

# VOTE *Veterans'* *Affairs*

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# *Veterans' Affairs*

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## Overview

### **Departmental Appropriations**

Departmental appropriations sought for Vote Veterans' Affairs in 2007/08 total \$11.686 million. This is intended to be spent as follows:

- \$7.531 million (64.44% of departmental appropriations in this vote) to purchase services from Veterans' Affairs New Zealand (VANZ).
- \$4.155 million (35.56% of departmental appropriations in this vote) to purchase services from the Ministry of Social Development (MSD).
- VANZ expects to collect \$477,000 in third party revenue in 2007/08.

### **Non-Departmental Appropriations**

Non-departmental appropriations sought for Vote Veterans' Affairs in 2007/08 total \$303.699 million. This is intended to be spent as follows:

- \$0.746 million to purchase the development and maintenance of Services Cemeteries (administered through VANZ).
- \$1.027 million to purchase support for veterans and their families (administered through VANZ).
- \$301.926 million for benefits and other unrequited expenses (administered through the MSD).

### **Non-Departmental Other Expenses**

\$1.500 million for the provision of ex-gratia payments to Viet Nam Veterans and, or members of their families, and one off medical assessments.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote.

## Terms and Definitions Used

CDF	Chief of Defence Force
CPI	Consumers Price Index
MSD	Ministry of Social Development
NZDF	New Zealand Defence Force
NZNTVA	New Zealand Nuclear Test Veterans Association
POWs	Prisoners of War
VANZ	Veterans' Affairs New Zealand
WPS	War Pension Services

## Footnotes

Note 1	From 1 July 2006 the vote name was amended to read Vote Veterans' Affairs.
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## Minister Portfolio Table

75	Minister of Veterans' Affairs
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# Veterans' Affairs

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ADMINISTERING DEPARTMENTS: New Zealand Defence Force and the Ministry of Social Development

The Minister of Defence is the Responsible Minister for the New Zealand Defence Force

The Minister of Veterans' Affairs is the Responsible Minister for Veterans' Affairs New Zealand and the services provided to veterans by the Ministry of Social Development through the War Pension Service Unit

The Minister for Social Development and Employment is the Responsible Minister for the Ministry of Social Development

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote

#### *Introduction*

As required by the Public Finance Act 1989, as amended by the Public Finance Amendment Act 2004, and for accountability purposes, two Votes are sought for veterans' related purposes. To provide a clearer presentation of the appropriations sought, the two Votes are shown together in these *Estimates of Appropriations*:

- **Vote Veterans' Affairs - Defence** is administered by VANZ and includes the provision of policy advice on, and administration of, a wide range of issues relating to veterans' entitlements, care and recognition.
- **Vote Veterans' Affairs - Social Development** administered by the MSD and includes the processing and payment of War Disablement and Veterans' Pensions and concessions, and Rehabilitation Loan Scheme payments. This includes data collection and contributing to the monitoring, evaluation, reporting of trends and risks to Crown expenditure and forecasting of benefits and other unrequited expenses.

#### *Related Government Outcomes*

VANZ is the Government's principal adviser on veterans' issues, providing advice on a wide range of issues relating to veterans. The MSD is responsible for the processing and payment of entitlements. The work of both VANZ and the MSD contributes to achieving outcomes for veterans such that:

- The veterans' perspective is considered as part of government decision-making on issues that impact on veterans' lives.
- Eligible veterans and their dependants have access to the appropriate services in recognition of the veteran's Service.
- The community will be aware of the role veterans played and continue to play in developing New Zealand as a nation.

The appropriations to Vote Veterans' Affairs contribute to Governmental themes 2 and 3 respectively:

- The provision of policy advice on veterans' related issues, the co-ordination of the services provided to veterans and their families by other government departments and agencies, facilitating access to services within the broader community and the development of constructive working relationships with veterans' organisations, contributes to Governmental theme 2: "Families - young and old".

- The provision of specific services to veterans, in recognition of their contribution to the development of New Zealand's national identity, contributes to Governmental theme 3: "National Identity".

