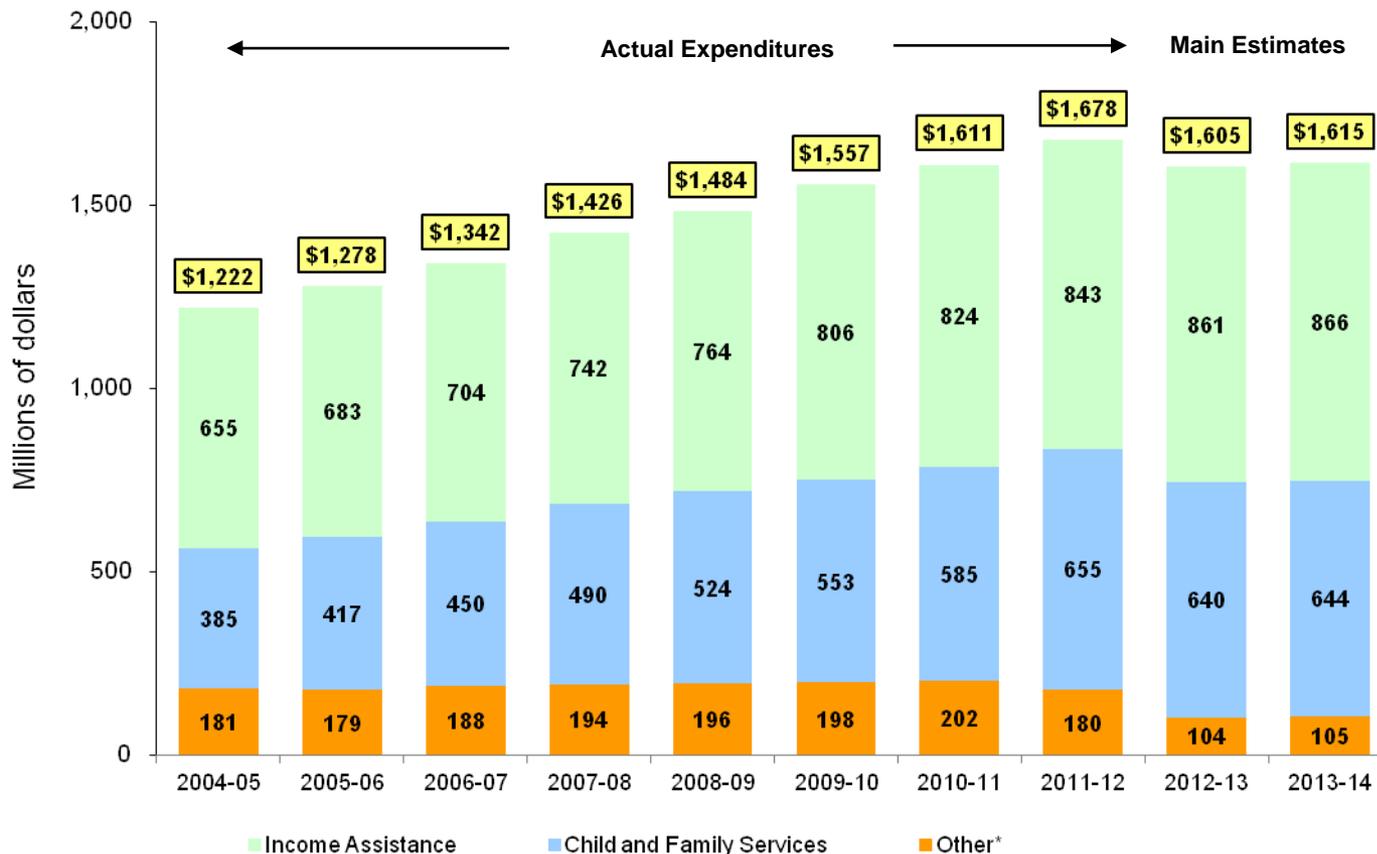


Source: 2004-05 to 2011-12 as per Departmental Performance Reports (2004-05 to 2010-11 restated); 2012-13 and 2013-14 as per Main Estimates. Note – to be consistent with figures displayed for 2011-12 and future years, figures originally reflected in DPRs for the period 2004-05 to 2010-11 have been restated to reflect the transfer of funding for Education Agreements to the Treaty Management program (as per the revised Program Alignment 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 Alignment 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 beginning in 2009-10 (ie. Internal Services was previously attributed across all programs).



