



Headquarters
New Zealand Defence Force
Defence House
Private Bag 39997
Wellington Mail Centre
Lower Hutt 5045
New Zealand

OIA-2025-5427

3rd July 2025

[redacted]
[redacted]@nzme.co.nz

Dear [redacted]

I refer to your email of 27 May 2025, requesting under the Official Information Act 1982 (OIA) *all information provided by VANZ/NZDF to their respective Ministers' offices relating to the Budget line that described an increase in Veterans' Entitlements appropriation from \$12m to \$3.3bn.*

Enclosed are copies of relevant documents provided to the Minister of Defence and the Minister for Veterans. Where indicated, personal information is withheld to protect privacy in accordance with section 9(2)(a) of the OIA; information that remains under consideration is withheld in accordance with section 9(2)(f)(iv) of the OIA; and, signatures of NZDF personnel are withheld in accordance with section 9(2)(k) of the OIA to avoid the malicious or inappropriate use of staff information, such as phishing, scams or unsolicited advertising.

You have the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that responses to official information requests are proactively released where possible. This response to your request will be published shortly on the NZDF website, with your personal information removed.

Yours sincerely

GA Motley
Brigadier
Chief of Staff HQNZDF

Enclosures:

1. Veterans' Support Entitlements Obligation
2. Veterans' Support Entitlements Obligation Cabinet Paper



**BRIEFING NOTE
to the
MINISTER OF DEFENCE**

Title	VETERANS' SUPPORT ENTITLEMENTS OBLIGATION				
Tracking No	NZDF Tracking # 2025-061		Minister's Tracking #		
Importance of the Issue	High		Moderate		Routine ✓
Urgency	NOT URGENT				
Contact	1. Bridget Marks 2. Neil Singh		Tel: s. 9(2)(a) Tel:	A/H: s. 9(2)(a) A/H:	
Purpose	The purpose of this note is to advise the Minister of a recent decision by the Veterans' Entitlements Appeal Board, following guidance provided to the Board by the High Court, which has significant implications for Vote Defence Force appropriations that are the responsibility of the Minister for Veterans.				
Recommendations	<p>It is recommended that the Minister:</p> <ol style="list-style-type: none"> Note that decisions of the High Court in July 2023 and the Veterans' Entitlements Appeal Board in October 2024 have significant fiscal implications for Veterans' Affairs and for the Crown. Note that on advice from Treasury, the value of the Crown's Veterans' Support Entitlement liability to be recognised as a consequence of the VEAB's decision is \$6.127 billion. This represents the medium scenario and is an increase of \$3.215 billion in the liability from its 30 June 2024 value. Note that the New Zealand Defence Force, though Crown Law, lodged an appeal against the decision of the Veterans' Entitlement Appeal Board. Note that as the decision is now in force, the New Zealand Defence Force is required to increase the value of the obligation reported. Note that the increase in expenditure cannot be absorbed within the existing Service Cost Veterans' Entitlements appropriation, and that Vote Defence Force is in breach of appropriation until the increase is approved. Note that the Minister for Veterans will lodge a paper to Cabinet seeking the additional appropriation required. 				
NZDF/VA Consultation	Treasury, AuditNZ, VANZ.				
Minister's Comments					
Minister's Action	Signed/Noted/Agreed/Approved/Declined/Discussion required				
	Referred to:				
Minister's Signature				Date:	

s. 9(2)(k)

for
DRIG
LOS
T DAVIES
Air Marshal
Chief of Defence Force

7k
March 2025



Headquarters
New Zealand Defence Force
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NEW ZEALAND

NTM# 2025-061

7th March 2025

Minister of Defence

VETERANS' SUPPORT ENTITLEMENTS OBLIGATION

Purpose

1. The purpose of this note is to advise you of a recent decision by the Veterans' Entitlements Appeal Board (VEAB), following guidance provided to the Board by the High Court, which has significant implications for Vote Defence Force appropriations that are the responsibility of the Minister for Veterans.

Background

2. In 2021, a Vietnam veteran appealed to the VEAB following a decision of Veterans' Affairs (VA) not to accept his condition of glioblastoma as service-related under section 14 of the Veterans' Support Act 2014 (VSA). The VEAB issued a majority decision in his favour.

3. VA appealed the decision at the High Court which allowed the appeal, and sent the case back to the VEAB for reconsideration and decision. VEAB reconsidered the claim and ratified their original decision. The decision took effect 18 November 2024.

4. The New Zealand Defence Force (NZDF), through Crown Law, has lodged an appeal against this decision of the VEAB. The outcome of the appeal is uncertain.

5. The decision of the VEAB, which is now in force, impacts how veterans' support entitlements claims are assessed, making it difficult, if not impossible, to disprove a hypothesis supporting a Veteran's claim.

6. It is estimated that this may result in an increase in accepted claims s. 9(2)(f)(iv). Increased acceptance rates significantly increase the Crown's Veterans' Support Entitlement liability over the lifetime of a veteran.