### *Output Expense Appropriations*

To achieve these outcomes, the appropriations for Vote Veterans' Affairs fund a wide range of government activity:

- the assessment, review and payment of War Disablement Pensions and Veteran's Pension and related concessions and allowances
- the provision of case management for veterans and their families
- the administration and processing payments under the Rehabilitation Loan Scheme
- policy advice and ministerial servicing
- the co-ordination of New Zealand's participation in the commemoration of significant military anniversaries
- the provision and installation of ex-Service memorials and the administration of the maintenance and development work carried out in Services Cemeteries
- the provision of administrative services to relevant boards and committees
- collection of veteran's related data, forecasting and contributing to the monitoring, evaluation and reporting trends and risks to Crown expenditure.

In addition, funding is included in this Vote for the appropriation of the following non-departmental output expenses and non-departmental other expenses:

- the development and maintenance of Services Cemeteries
- the provision of support for veterans and their families.

## **Part A2 - Trends in Vote**

### *Departmental Output Trends 2002/2003 - 2007/08*

Votes Veterans' Affairs was established in July 1999. An analysis of the expenditure trends for benefits and other unrequited expenses has been provided for the five-year period from 2002/2003 to 2007/08. The table at the end of Part A2 shows the trends in Votes Veterans' Affairs over the past five years and projected for the next four years.

- An increase of \$1.439 million in 2001/02 and \$1.428 million in 2002/03 and outyears to Vote Veterans' Affairs - Defence to fund the introduction of case management and for the provision of additional services to the children of Vietnam and Operation Grapple veterans.
- A transfer of \$118,489 in 2001/02 and \$157,333 in 2002/03 and outyears from Vote Veterans' Affairs - Social Development to Vote Veterans' Affairs - Defence to fund the transfer of the War Pensions Claims Panels from the MSD WPS to VANZ.
- An increase of \$57,778 in 2001/02 and \$70,222 in 2002/03 and outyears to fund the operation of the War Pensions Claims Panels within VANZ.
- An increase of \$223,111 in 2002/03 and outyears to Vote Veterans' Affairs - Defence to fund the provision of additional services to the children of Vietnam and Operation Grapple veterans.

- An increase of \$472,889 in 2003/04 only to fund New Zealand Government participation in commemorative activities in Korea and Monte Cassino.
- An increase of \$492,444 in 2004/05 only to fund New Zealand Government participation in commemorative activities related to the 90th anniversary of the landings at Gallipoli and the 60th anniversaries of Victory in Europe and Victory in Japan Days.
- An increase of \$1.100 million in 2005/06 and \$900,000 in 2006/07 to fund the activities associated with the 'Year of the Veteran'. This includes a contestable fund of \$1.000 million for community project grants.
- An increase of \$637,000 in 2005/06, \$674,000 in 2006/07, \$746,000 in 2007/08, \$820,000 in 2008/09 and \$897,000 in 2009/10 to fund the additional costs associated with the commemoration of Anzac Day at Gallipoli.
- An increase of \$120,000 in 2006/07, \$3.820 million in 2007/08, \$352,000 in 2008/09, \$352,000 in 2009/10 and \$352,000 in outyears to provide for arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association regarding the concerns of Viet Nam Veterans.
- An increase of \$196,000 in 2007/08 to provide for official government attendance at the commemoration of the 90th anniversary of Passchendaele.

### *Non-Departmental Expense and Revenue Trends: 2002/2003 to 2007/08*

#### **Non-departmental outputs**

- An increase of \$491,000 in 2003/04, \$498,000 in 2004/05, \$506,000 in 2005/06 and \$512,000 in 2006/07, and outyears, to fund the additional annual maintenance grant paid to providers, nation-wide, for the routine upkeep of Services Cemeteries.
- An increase of \$238,000 in 2005/06, \$333,000 in 2006/07, \$475,000 in 2007/08 and \$475,000 in 2008/09, and outyears, to fund services to veterans and their families.
- An increase of \$9.055 million in 2006/07 and \$1.500 million in 2007/08 to provide for arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association regarding the concerns of Viet Nam Veterans.

#### **Benefits and other unrequited expenses**

##### *Veteran's Pension*

Annual expenditure is forecast to increase to \$156.631 million in 2007/08 from \$100,487 million in 2002/03, a 56% increase over the five-year period. Veteran's Pension recipients are forecast to increase to an average of 10,200 in 2007/08 from 7,700 in 2002/03.