# 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)



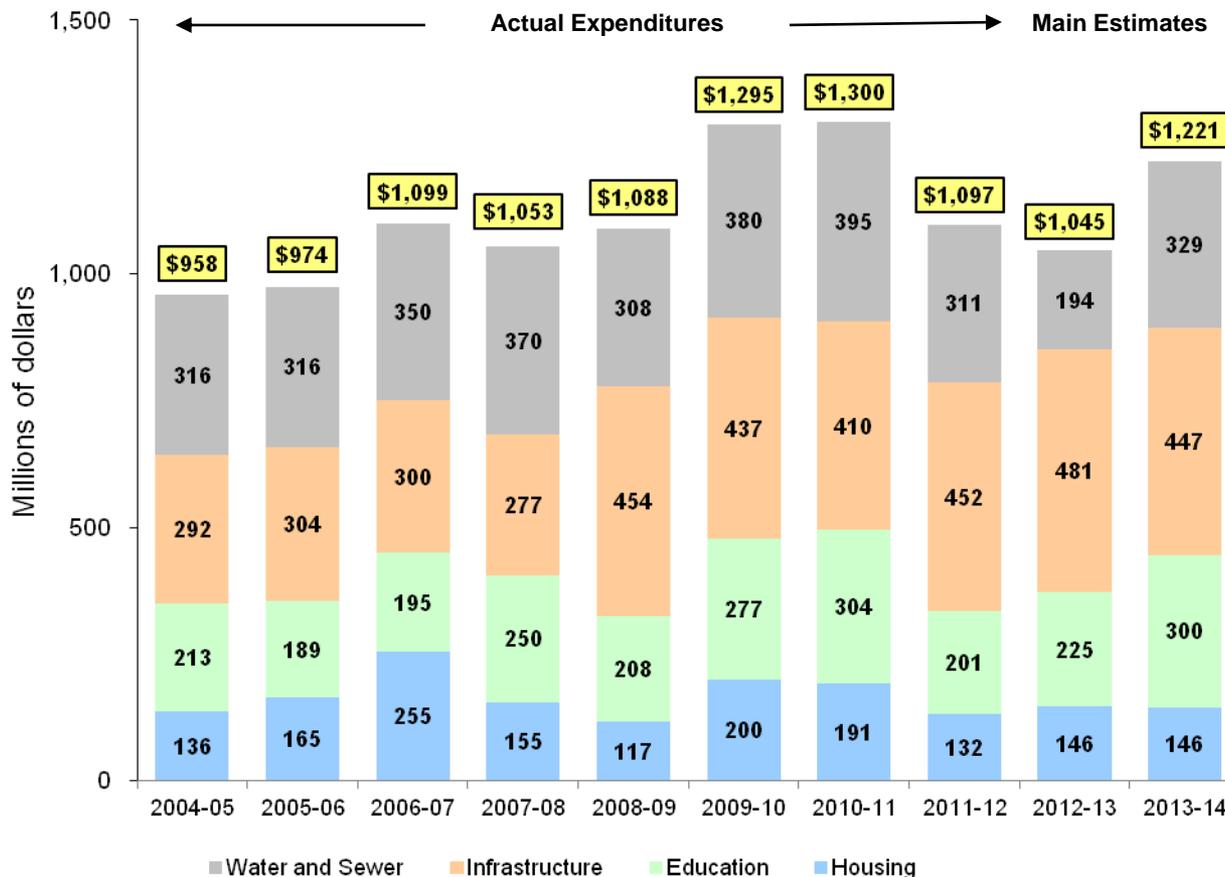
\* For the period 2004-05 to 2010-11, Other includes Assisted Living, Family Violence Prevention, National Child Benefit Re-investment and Family Capacity Initiatives; beginning in 2011-12, Family Capacity Initiatives are included in the Child and Family Services sub-program, pursuant to the revised Program Alignment Architecture.

Source: 2004-05 to 2011-12 totals as per Departmental Performance Reports (2004-05 to 2008-09 restated); 2012-13 and 2013-14 as per Main Estimates. Note – to be consistent with figures displayed for 2009-10 and future years, figures originally included in DPRs for the period 2004-05 to 2008-09 have been restated to reflect the display of Internal Services as a separate program beginning in 2009-10 (ie. Internal Services was previously attributed across all programs).



