KPMG

Advisory Services

PRIVATE AND CONFIDENTIAL

Indian and Northern Affairs Canada

Review of Wen:de The Journey Continues

July 30, 2010

KPMG LLP
160 Elgin Street, Suite 2000
Ottawa, ON K2P 2P8

AUDIT • TAX • ADVISORY

Table of Contents

A summary of the annualized revenue needs proposed in the report are shown in the table below.

Table 1 Proposed annualized revenue needs - year 1 As per Wen:de report - table 17		
Adjustments to formula		
Inflation adjustment	$	21,166,538
Operations base amount		12,042,092
Remoteness factor		4,118,417
Small agency adjustments		1,213,749
		38,540,796
New funding streams		
Prevention and least disruptive measures		34,739,040
Communities not served by agencies		1,000,000
Extraordinary costs		2,000,000
Organizational learning and networking		1,500,000
Management information systems		4,560,235
Evaluation and outcomes		930,000
Research - national and regional studies		1,210,000
Capital costs		5,687,311
Liability costs		3,500,000
Culturally based standards		2,790,000
		57,916,586
Total annual revenue needs - year 1	**$**	**96,457,382**

The "Prevention and least disruptive measures" category is noted in the Wen:de report as increasing to $62.5 million in year 3 and $69.4 million in year 7 and thereafter.

The Wen:de report also contains an analysis of the costs that are estimated will be saved by child care agencies in future if the "prevention and least disruptive measures" funding noted in this table were implemented. Based on certain assumptions as to the cost savings and the appropriate discount rate that would be applicable, the Wen:de report estimates a payback period[1] of between 29 and 42 years.

The following is a summary of our comments based on our review of the Wen:de report:

1. For the most part, the Wen:de calculations are based on major assumptions upon which we are unable to comment. For example, we cannot comment on the following major assumptions:

1 Payback period is defined as the number of years required for the present value of savings expected to outweigh the present value of future costs.

- The appropriate amount of operations funding for a children and family service agency.
- The appropriate number of staff required to implement the "least disruptive measures and prevention" services envisioned in the Wen:de report.
- The impact on the future numbers of Children in Care and of hiring the staff required to implement the "least disruptive measures and prevention" services.

2. Many of the costs proposed in the Wen:de report are based on assumptions without any support noted. We are unable to provide comments or alternate calculations for these costs.
3. We have a number of comments on the calculations of the payback period on the "least disruptive and prevention measures. The most significant issue appears to be the discount rate selected. As noted above, the Wen:de report uses 3.5% and 8% as alternate discount rates. We understand the appropriate rate for this calculation according to the Treasury Board at the time of the Wen:de report was 10%.

   We calculate that if Wen:de report had used 10% as its discount rate, its calculated payback period would have been greater than 100 years.

   We also note that it is our view that rates at the higher end of this range of discount rates would be more appropriate in the present value analysis undertaken in the Wen:de report. This is due to the inherent risk involved in making a large number of assumptions as to both costs and savings in the present value analysis.
4. We noted a number of calculation errors in the Wen:de report. However, the impact of those errors appears relatively small.

3 Restrictions

We understand that our report is intended to assist the Minister of Indian Affairs and Northern Development in defending a complaint by First Nations Child and Family Caring Society of Canada and Assembly of First Nations before the Canadian Human Rights Tribunal. It is not intended for general use, circulation or publication. For the avoidance of doubt, our report may not be disclosed, copied, quoted or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance.

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses suffered by the Minister of Indian Affairs and Northern Development as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the provisions of this section. We will not assume any responsibility or liability for any costs, damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report. Comments in our report are not intended, nor should they be interpreted to be, legal advice or opinion.

We have relied upon the completeness, accuracy and fair presentation of all the information obtained. Our calculations are conditional upon the completeness, accuracy and fair presentation of such information. Subject to the exercise of professional judgment, KPMG has not audited or otherwise independently verified the accuracy or fair presentation of any of the information. Should additional information be provided to us after the date of this report, we reserve the right, but will be under no obligation, to review this information and adjust our report and calculations.