Both the number of recipients and the average payment rate have grown over the past five years, contributing to the rise in expenditure. Both trends are expected to continue throughout 2007/08. Accumulated cost of living adjustments to the standard Veteran's Pension rates of payment account for 41% of the change in expenditure and drives the average rate trend. The number of people transferring to Veteran's Pension from New Zealand Superannuation has been the dominant driver of growth in recipients. About 60% of recipients are surviving spouses of former veterans.

*War Disablement Pensions*

Annual expenditure is forecast to be \$127.945 million in 2007/08. This is 30% higher than the \$98.130 million spent in 2002/03. War Disablement Pensions recipients are forecast to fall to an average of 20,600 in 2007/08 from 22,600 in 2002/03.

As the recipient population ages, the average level of disability is increasing, with an increasing number of recipients applying for recognition of multiple disabilities. The average payment rate rises with disability levels. Over the last five years this effect has more than offset the decrease in expenditure due to the falling number of recipients. Cumulative CPI indexation explains approximately 50% of net increase in expenditure over the five fiscal years.

*Medical Treatment*

Annual expenditure is forecast to increase to \$17.290 million in 2007/08. This is 64% higher than the \$10.568 million spent in 2002/03. Approximately 92% of this increase is due to increased expenditure on Medical Treatment (excluding Australia). This reflects the increasing trends in disablement levels and multiple disabilities described above for War Disablement Pensions.

*Interest Concessions Land and Buildings*

Annual expenditure is forecast to decrease to \$60,000 in 2007/08 from \$165,000 in 2002/03. There are both fewer outstanding loans and lower amounts of outstanding capital per loan.

*Other Crown expenses*

A non-departmental other expense of \$1.238 million in 2002/03 only as a donation to the Ranfurly War Veterans Home, the Rannerdale War Veterans Home, the Montecillio War Veterans Home and the Patriotic and Canteen Funds Board to cover employee entitlement liabilities and for future development.

A non-departmental other expense of \$250,000 in 2006/07 as a grant to the Neville Wallace Memorial Youth Development Trust.

A non-departmental other expense of \$7 million in 2006/07 as a one-off payment to establish the Viet Nam Veterans and their Families Endowment Trust. The \$7 million will be repaid after 30 years.

***Ex-Gratia Payments***

A total of \$1.685 million for provision of payments to veterans and/or members of their family with accepted conditions and one-off medical assessments.

**Capital expenditure*****Loan to the Rannerdale Trust***

A total of \$225,000 to provide a loan to the Rannerdale Trust to assist with the cost of deferred maintenance and capital works at the Rannerdale War Veterans' Home. Interest on the loan is charged at the capital charge rate. The loan will be repaid when there are no longer any World War II veterans resident in the Rannerdale War Veterans' Home, or in the event that the Home is sold. The interest on the loan is rolled up to be repaid with the principal.

***Loan to the Montecillo War Veterans Home***

Two loans have been provided to the Montecillo Trust to assist with the cost of redevelopment of the Montecillo Veterans' Home and Hospital at a new site (\$225,000 in 2004/05 and \$2.500 million in 2005/06). Interest on the loan is charged at the capital charge rate. The loan will be repaid when there are no longer any World War II veterans resident in the Montecillo Veterans' Home and Hospital, or in the event that the Home is sold. The interest on the loan is rolled up to be repaid with the principal.

***Grant to the Viet Nam Veterans and their Families Endowment Trust***

A grant of \$120,000 to the Viet Nam Veterans and their Families Endowment Trust to cover administration costs and payments to some veterans and their family members until the time the trust starts to generate its own income.