7. The appropriation increase is required while the decision is in force. The NZDF has appealed the decision; however, the increase to the liability must be covered in the interim.

8. As a consequence of the VEAB decision, independent actuaries have modelled the fiscal impact of the decision in line with assumptions agreed with VA. Due to the high level of uncertainty on how many additional claims VA may receive, modelling was carried out under three scenarios. The table below presents these scenarios:

Indicative Value of the Liability under each Scenario, \$ million

Value of liabilities	Current 30 June 2024	Low Scenario	Medium Scenario	High Scenario
Veterans' support entitlements – pensions and other	1,235	s. 9(2)(f)(iv)		
Assessment, treatment and rehabilitation	470			
Veterans Independence Programme	1,207			
Total	2,912		6,127	

9. Under a Low scenario, liability was calculated at s. 9(2)(f)(iv) billion, under a Medium scenario it was calculated at \$6.127 billion, and under a High scenario liability was calculated at s. 9(2)(f)(iv) billion.

10. On advice from the Treasury, the liability will be increased by \$3.215 billion from its 30 June 2024 valuation of \$2.912 billion to \$6.127 billion.

11. This represents the Medium scenario based on the best information available at the time of preparing this paper, and is consistent with how the NZDF currently reports a mid-point value of the liability which has an uncertainty of +/- 20%.

12. As the NZDF cannot absorb this increase of \$3.215 billion within the existing baseline for the Service Cost – Veterans' Entitlements appropriation, which is only funded up to \$12 million, an uplift to the appropriation of \$3.215 billion is required.

13. The NZDF has appealed this decision; however, Vote Defence Force is in breach of an appropriation which is the responsibility of the Minister for Veterans in the interim until the increase is approved by Cabinet as the decision is now in force following the VEAB October 2024.

Recommendations

14. It is recommended that the Minister:

- a. **Note** that decisions of the High Court in July 2023 and the Veterans' Entitlements Appeal Board in October 2024 have significant fiscal implications for Veterans' Affairs and for the Crown.

NOTED

- b. **Note** that on advice from Treasury, the value of the Crown's Veterans' Support Entitlement liability to be recognised as a consequence of the VEAB's decision is \$6.127 billion. This represents the medium scenario and is an increase of \$3.215 billion in the liability from its 30 June 2024 value.

NOTED

- c. **Note** that the New Zealand Defence Force, though Crown Law, lodged an appeal against the decision of the Veterans' Entitlement Appeal Board.

NOTED

- d. **Note** that as the decision is now in force, the New Zealand Defence Force is required to increase the value of the obligation reported.

NOTED

- e. **Note** that the increase in expenditure cannot be absorbed within the existing Service Cost Veterans' Entitlements appropriation, and that Vote Defence Force is in breach of appropriation until the increase is approved.

NOTED

- f. **Note** that the Minister for Veterans will lodge a paper to Cabinet seeking the additional appropriation required.

NOTED

s. 9(2)(k)

*Brig
Cos*

for **T DAVIES**

Air Marshal

Chief of Defence Force

Hon Judith Collins KC MP
Minister of Defence



NEW ZEALAND DEFENCE FORCE /
VETERANS' AFFAIRS
SUBMISSION TO MINISTER
COVER SHEET



Title	VETERANS' SUPPORT ENTITLEMENTS OBLIGATION CABINET PAPER				
Tracking No	NZDF Tracking # 2025-062		Minister's Tracking #		
Importance of the Issue	High		Moderate	✓	Routine
Urgency for Attention/Sign-off	URGENT		Request ministerial response by: For lodging 20 Mar 25		
Contacts	1. Bridget Marks	Tel: s. 9(2)(a)		A/H: s. 9(2)(a)	
	2. Neil Singh	Tel: [REDACTED]		A/H: [REDACTED]	
Purpose	To request the Minister for Veterans approval for the submission of a paper to Cabinet seeking an increase of \$3.215 billion to the appropriation 'Service Cost – Veterans' Entitlements' to reflect changes to the veterans' support entitlements liability as a result of the recent High Court and Veterans' Entitlement Appeals Board decision.				
Recommendations	<p>It is recommended that the Minister:</p> <ol style="list-style-type: none"> Note that decisions of the High Court in July 2023, and the Veterans' Entitlements Appeal Board in October 2024 have significant implications for Veterans' Affairs and for the Crown. Note that on advice from Treasury, the value of the liability to be recognised as a consequence of the Veterans' Entitlement Appeal Board's decision is \$6.127 billion. This represents the medium scenario and is an increase of \$3.215 billion in the liability from its 30 June 2024 value. Note that the NZDF, through Crown Law, has lodged an appeal against the decision of the Veterans' Entitlement Appeal Board. Note that as the decision is now in force, the NZDF is required to increase the value of the obligation reported. Note that the increase in expenditure cannot be absorbed within the existing Service Cost – Veterans' Entitlements appropriation, and that Vote Defence Force is in breach of appropriation until the increase is approved. Note that the NZDF will include a statement in its annual report relating to the unappropriated expenditure, and in a report prepared for the submission of Section 26(c) of the Public Finance Act documentation. Note that the NZDF has informed the Minister of Defence of this request as it is a material matter which relates to Vote Defence Force. Agree to submit the attached Cabinet Paper to the Cabinet Office by 10:00am Thursday 20 March 2025, to be considered at the Cabinet Social Outcomes Committee meeting on Wednesday 26 March 2025. 				
NZDF/VA Consultation	The Treasury Vote Analyst and AuditNZ have been consulted in the preparation of the enclosed paper.				
Minister's Comments					
Minister's Action	Signed/Noted/Agreed/Approved/Declined/Discussion required				
	Referred to:				
Minister's Signature s. 9(2)(k)				Date:	