Our mandate is to review the calculations and economic analysis contained in the "Wen:de The Journey Continues" report. We are not experts in assessing the costs necessary to operate a child and family service agency. Our comments and calculations in this report are based solely on our analysis of the information provided to us.

4 Scope of Our Work

Our comments and calculations are based on our review of the following information:

- A copy of *Bringing Econometrics and First Nations Child and Family Service Agency Funding: Phase One Report* prepared by First Nations Child and Family Caring Society of Canada.
- A copy of *Wen:de – We are Coming to the Light of Day, First Nations Child and Family Service Agency Funding Formula Research Project* prepared by First Nations Child and Family Caring Society of Canada.
- A copy of *Wen:de The Journey Continues, The National Policy Review on First Nations Child and Family Services Research Project* ("the Wen:de report") prepared by First Nations Child and Family Caring Society of Canada.
- A copy of *First Nations Child and Family Services Joint National Policy Review Final Report* ("the Blue Hills report") prepared by Blue Hills (MTC) Inc.
- Information from the Statistics Canada website: Statistics Canada Consumer Price Index, historical summary by province.
- WP039: Proposed Social Discount Rate(s) for Canada Based on Future Growth, from the Government of Canada – Policy Research Initiative website (www.policyresearch.gc.ca).

5 Wen:de The Journey Continues – Adjustment to Formula Proposals

Various adjustments to the current INAC funding formula have been proposed in the Wen:de report. Based on our review of these proposals, we have the following comments, concerns and alternative calculations.

5.1 Inflation adjustment

The Wen:de report alleges that INAC has not adjusted its funding for operations for inflation since 1995.

The Wen:de report calculates that 2005 operations funding would have been higher by $21.17 million if funding had been adjusted for inflation each year since 1995.

This was calculated using the total formula funding amount for 2005 divided by:

- the base year Consumer Price Index rate for 1995; multiplied by
- the current year Consumer Price Index rate

5.1.1 KPMG comments

We have the following comments with respect to the alleged inflation losses calculated:

1. Using 1995 as the base year appears reasonable as this was apparently the last date the funding formula was adjusted for inflation.
2. The calculations prepared in the Wen:de report appear correct.

5.2 Operations base amount

The Wen:de report states that the current operations base funding provided to large agencies is $143,159, and that an appropriate annual amount is $357,400. The report also proposes that smaller agencies receive funding at a lesser annual amount based on the number of children age 0 – 18. If INAC were to make the adjustments proposed by the Wen:de report to each agency's operations funding, the increased annual cost is estimated at $12,042,092 per annum.

5.2.1 KPMG comments

We are unable to comment on whether the components of the $357,400 are reasonable or necessary to be funded by INAC.

We found a number of small errors in the amounts calculated:

1. Total number of bands in British Columbia was stated as 86, however the actual total of the list provided in the Wen:de report is 85. This is a minor addition error and does not affect the calculated amount of proposal.

2. In Saskatchewan one of the agencies which supports 494 children between the ages of 0 – 18, had stated the proposed amount of $210,156. This amount according to Wen:de's step proposal should be $181,991, which results in an overstatement of the proposed amount of funding.

3. In Quebec one of the agencies which supports 206 children between the ages of 0 – 18, had stated the proposed amount of $84,448. This amount according to Wen:de's step proposal should be $73,127, which results in an overstatement of the proposed amount of funding.

4. In Quebec one of the agencies which supports 306 children between the ages of 0 – 18, had stated the proposed amount of $130,279. This amount according to Wen:de's step proposal should be $112,884, which results in an overstatement of the proposed amount of funding.

5. In Quebec one of the agencies which supports 468 children between the ages of 0 – 18, had stated the proposed amount of $181,991. This amount according to Wen:de's step proposal should be $172,155, which results in an overstatement of the proposed amount of funding.