## New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
To provide for arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association regarding the concerns of Viet Nam Veterans	Policy and Administration	-	3,260	150	150	150
	Services to Veterans	120	560	202	202	202
	Ex-Gratia Payments, (ex-gratia payments, medical assessments)	2,055	1,500	-	-	-
	Endowment Trust	7,000	-	-	-	-
Setting New Zealand Superannuation and Veteran's Pension Rates at 66% of the Net Average Wage	Benefits and Other Unrequited Expenses - Veterans' Pension	473	1,952	1,900	1,173	76
Co-ordinate the participation of a group of New Zealand veterans in commemorative activities related to the 90th anniversary of the Battle of Passchendaele.	Policy and Administration	-	196	-	-	-
<b>Total Initiatives</b>		<b>9,648</b>	<b>7,468</b>	<b>2,252</b>	<b>1525</b>	<b>428</b>

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used				2008/09	2009/10	2010/11	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Appropriations</b>														
Output Expenses	6,523	7,721	8,195	8,652	10,759	10,759	11,686	-	1,773	-	13,459	9,869	9,946	9,946
Benefits and Other Unrequited Expenses	209,350	224,733	238,311	256,471	283,058	281,943	N/A	N/A	301,926	-	301,926	313,811	324,754	334,597
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	1,238	90	-	-	8,135	8,135	-	-	1,500	-	1,500	-	-	-
Capital Expenditure	-	225	225	2,500	920	920	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>217,111</b>	<b>232,769</b>	<b>246,731</b>	<b>267,623</b>	<b>302,872</b>	<b>301,757</b>	<b>11,686</b>	<b>-</b>	<b>305,199</b>	<b>-</b>	<b>316,885</b>	<b>323,680</b>	<b>334,700</b>	<b>344,543</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	225	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>-</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B1 - Details of Appropriations

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Policy and Administration (M75)	2,783	-	2,783	-	4,901	-	<p>The purchase of the provision of policy advice on, and administration of, a wide range of issues relating to veterans' entitlements, care, and recognition. This includes the provision of administrative services to relevant boards and committees, the coordination of commemorations, the administration of contracts for service for, and undertaking quality audits of, maintenance and development work carried out in Services Cemeteries.</p> <p>Reason for Change: An increase of \$3.260 million to implement the Viet Nam Veterans MOU. This is offset by a reduction because of the one off nature in 2006/07 for Year of the Veteran funding of \$1.410 million. The balance is made up of funding for commemorations at Passchendaele and an increase of \$72,000 to cover the increased costs of commemorations at Gallipoli.</p>
Processing and Payment of Pensions (M75)	4,155	-	4,155	-	4,155	-	<p>The purchase of processing and payment of War Disablement Pensions and related allowances, veterans'-related pensions and concessions and payments under the Rehabilitation Loan Programme.</p>
Services to Veterans (M75)	2,190	-	2,190	-	2,630	-	<p>To purchase the assessment of entitlements and benefits and the provision of appropriate services. This includes the assessment and review of entitlements and benefits - War Disablement Pension, Veterans' Pension and burial in Services Cemeteries, the provision and installation of ex-service memorials for eligible veterans and the provision of case management for veterans and their families.</p> <p>Reason for Change: An increase of \$440,000 for the implementation of the Viet Nam Veterans MOU.</p>
<b>Total Departmental Output Expenses (General)</b>	9,128	-	9,128	-	11,686	-	

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Non-Departmental Output Expenses</b>							
Development and Maintenance of Services Cemeteries (M75)	746	-	746	-	746	-	The purchase of the development and maintenance of Services Cemeteries.
Support for Veterans and Their Families (M75)	885	-	885	-	1,027	-	- To provide for the support of veterans and their families. This includes the provision of counselling for veterans' families, the reimbursement of out of pocket expenses for veterans' children with specified conditions and additional support for veterans to facilitate them remaining in their own homes for as long as possible.  Reason for Change: An increase of \$142,000 received as part of Budget 05 to deliver additional services to veterans.
<b>Total Non-Departmental Output Expenses</b>	1,631	-	1,631	-	1,773	-	
<b>Benefits and Other Unrequited Expenses</b>							
Interest Concessions Land and Buildings (M75)	88	-	78	-	60	-	- Provision of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941. Legislation enacting the scheme was repealed in August 1991 and the Rehabilitation Loan Programme has since ceased. Current provisions cover the grandparenting of loans.  Reason for Change: A decrease in the value of outstanding loans.
Medical Treatment (M75)	17,361	-	16,924	-	17,290	-	- Provision to pay assessment costs for War Disablement Pension applications and reviews, medical treatment costs for accepted service-related disabilities, and the costs of appliances and aids required as a result of an accepted disability. All costs associated with medical treatment are set out in the War Pensions Regulations 1956.  Reason for Change: An increase in the Budget 2006/07 appropriation, made to reduce the likelihood of an overspend, more than offsets the underlying expected growth in Medical Treatment (excluding Australia) to produce an overall reduction between years.
Veterans' Pension (M75)	143,422	-	143,127	-	156,631	-	- Provision of income support for ex-service people in a declared war or emergency who have either reached the qualifying age for New Zealand Superannuation and are on a 70% (or greater) War Disablement Pension, or are prevented from undertaking employment for a substantial period due to disability and who fulfill the New Zealand citizenship and residency requirements as set out in section 70 of the War Pensions Act 1954.  Reason for Change: Half of the change results from increased take-up of this pension. Cost of living indexation and the effect of the wage floor (66% for April 2007) account for the remainder.