# Expenditure Trend – Community Infrastructure

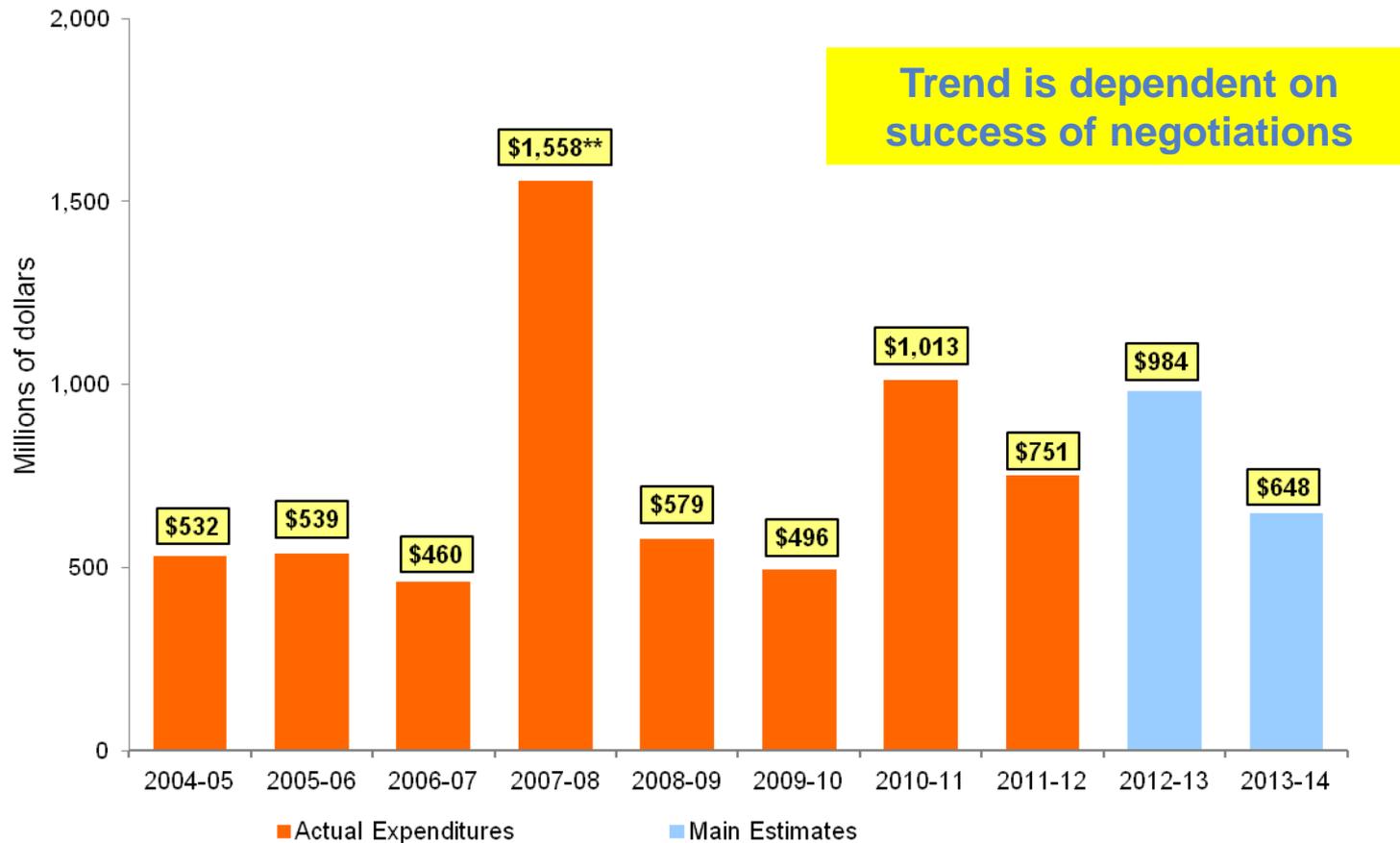
Overall, actual expenditures for community infrastructure have averaged about \$1.1 billion annually over the period 2004-05 to 2011-12.