5.2.2 KPMG's alternate calculation

We prepared an alternate calculation taking into consideration our comments and concerns noted above, resulting in total additional costs calculated of $12,007,421. We note that this is a relatively insignificant difference from the $12,042,092 calculated in the Wen:de report.

5.3 Remoteness factor

The Wen:de report discusses the remoteness adjustment currently included in the INAC operations formula. It comments that the formula works to provide more remote agencies more significant funds to compensate for the costs of remoteness. The Wen:de report states the adjustments suffer from a number of weaknesses. Two changes are proposed to the remoteness adjustment:

1. To introduce an across the board increase in remoteness allowances; and
2. To adjust the index from the current service centre base to a city centre base

The Wen:de report calculates a remoteness adjustment table. This table determines what adjustment should be applied, dependent on the actual remoteness factors of each band. For each agency, the average remoteness factor for all of its bands is then used to determine the amount of adjustment required as per the remoteness adjustment table. This remoteness adjustment is then applied to the current total amounts paid to these agencies by INAC to arrive at the total additional cost of the increased allowance.

The estimated cost for implementing the increase in the remoteness allowance is $4,010,417 and the total estimated cost for switching service centres to city centres is $108,000.

5.3.1 KPMG comments

We have the following comments and concerns with respect to the amounts calculated:

1. The remoteness calculations do not appear to have been based on a comparative calculation of the cost of remoteness. Rather, they appear to be based on claims by agencies that their costs are higher than those of urban agencies by 6% - 18%, depending on their perceived remoteness. The Wen:de report states that these numbers seemed high, and thus based its calculations on factors of 3% to 8%. We have no information as to how these amounts were chosen. However, we suggest that a further more detailed study of costs may be necessary to support this proposed adjustment.
2. In the calculation of British Columbia's remoteness allowance, the Wen:de report lists 6 bands in the Namgis agency; however the calculation of "amount per band" was based on 5 bands. This results in an understatement of costs.
3. The Wen:de report states that there are a number of assumptions in the calculation regarding the change of centre base which are difficult to quantify. For example, the Wen:de report states the remoteness factor is based on approximate distances as no detailed maps exist for First Nations; and also where maps were available, distances could not be accurately measured for approximately 13% of the communities.

5.3.2 KPMG's alternate calculation

The impact of the error in the Namgis calculation above results in an immaterial difference in the total cost calculated of $4,118,417. However, as noted above, the Wen:de calculations appear to be based on significant assumptions with respect to the cost of remoteness, upon which we are unable to comment further.

5.4 Small agency adjustments

According to the Wen:de report, the current formula does not provide a realistic amount per organization for agencies serving small on-reserve populations. The proposal in the report was to abolish step increases and give agencies additional funding for every child in excess of 125 to a maximum of 800.

The calculated additional cost of this proposal in the Wen:de report is $1,213,749.

5.4.1 KPMG comments

We are unable to comment on the Wen:de report's basic assumption that further funding for operations for smaller agencies is required.

We found small errors in the amounts calculated:

1. Total number of bands in British Columbia was stated as 86, however the actual list provided in the Wen:de report totals 85. This is a minor addition error and does not affect the calculated amount of proposal.

2. In Quebec, one of the agencies which supports 306 children between the ages of 0 – 18, had stated the proposed amount of $84,363. This amount according to the new step proposal should be $52,317, which results in an overstatement of the proposed amount of funding.

5.4.2 KPMG's alternate calculation

We prepared an alternate calculation taking into consideration our comments and concerns noted above, resulting in total additional costs calculated of $1,181,703 for small agencies.

We note that this is a relatively insignificant difference from the $1,213,749 calculated in the Wen:de report.

6 Wen:de The Journey Continues – New Funding Streams

In addition to the proposals of various adjustments to the current INAC funding formula, the Wen:de report also proposes new funding streams. Based on our review of these proposals, we have the following comments, concerns and alternative calculations.