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
War Disablement Pensions (M75)	122,187	-	121,814	-	127,945	-	Provision to pay War Disablement Pensions to ex-service people who have a disability attributable to, or aggravated by service in a declared war or emergency at any time, or in routine service prior to 1 April 1974 as set out in section 19 of the War Pensions Act 1954. This appropriation also covers Surviving Spouse Pensions as set out in section 48 of the War Pensions Act 1954, the allowances set out under the War Pensions Act 1954 and the War Pensions Regulations 1956.  Reason for Change: Indexation of rates and the increase in average disability levels more than offsetting the fall in the number of recipients.
<b>Total Benefits and Other Unrequited Expenses</b>	283,058	-	281,943	-	301,926	-	
<b>Other Expenses to be Incurred by the Crown</b>							
Ex-Gratia Payments (M75)	2,055	-	2,055	-	1,500	-	Provision of payments to: veterans and/or members of their family with accepted conditions; veterans for one-off medical assessments; the EVSA (Neville Wallace Memorial) Youth Development Trust and the Vietnam Veterans' and their Families Trust.
Fair Value Write Down on the Endowment Trust Loan (M75)	6,080	-	6,080	-	-	-	Expense representing the concessional (ie interest free) element of the Endowment Trust Loan.
<b>Total Other Expenses to be Incurred by the Crown</b>	8,135	-	8,135	-	1,500	-	
<b>Capital Expenditure</b>							
Endowment Trust (M75)	920	-	920	-	-	-	Provision of a one-off payment to establish the 'Vietnam Veterans and their Families Trust' as an endowment trust for the purpose as provided in the trust deed.
<b>Total Capital Expenditure</b>	920	-	920	-	-	-	
<b>Total Appropriations</b>	302,872	-	301,757	-	316,885	-	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses

#### *Vote Veterans' Affairs - Defence*

Vote Veterans' Affairs - Defence output expenses have been restructured to reflect the diversity and complexity of the services provided by VANZ and to provide more appropriate disclosure of Vote Veterans' Affairs - Defence activity.

##### **Policy and administration**

Through this output expense the Minister of Veterans' Affairs purchases policy advice on, and administration of, a wide range of issues relating to veterans' entitlements, care and recognition. This output expense includes policy advice, ministerial servicing and support, the administrative services to relevant boards and committees, the management of the Rehabilitation Loan Scheme, the co-ordination of New Zealand's participation in the commemoration of significant military anniversaries and the administration of the contracts for services provided under non-departmental output expense Development and Maintenance of Services Cemeteries, and undertaking quality audits of, maintenance and development work carried out in Services Cemeteries.

##### **Services to veterans**

Through this output expense the Minister of Veterans' Affairs purchases the assessment and review of entitlements and benefits and the provision of appropriate services. This includes the assessment and review of entitlements to War Disablement Pensions, Veterans' Pensions and burial in Services Cemeteries, the provision and installation of ex-Service memorials for eligible veterans and the provision of case management for veterans and their families.