Source: 2004-05 to 2011-12 totals as per Departmental Performance Reports (2004-05 to 2008-09 restated); 2012-13 and 2013-14 as per Main Estimates; additional detailed information extracted from the Long-Term Capital Plan. Note – to be consistent with figures displayed for 2009-10 and future years, 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 (as per the revised Program Alignment 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 beginning in 2009-10 (ie. Internal Services was previously attributed across all programs).



# 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°**

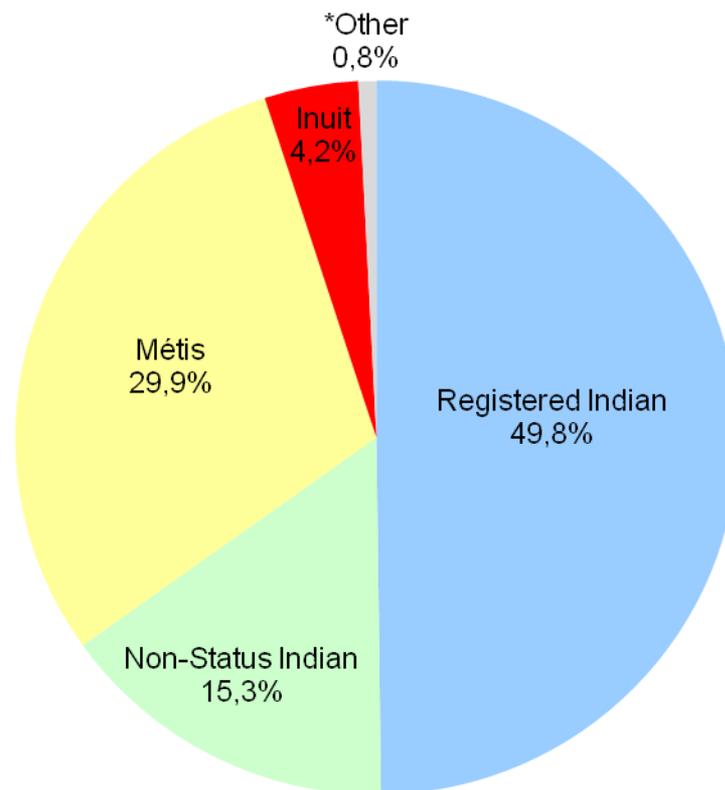
- Within the federal government, the Minister has the lead responsibility for the North, including the Northern Strategy.
- The department has a province-like role in water and oil and gas management.
- AANDC manages land and resources in Nunavut and the Northwest Territories (Yukon is devolved).



# Program Delivery – Demographic Realities

## Distribution of the Aboriginal Population by Registration Status and Identity, Canada, 2011

- According to the 2011 National Household Survey, there are **1,400,685** Aboriginal individuals in Canada, representing 4.3% of the total Canadian population.
- Registered Indians account for just under half of the Aboriginal population.
- In 2011, almost half (46%) of Aboriginal people were less than 25 years of age compared with almost one-third (29%) of non-Aboriginal people.
- The median age for Aboriginal people is 28 years, 13 years less than for non-Aboriginals (41 years).
- The total population of the territories is approximately 105,820 - slightly over half are Aboriginal.