6.1 Least disruptive measures and prevention

The Wen:de report discusses the different options available to promoting community and family wellness using "least disruptive measures and prevention". The Wen:de report asserts that without funding for preventative and related services, many children are not given the service they require or are unnecessarily removed from their homes and families. Under the new approach suggested by the Wen:de report, teams would work with communities to design prevention programs appropriate to the ability of the agency to implement them and according to the absorptive capacity of the community being served. The Wen:de report states that there would be cost savings from investing in preventative programs, since there would be a resulting reduction in children in care.

In order to achieve the desired outcome that putting these measures into place accomplishes, the report estimated additional spending from INAC of:

- Year 1 and 2 - $34.7 million per year.
- Year 3 and 4 - $62.5 million per year.
- Year 5 and 6 - $66.0 million per year.
- Year 7 onwards of $69.5 million.

This calculation of costs is ultimately based on assumptions related to the cost of staff and administration necessary to implement the proposed prevention measures. For staffing costs, it was proposed to phase these costs in over the first 6 years, and from year 7 onwards to implement them fully.

As the costs of implementing these measures is large and covers a number of years, a present value calculation was undertaken by the Wen:de report. The purpose of calculating the present value was to determine the total cost of the proposal in current dollars. In order to calculate the present value of a future amount, a discount rate has to be applied. In the report, a discount rate of 8% was used on the basis that 10% was recommended by the Treasury board of Canada, less an adjustment of 2% for inflation. To be able to show a range of amounts, should the 10% rate not be accurate, the report also calculated the amounts based on a 3.5% discount rate.

The savings that would be generated when implementing these additional services and costs would be from the reduced amount of children in care. For each child that would not be in care as a result of the new prevention measures, $20,000 per annum was estimated to be saved.

In addition to calculating the cost and savings of the proposal, the report also determines how long it will take for the expected cost savings to outweigh the costs of these measures.

Based on the assumptions in the report it was calculated that by using an 8% discount rate, it would take approximately 42 years for the present value of savings to exceed costs, and by using a 3.5% discount rate, it would take approximately 29 years for savings to exceed costs.

These calculations were based on the population of Manitoba, and then totals were extrapolated to determine the amounts on a national basis.

6.1.1 Assumptions

In calculating the cost savings of the suggested prevention and least disruptive measures, the following assumptions were made:

- Population would increase each year by 3.5% for years one to six, and 3% for each following year.
- Children in care are currently 6% of the child population.
- Children in care would remain at year 1 level of 2,100 children in care.
- Maintenance cost per child in care is $20,000.
- Numbers of additional staff would be hired to support this initiative.
- Cost of additional staff based on estimated base salaries plus travel and benefits.

6.1.2 KPMG comments and calculations

We have the following comments and concerns with respect to the amounts calculated:

1. The most critical assumptions in the Wen:de calculations relate to the additional cost of funding the proposed prevention and least disruptive measures, which is based on detailed calculations and assumptions on the number of staff and the related increased administration costs required for each agency in Manitoba. The additional child care, family support and resource workers required for Manitoba would be approximately 185, which when extrapolated on a national basis implies 649 new workers.

   The calculations also assume approximately 100 new supervisory, prevention and outreach workers would be required for Manitoba, or approximately 349 nationally.

These costs comprise approximately $17,200,000 of the annual expected costs projected of approximately $19,800,000. The annual expected costs are summarized in the following table:

Table 2

Prevention and least disruptive measures costs

From year 7 (note)

		Manitoba
LEAST DISRUPTIVE MEASURES		
Child Care Workers	$	2,219,629
Family Support		5,075,507
Resource Workers		3,327,907
Supervisors		2,571,169
Administration		1,979,133
		15,173,345
PREVENTION		
Prevention/CD worker		2,509,362
Outreach/advocacy		716,964
Supervisors		797,941
Administration		603,640
		4,627,907
Total costs		**19,801,252**

Note: Year 1 to Year 6 use staff phasing in rates, Year 7 onwards is at full cost

We are unable to comment on Wen:de's assumptions related to the numbers of staff, the average salaried for each level of staff, or whether hiring these approximately 1,000 new workers nationally would have the assumed impact on numbers of Children in Care.