#### *Vote Veterans' Affairs - Social Development*

##### **Processing and payment of pensions**

Through this output expense the Minister of Veterans' Affairs will purchase the processing and payment of War Disablement Pensions and related allowances, Veterans' Pensions and related concessions, and payments under the Rehabilitation Loan scheme payments, and for collecting, monitoring, evaluating and reporting related data. This output expense contributes to the Ministry's high-level outcomes for Working-Age People and Older People, by providing veterans with information about and access to entitlements. More than 12% of veterans receiving or entitled to assistance are under the age of 65.

### Part C2 - Non-Departmental Output Expenses

#### *Vote Veterans' Affairs - Defence*

##### **Development and maintenance of Services Cemeteries**

Under this output expense, the Minister of Veterans' Affairs will purchase services for the development and maintenance of Services Cemeteries.

### Performance measurement

The Minister of Veterans' Affairs will expect:

- 181 Services Cemeteries throughout New Zealand to be maintained to specified standards.
- That agreed annual programme for capital works in Services Cemeteries will be in place.
- Works in Services Cemeteries to be to the satisfaction of Local Authorities and veterans' representative organisations, including the Royal New Zealand Returned Services Association.
- 90% of all contracts for capital works and maintenance in Services Cemeteries to comply with agreed contract standards.

### Cost

This output will be provided within the appropriated sum of \$0.746 million (GST exclusive).

	2006/07 \$000	2007/08 \$000
Total output class expenses	746	746
Total output class revenues	746	746

### Provider

A number of contracted providers are contracted on a one off basis to undertake capital works. Grants for routine maintenance are paid annually to Cemetery Authorities.

### Support for veterans and their families

Under this output expense, the Minister of Veterans' Affairs will purchase services for the provision of support for veterans and their families. This includes the provision of counselling for veterans' families, reimbursement of out of pocket expenses for children of veterans with specified conditions and additional support for veterans to facilitate them remaining in their own homes for as long as possible.

### Performance measurement

The Minister of Veterans' Affairs will expect:

- That an anticipated range of 200 - 300 contracts for service will be put in place.
- That the services provided will be to the satisfaction of the veteran and, or the veteran's family.
- 95% of all contracts for service will comply with agreed contract standards.

### Cost

This output will be provided within the appropriated sum of \$1.027 million (GST exclusive).

	2006/07 \$000	2007/08 \$000
Total output class expenses	885	1,027
Total output class revenues	885	1,027

**Provider**

A number of contracted providers are contracted on a one off basis to provide services.

**Memorandum of Understanding - Viet Nam Veterans**

Under this output expense, the Minister of Veterans' Affairs will purchase services associated with the implementation of the Memorandum of Understanding signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association.

**Performance measurement**

The Minister of Veterans' Affairs will expect:

- Payment of ex-gratia payments to Viet Nam Veterans and, or their families with accepted conditions
- The provision of one off medical assessments

**Cost**

This output will be provided within the appropriation sum of \$1.500 million (GST exclusive)

	2006/07 \$000	2007/08 \$000
Total output class expenses	9.055	1.500
Total output class revenues	9.055	1.500

**Provider**

Ex-gratia payments made by Veterans' Affairs New Zealand on behalf of the Crown. Medical assessment provided on a one off basis by a number of providers.

## Part D - Explanation of Appropriations for Other Operating Flows

### Part D1 - Benefits and Other Unrequited Expenses

#### *Vote Veterans' Affairs - Social Development*

Until now the appropriations for forecast benefit and other unrequited expense items in this Vote have been forecast on a mid point basis. This means it is to be expected that actual expenditure on some of the forecast items will be more than the mid point forecast and on other forecast items less than the mid point forecast. As an appropriation is a legal upper limit on expenditure, using a mid point forecast to determine the amount of the appropriation inevitably means that there will be unappropriated expenditure for some forecast items, requiring separate ministerial approval and parliamentary confirmation, or parliamentary validation.

To reduce the likelihood of unappropriated expenditure on forecast items in this Vote, the cumulative appropriation for each forecast item in this Vote in the 2006/07 Supplementary Estimates includes for the last three months of 2006/07 not the mid point forecast but a reasonable upper bound of the forecast range. The estimated actual amounts for 2006/07 and the amounts to be appropriated for 2007/08 shown in the 2007/08 Estimates for forecast items in this Vote continue to be on a mid point forecast basis. These are the amounts that continue to be used in the fiscal forecasts in the Budget Economic and Fiscal Update.