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

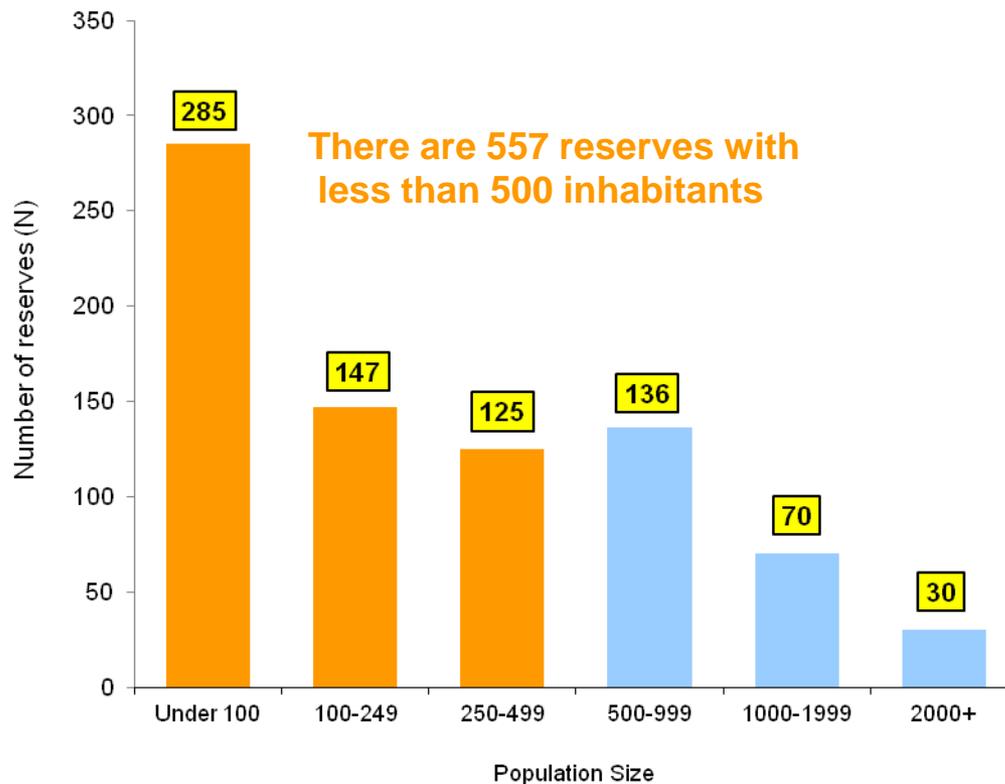
Source: Statistics Canada, 2011 National Household Survey, AANDC tabulations.



# Program Delivery – Geographic Realities (Small Communities)

- According to the 2011 Census of Population, 70% of First Nations communities have less than 500 inhabitants; the majority are located in British Columbia.
- First Nations communities include legally defined Indian reserves, Indian settlements and other land types created by the ratification of self-government agreements.

First Nation Communities by Population Size, 2011



Note: N=793 out of a possible 997 First Nation communities delineated by Statistics Canada in 2011. Not included are unpopulated reserves and 31 incompletely enumerated reserves that did not participate in the Census.

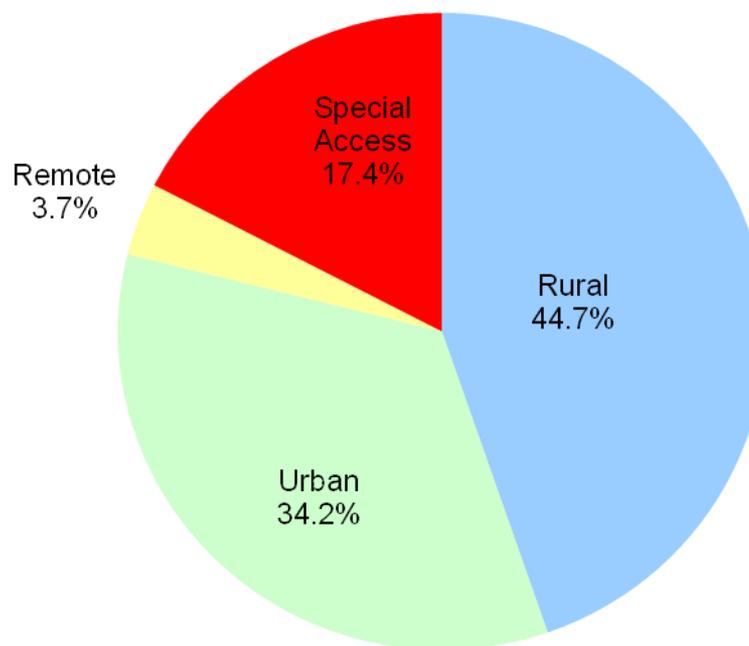
Source: AANDC derived from 2011 Geosuite, Statistics Canada.



# Program Delivery – Geographic Realities (Dispersed Communities)

As of 2012, 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, 2012



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.