2. The annual maintenance cost per child in care was estimated by Wen:de as $20,000. Based on our review of costs, as detailed in our "Review of Child and Family Services Funding" report, $20,000 appears reasonable for some agencies, however maintenance cost per child in care varies substantially across the provinces. Based on our findings, we would suggest that an average cost per child in care of $27,000 may be more appropriate. We calculate that if Wen:de had used $27,000 as its estimate of savings in maintenance costs per child, its calculated payback period using an 8% discount rate would have been 28 years and using a 3.5% discount rate, 23 years.

3. In the calculations of total costs we found certain minor calculation errors. These errors equate to a less than 1% difference, which is not considered material.

   The report calculates 29 years as the timeline for savings to exceed costs using the discount rate of 3.5%. If the minor calculation errors noted above (2), were corrected, the timeline would change to 27 years.

The report calculates 42 years as the timeline for savings to exceed costs using the discount rate of 8%. If the minor calculation errors noted above (2), were corrected, the timeline would change to 36 years.

4. The 8% discount rate used in the report was apparently based on 10% as recommended by the Treasury Board of Canada less 2% inflation. However, we understand that since 1976, the Treasury Board of Canada Secretariat has required that federal cost-benefit analysts use an annual, real Social Discount Rate of 10%. We note that the Wen:de calculations are very sensitive to the discount rate chosen. We calculate that if the Wen:de report had used a discount rate of 10% rather than 8% or 3.5%, the payback period it would have calculated would have been more than 100 years.

5. The report shows an extrapolation of Manitoba data to calculate amounts for National. This is based on the assumption that Manitoba is the equivalent of 28.5% of national costs. Based on amounts of funding provided between 1999 and 2005, Manitoba was 28.8% of national amounts. If Wen:de had used 28.8% in its calculation, it would have impacted the extrapolated national costs and savings, but not the payback periods calculated.

6. If we take into consideration our comments and concerns noted above, using a 3.5% discount rate would take approximately 23 years for the present value of savings to exceed costs, and using a 10% discount rate, would take approximately 33 years for the present value of savings to exceed costs.

7. The discount rate of 3.5% which was used as an alternative for sensitivity purposes appears to be reasonable based on the recommendation of 3% by the Treasury Board of Canada.

6.2 Communities not served by agencies

Currently there are some communities that are too small or remote to operate a First Nations child and family service agency. In the Wen:de report, it has been recommended that a national pool of one million dollars per annum be allocated to communities not currently served by First Nations child and family service agency.

6.2.1 KPMG comments

There are no calculations provided in the report to support the proposed one million dollar funding, thus we are not able to provide comments or alternate calculations regarding the amount proposed.

6.3 Extraordinary costs

According to the Wen:de report, every year there are apparently a range of unexpected or unanticipated events that occur that place cost pressures on First Nation Child and Family Service Agencies. These additional costs can not be absorbed into the current budget. In the Wen:de report, it has been recommended that a national pool of two million dollars be allocated, and refreshed annually to these agencies.

6.3.1 KPMG comments

There are no calculations provided in the report to support the proposed two million dollar funding, thus we are not able to provide comments or alternate calculations regarding the amount proposed.

6.4 Organizational learning and networking

The Wen:de report recommends that each of the six regions be allocated $250,000 to establish non political research, policy and practice forums for agencies within the regions.

6.4.1 KPMG comments

In the Wen:de report a breakdown of the $250,000 was listed. These expenses include salaries and costs for rent etc. We are unable to comment on the reasonableness of these expenses.