#### **Veteran's Pension**

Veteran's Pension is payable to ex-Service personnel who served in the armed forces in a declared war or emergency, and have either:

- reached the qualifying age for New Zealand Superannuation and qualify for a War Disablement Pension of at least 70%, or
- not reached the qualifying age but are prevented from working for a substantial period because of a disablement from any cause.

Veteran's Pension is not income-tested but is taxable. The rates of payment are the same as for New Zealand Superannuation. The spouses of deceased Veteran's Pension recipients continue to receive it or may be awarded Veteran's Pension if the deceased veteran would have been entitled to receive it at their date of death.

Any adjustment to the net weekly amount of Veteran's Pension payable to a married or civil union couple must not be less than 65% or more than 72.5% of the net average ordinary time weekly earnings. As part of the Government's Confidence and Supply Agreement with New Zealand First a lower bound of 66% is reviewed annually during the term of the Agreement.

#### **War Disablement Pensions**

A War Disablement Pension may be payable to:

- ex-Service personnel whose disablement is attributable to, or has been aggravated by their Service in a recognised war or emergency, and

- routine-Service personnel whose disablement was caused by, or aggravated by, Service prior to the implementation of the Accident Compensation Act (now known as Injury Prevention, Rehabilitation, and Compensation Act 2001) on 1 April 1974.

War Pensions Claims Panels, acting under authority delegated by the Secretary for War Pensions, determine who is eligible to receive a War Disablement Pension and the pension rate.

A War Disablement Pension may be received on its own or in conjunction with other social assistance or income.

Weekly payments range from \$8.82 for a 5% disablement to \$176.41 for a 100% disablement. An additional pension of up to 60% may be awarded to those already in receipt of a 100% pension in cases of severe disablement (up to a total pension payment of \$310.46).

Surviving Spouse Pension of \$130.12 per week may be payable to surviving spouses or surviving partners of ex-Service personnel or routine-Service personnel in certain circumstances. This pension is paid in addition to any other social assistance or income.

There is also provision to pay specific concessions and allowances to veterans with certain disabilities, and educational bursaries to children of veterans or surviving spouses in some cases. Educational bursary payments range from \$193.31 to \$917.61 per child, per year.

### **Medical Treatment**

Medical Treatment is a War Disablement Pension entitlement available for disabilities found to be attributable to or aggravated by service with the armed forces prior to 1 April 1974, or as a result of service on or after 1 April 1974 in connection with a recognised war or emergency. The appropriation covers medical assessment costs and costs related to individual veteran's medical treatment, including pharmaceutical supplies, aids and appliances, and travel associated with medical appointments. Medical Treatment is paid on an ad hoc basis and is made up of three categories: Medical Treatment (excluding Australia), Australian Medical Treatment, and Aids and Appliances.

### **Interest Concessions Land and Buildings**

The Rehabilitation Loan programme is a programme that funds the difference between the fixed 3% or 5% interest rate, available to eligible ex-Service personnel for their mortgage, and the current market rate. The Rehabilitation Loan programme was discontinued in 1991 and no further Rehabilitation Loans are available. Loans within the system are being 'grand-parented' out of the system. All current loans have a value of below \$12,000, and the number of outstanding loans is gradually reducing.

## Part E - Explanation of Capital Flows

### Part E3 - Explanation of Appropriations for Capital Expenditure

#### *Non-Departmental Capital Contributions*

##### **Loan to the Montecillo Trust**

This appropriation provides for a loan of \$2.5 million made by the Crown to the Montecillo Trust to assist with the cost of redevelopment of the Montecillo Veterans' Home and Hospital at a new site. Interest on the loan is charged at the capital charge rate. The interest on the loan is rolled up to be repaid on repayment of the principal.

The loan to the Montecillo Trust will be repaid when there are no longer any World War II veterans resident in the Montecillo Veterans' Home and Hospital, or in the event that the Home is sold.

##### ***Endowment Trust***

Provision of a one-off payment of \$7 million to establish the 'Viet Nam Veterans and their Families Trust' as an endowment trust for the purpose as provided in the trust deed.