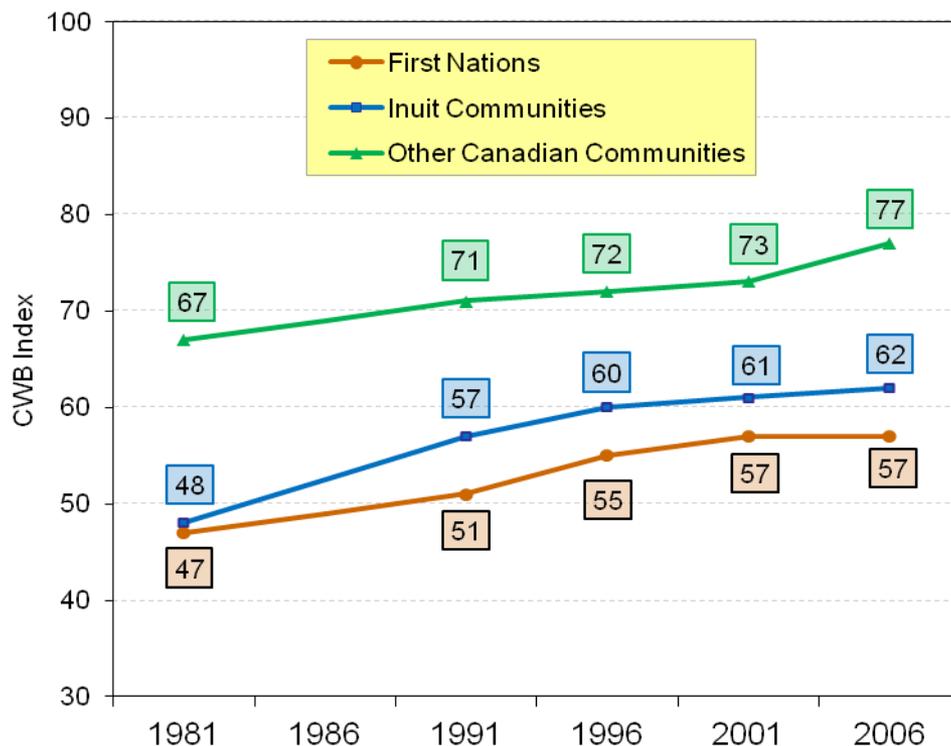


# Program Delivery – Socio-Economic Realities

## 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. Socio-economic indicators from the 2011 National Household Survey will be available by August, 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.
- Mandatory publication on the department's website of travel and hospitality expenses for selected government officials, contracts over \$10,000, the reclassification of positions, and grants and contributions awards.
- External reviews are conducted by the Auditor General and other Officers of Parliament.



## *Operating Environment – Accountability of Funding Recipients*

- The Government of Canada is committed to ensuring the effective, efficient and appropriate use of taxpayers' dollars.
- AANDC takes a risk-based approach to managing its funding agreements. Tools have been developed (i.e. [General Assessment](#)) to determine recipient risk, and risk is assessed annually for all recipients.
- Public funds are transferred from AANDC to recipients through funding agreements containing specific objectives and clear terms and conditions that all parties must comply with.
- Funding agreements describe the requirements needed to maintain the accountability relationship between the department and funding recipients, and between recipients and their membership. Funding agreements contain:
  - Minimum program requirements;
  - Accountability requirements for managing funds, including reporting requirements; and
  - Default provisions.
- If terms and conditions of the funding agreement are not met, there is a flexible range of strategies AANDC can take to assist the recipient to remedy the situation.
- In 2011, following an internal audit and discussions with First Nation governments and financial experts, AANDC implemented the [Default Prevention and Management Policy](#) (DPMP).



## *Operating Environment – Accountability of Funding Recipients (Continued)*

- The goal of the [Default Prevention and Management Policy](#) (DPMP) is to help First Nations improve their financial management and reporting practices, and develop their capacity to be self-managing.
- Financial reporting is integral to the accountability relationship. Annual consolidated audited financial statements must be submitted to AANDC by recipients. They are reviewed along with other information to ensure that the terms and conditions of the funding agreement are being met.
- As outlined in funding agreements, financial statements must be disclosed to the membership of the funding recipient. The [First Nations Financial Transparency Act](#), which has received Royal Assent on March 27, 2013, strengthens the accountability requirements already contained in funding agreements by imposing a legal obligation on recipients to disclose information publicly.
- Funding agreements also include a “[right to audit](#)” clause, to allow AANDC to assess a recipient’s compliance with the funding agreement, that is to ensure that funds are used for intended purposes.
- The department is committed to ensuring that funds are managed with integrity, transparency and accountability while reducing recipients’ reporting burden.



# Operating Environment – Economic Action Plan

**Economic Action Plan 2013** announced **\$872 million** in total investments for Aboriginal and Northern communities, which will allow them to participate more fully in Canada's economy and benefit from its growth. Of the total investment, about **\$618 million** is directed toward Aboriginal Peoples and their communities. The remaining **\$254 million** provides investments for Northerners. The majority of the investments (**\$545 million**) will be spent within the first two years.