6.5 Management information systems

The Wen:de report states that agencies are using inadequate, outdated and inappropriate computer systems. The estimated cost of updating all of these agencies, so that they can manage their internal data systems and their external reporting systems is $5.62 million, drawn over two years. This calculation was predominately based on current staff cadres, so therefore if the prevention and least disruptive measures recommendation is put in place, then this would result in increased staff, which would then result in an additional funding requirement for management and information systems of $3.5 million. Assuming that both recommendations are put in place, then a total of $9.12 million would apparently be required, drawn over 2 years.

6.5.1 KPMG comments

We have the following comments and concerns with respect to the amounts calculated:

1. We cannot comment on the basic assumption that the existing computer systems are outdated. Further information is required to assess this assumption.

2. The report estimates an additional $3.5 million would be required for management information systems if the prevention and least disruptive measures recommendation are implemented. There are no calculations provided in the report to support this proposed amount, thus we are not able to provide comments regarding this component of the amount required.

3. We found a number of apparent errors in the calculation of costs:

   - Costing for Type C product code E3 is $30 per person. For the Manitoba West agency there are 31 members of staff, therefore the resulting cost of E3 should be $930, however the calculation in the report stated $270, resulting in an understatement of costs.

   - Costing for Type C product code C5 is $500 per location. For the Saskatchewan Kanaweyimik agency there are 4 locations, therefore the resulting cost of C5 should be $2,000, however the calculation in the report stated $9,500, resulting in an overstatement of costs.

   - Costing for Type C product code C5 is $500 per location. For the Saskatchewan Saskatoon District Tribal Council agency there are 7 locations, therefore the resulting cost of C5 should be $3,500, however the calculation in the report stated $0, resulting in an understatement of costs.

   - Costing for Type C product code F3 is $120 per location. For the Saskatchewan Qu'Appelle Tribal Council agency there are 6 locations, therefore the resulting cost of F3 should be $720, however the calculation in the report stated $480, resulting in an understatement of costs.

   - Costing for Type A product code A8 is $77 per person. For the Alberta Kashowew agency there are 31 members of staff, therefore the resulting cost of A8 should be $2,387, however the calculation in the report stated $2,541, resulting in an overstatement of costs.

   - Costing for Type A product code C4 is $1,270 per person. For the Alberta Kashowew agency there are 31 members of staff, therefore the resulting cost of C4 should be $39,370, however the calculation in the report stated $41,910, resulting in an overstatement of costs.

   - Costing for Type A product code D2 is $857 per person. For the Alberta Kashowew agency there are 31 members of staff, therefore the resulting cost of D2 should be $26,567, however the calculation in the report stated $28,281, resulting in an overstatement of costs.

- Costing for Type A product code E3 is $30 per person. For the Alberta Kashowew agency there are 31 members of staff, therefore the resulting cost of E3 should be $930, however the calculation in the report stated $990, resulting in an overstatement of costs.

- Costing for Type C product code A10 is $200 per location. For the Alberta Lesser Slave Lake agency there is 1 location, therefore the resulting cost of A10 should be $200, however the calculation in the report stated $2,000, resulting in an overstatement of costs.

- Costing for Type C product code A1 is $100 per person. For the Atlantic Mi'kmaq agency there are 40 members of staff, therefore the resulting cost of A1 should be $4,000, however the calculation in the report stated $40,000, resulting in an overstatement of costs.

- Costing for Type C product code A10 is $200 per location. For the British Columbia Carrier-Sekani agency there are 12 locations, therefore the resulting cost of A10 should be $2,400, however the calculation in the report stated $400, resulting in an understatement of costs.

- Costing for Type C product code E3 is $30 per person. For the British Columbia Xolhmllh agency there are 17 members of staff, therefore the resulting cost of E3 should be $510, however the calculation in the report stated $1,200, resulting in an overstatement of costs.

4. We were not provided with information regarding the current operational budgets of each agency, therefore cannot comment on the calculations of estimated staff per location, nor the assumption that 65% of all funding for each agency is attributable to staff costs.