\$ Millions	Total				AANDC				Other Government Departments			
	2013-14	2014-15	Future Years	Total	2013-14	2014-15	Future Years	Total	2013-14	2014-15	Future Years	Total
<b>Aboriginal Peoples</b>												
Investing in Training for On-Reserve Income Assistance Recipients (\$241 million over 5 years)	32	51	158	241	19	24	89	133	13	27	69	109
First Nations Land Management Regime	2	7	-	9	2	7	-	9	-	-	-	-
Renewal of the Family Violence Prevention Program	12	12	-	24	12	12	-	24	-	-	-	-
Introducing a <i>First Nation Education Act</i> (commitment)	-	-	-	-	-	-	-	-	-	-	-	-
Supporting Post-Secondary Education for First Nations and Inuit Students	5	5	-	10	5	5	-	10	-	-	-	-
Promoting Business Studies Among Aboriginal Students (\$5 million over 5 years)	1	1	3	5	1	1	3	5	-	-	-	-
Support for Pathways to Education Canada – Winnipeg (commitment)	-	-	-	-	-	-	-	-	-	-	-	-
Supporting First Nations Fishing Enterprises	33	-	-	33	-	-	-	-	33	-	-	33
Support for First Nations Infrastructure (\$155 million over 10 years – notional annual allocation)	-	16	140	155	-	16	140	155	-	-	-	-
Continued Support Under the Capital Facilities and Maintenance Program (commitment)	-	-	-	-	-	-	-	-	-	-	-	-
Resolving Specific Claims	27	27	-	54	23	23	-	46	4	4	-	8
First Nations Policing Program	18	18	-	36	-	-	-	-	18	18	-	36
Aboriginal Justice Strategy	11	-	-	11	-	-	-	-	11	-	-	11
Improving Health Services to First Nations Communities	24	24	-	48	-	-	-	-	24	24	-	48
Enhancing Mental Health Services in First Nations Communities	2	2	-	4	-	-	-	-	2	2	-	4
<b>Sub-Total</b>	<b>167</b>	<b>162</b>	<b>301</b>	<b>630</b>	<b>62</b>	<b>87</b>	<b>232</b>	<b>381</b>	<b>105</b>	<b>75</b>	<b>69</b>	<b>249</b>
Less: funds sourced from internal reallocations	(1)	(11)	-	(12)	-	-	-	-	(1)	(11)	-	(12)
<b>Sub-Total (Aboriginal Peoples)</b>	<b>166</b>	<b>151</b>	<b>301</b>	<b>618</b>	<b>62</b>	<b>87</b>	<b>232</b>	<b>381</b>	<b>104</b>	<b>64</b>	<b>69</b>	<b>237</b>
<b>Aboriginal and Northern Communities</b>												
Supporting Yukon College's Centre for Northern Innovation in Mining (commitment to match funding from the Yukon government and the private sector)	-	-	-	-	-	-	-	-	-	-	-	-
Supporting Junior Mineral Exploration	135	(35)	-	100	-	-	-	-	135	(35)	-	100
Increased Investment for construction of an all-season gravel road from Inuvik to Tuktoyaktuk in the Northwest Territories (\$150 million previously announced in Economic Action Plan 2011 – incremental investment of \$50 million in Economic Action Plan 2013 is notionally allocated over 4 years)	13	13	25	50	-	-	-	-	13	13	25	50
Investment in Nunavut Housing	30	70	-	100	-	-	-	-	30	70	-	100
Protecting Against Invasive Species (\$4 million over 3 years)	2	2	1	4	-	-	-	-	2	2	1	4
<b>Sub-Total (Aboriginal and Northern Communities)</b>	<b>179</b>	<b>49</b>	<b>26</b>	<b>254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>49</b>	<b>26</b>	<b>254</b>
<b>Total Investments</b>	<b>345</b>	<b>200</b>	<b>327</b>	<b>872</b>	<b>62</b>	<b>87</b>	<b>232</b>	<b>381</b>	<b>283</b>	<b>113</b>	<b>95</b>	<b>491</b>

Figures may not add due to rounding



## Operating Environment – Economic Action Plan (Continued)

**Economic Action Plan 2012** invests **\$707.7 million** government-wide over three years for Aboriginal peoples and Northern communities which will allow them to participate more fully in Canada's economy and benefit from its growth.

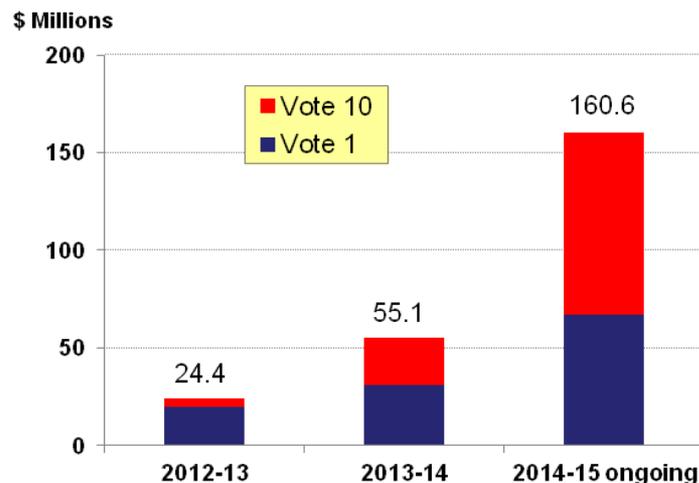
<b>Strategic Investments</b>					
\$ Millions	2012-13	2013-14	Sub-Total (2 years)	2014-15	Total
<b>Aboriginal Peoples</b>					
Investments to Improve First Nations Water Infrastructure	165.4	165.4	330.8	–	330.8
Investments to Improve First Nations Education	45.0	115.0	160.0	115.0	275.0
Supporting First Nations Fishing Enterprises	33.5	–	33.5	–	33.5
Urban Aboriginal Strategy	13.5	13.5	27.0	–	27.0
Consultation Under the <i>Canadian Environmental Assessment Act</i>	6.8	6.8	13.6	–	13.6
Addressing Family Violence on Reserve	11.9	–	11.9	–	11.9
<b>Sub-Total (Aboriginal Peoples)</b>	<b>276.1</b>	<b>300.7</b>	<b>576.8</b>	<b>115.0</b>	<b>691.8</b>
<b>Aboriginal and Northern Communities</b>					
Assessing Diamonds in the North	6.1	6.1	12.3	–	12.3
Major Projects Management Office Initiative (included in the \$54 million announced in Budget 2012)	1.8	1.8	3.6	–	3.6
<b>Sub-Total (Aboriginal and Northern Communities)</b>	<b>7.9</b>	<b>7.9</b>	<b>15.9</b>	<b>–</b>	<b>15.9</b>
<b>Total Investments</b>	<b>284.0</b>	<b>308.6</b>	<b>592.7</b>	<b>115.0</b>	<b>707.7</b>



## Operating Environment – Economic Action Plan (Continued)

**Economic Action Plan 2012** announced ongoing savings of **\$160.6 million** by 2014-15

- Aboriginal Affairs and Northern Development Canada, like every other department, is contributing to the effort to eliminate the deficit. As part of measures announced in Economic Action Plan 2012, the Department will achieve savings of \$24.4 million in the first year. Savings will increase to \$55.1 million in 2013-14 and will result in ongoing savings of \$160.6 million by 2014-15.



- Essential services, such as education, water and housing, child and family services, economic development programming and core programs in the North were not impacted by savings measures in order to minimize the impact on Aboriginal peoples and Northerners.
- Much of the savings will be achieved through changes in the Department's internal operations and streamlining program management and business processes, including the elimination of approximately 480 Full-Time Equivalents across the Department by April 1, 2014. Savings will also be achieved over the next three years through other measures such as internal restructuring and reducing discretionary spending (e.g. travel, hospitality, temporary help).
- For more information regarding the *Savings Identified as part of Budget 2012 Spending Review*, visit the following link: <http://www.aadnc-aandc.gc.ca/eng/1351087262489/1351541421027>



## *In Summary*

- AANDC is one of numerous 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, service agreements, etc.
- Investments are primarily directed at basic services – Education, Social Development, Community Infrastructure.
- As the Department implements the Budget 2012 savings over this fiscal year, it will protect the delivery of core services, while it focuses on improving how we achieve progress and results for Aboriginal people and economies.
- The department has a number of measures in place to strengthen financial and performance management.