5. We were not provided with information regarding staff costs, therefore cannot comment on the assumption that the average person costs $48,000 plus benefits.

6.5.2 KPMG's alternate calculation

We prepared an alternate calculation taking into consideration our comments and concerns noted above, resulting in extra costs of $5,576,412 plus the estimated additional amount of $3,500,000 as mentioned in comment above, totaling $9,076,412, drawn over two years. We note that this total is not significantly different than the Wen:de calculation. These calculations are subject to our comments above regarding the further information required to support the basic assumptions implicit in the calculations.

6.6 Evaluation and outcomes

According to the Wen:de report, evaluations are critical to gauge the efficacy of programs and services provided to First Nations children and families. In the Wen:de report, it has been recommended that $10,000 per annum per agency is funded for agencies to conduct evaluations. The report further recommends that agencies be given the option of deferring evaluation revenue over fiscal years to pool monies for large scale evaluations.

6.6.1 KPMG comments

There are no calculations provided in the report to support the proposed $10,000 per annum per agency funding ($930,000 in total per annum), thus we are not able to provide comments or alternate calculations regarding the amount proposed.

6.7 Research – national and regional studies

In the Wen:de report, it has been recommended that a research pool of $1,210,000 per annum be set aside for research. $450,000 of this is to support the participation of 30 agencies in the third cycle of the Canadian Incidence Study of Reported Child Abuse and Neglect, and the remaining funds to be made available on a proposal basis to agencies.

6.7.1 KPMG comments

There are no calculations provided in the report to support the proposed $1,210,000 funding, thus we are not able to provide comments or alternate calculations regarding the amount proposed.

6.8 Capital costs

The report states that agencies complain about the inadequate state of repair and accessibility of their buildings. The report estimates the cost of fixing up all 93 agencies to be $10.3 million. The report calculates that $3,707,311 of this will come from the new fundraising streams via the current annual 13% of staff costs for capital needs part of the funding formula, which is already in place. The remaining $6.8 million is proposed to come from $1.98 million invested per annum into 20 year mortgages.

6.8.1 KPMG comments

We were not provided with information regarding the capital needs of the agencies, nor is there sufficient support in the Wen:de report for the apparent capital needs, therefore we are not able to comment on the amount proposed.

6.9 Liability costs

According to the Wen:de report, liability costs arising from child welfare interventions have become a growing concern amongst child welfare providers. This means that the majority of agencies in Canada are at risk of having to pay out as much as 4 million dollars plus legal fees should a current or former child in care of family receiving services successfully sue the agency. In the Wen:de report, it has been recommended that a national pool of seven million dollars be allocated to cover such costs. The Wen:de report suggests this be funded over two years, at $3,500,000 per annum, and would be replenished as needed.

6.9.1 KPMG comments

In the Wen:de report, it is noted that one agency had received insurance of $5,000,000 to cover any child welfare litigation matters at a cost of $24,000 per annum. If all 93 agencies opted for this insurance, the total cost would be $2,232,000 per annum. This amount is significantly less than the $3,500,000 proposed.

6.10 Culturally based standards

According to the Wen:de report, both the development and maintenance of standards are critical to the agencies. Currently, there is a broad based support in place for the development of culturally based standards but many of the agencies who have not developed them identify lack of funds as a barrier. The report has recommended that each agency receive an additional $30,000 per annum to meet these needs.

6.10.1 KPMG comments

Based on the report, results from a survey regarding the development and maintenance of standards indicated that on average agencies had a shortfall of $32,000 per annum. There are no details regarding how this amount was calculated, and as it appears to be an estimate we can not comment on its reasonableness..

Page(s) 000141 to / à 000256

is (are) exempted pursuant to section(s)
est(sont) exemptée(s) en vertu de(s)(l')article(s)

23

of the Access to Information Act
Loi sur l'accès à l'information