T DAVIES
Air Marshal
Chief of Defence Force

7/12 March 2025

BRIG
COS



Headquarters NZDF
Freyberg Building
Private Bag 39997
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Wellington 5045
NEW ZEALAND



NTM 2025-062

7th March 2025

Minister for Veterans

VETERANS' SUPPORT ENTITLEMENTS OBLIGATION CABINET PAPER

Purpose

1. The purpose of this note is to request your approval for the submission of a paper to Cabinet seeking an increase of \$3.215 billion to the appropriation 'Service Cost – Veterans' Entitlements' to reflect changes to the veterans' support entitlements liability as a result of the recent High Court and Veterans' Entitlement Appeals Board (VEAB) decisions.

Proposal

2. The Cabinet paper (Enclosure 1) seeks approval for a \$3.215 billion uplift in Vote Defence Force Non-Departmental appropriations to align with the increase in the Veterans' Support Entitlement Obligation for decisions made by the High Court in 2023 and the VEAB in 2024. It is proposed that this is submitted to the Cabinet Office for lodging by 10:00am Thursday 20 March 2025.

Background

3. In 2021, a Vietnam veteran appealed to the VEAB following a decision of Veterans' Affairs (VA) not to accept his condition of glioblastoma as service-related under section 14 of the Veterans' Support Act 2014 (VSA). The VEAB issued a majority decision in the veteran's favour.

4. VA appealed the decision at the High Court which allowed the appeal, and sent the case back to the VEAB for reconsideration and decision. VEAB reconsidered the claim and ratified their original decision. The decision took effect 18 November 2024.

5. The New Zealand Defence Force (NZDF), through Crown Law, has lodged an appeal against this decision of the VEAB. The outcome of the appeal is uncertain.

6. The decision of the VEAB, which is now in force, impacts how veterans' support entitlements claims are assessed, making it difficult, if not impossible, to disprove a hypothesis supporting a veteran's claim.

7. It is estimated that this may result in an increase in accepted claims s. 9(2)(f)(iv) [REDACTED]. Increased acceptance rates significantly increase the Crown's Veterans' Support Entitlement liability over the lifetime of a veteran.

8. The appropriation increase is required while the decision is in force. The NZDF has appealed the decision; however, the increase to the liability must be covered in the interim.

9. As a consequence of the VEAB decision, independent actuaries have modelled the fiscal impact of the decision in line with assumptions agreed with VA. Due to the high level of uncertainty on how many additional claims VA may receive, modelling was carried out under three scenarios. The table below presents these scenarios.

Indicative Value of the Liability under each Scenario, \$ million

Value of Liabilities	Current 30 June 2024	Low Scenario	Medium Scenario	High Scenario
Veterans' support entitlements – pensions and other	1,235	s. 9(2)(f)(iv)		
Assessment, treatment and rehabilitation	470			
Veterans Independence Programme	1,207			
Total	2,912		6,127	

10. Under a Low scenario, liability was calculated at \$5.156 billion, under a Medium scenario it was calculated at s. 9(2)(f)(iv) billion, and under a High scenario liability was calculated at s. 9(2)(f)(iv) billion.

11. On advice from the Treasury, the liability will be increased by \$3.215 billion from its 30 June 2024 valuation of \$2.912 billion to \$6.127 billion.

12. This represents the Medium scenario based on the best information available at the time of preparing this paper, and is consistent with how the NZDF currently reports a mid-point value of the liability which has an uncertainty of +/- 20%.

13. As the NZDF cannot absorb this increase of \$3.215 billion within the existing baseline for the Service Cost – Veterans' Entitlements appropriation, which is only funded up to \$12 million, an uplift to the appropriation of \$3.215 billion is required.

Unappropriated Expenditure

14. The NZDF has appealed this decision; however, Vote Defence Force is in breach of appropriation in the interim until the increase is approved by Cabinet as the decision is now in force following the VEAB October 2024.

15. As a result, Parliamentary validation of expenses without appropriation must be sought.

16. The process for this, as set out in Section 26(c) of the Public Finance Act (PFA), is that the Minister for Veterans, on the introduction of an Appropriation Bill, must present to the House of Representatives a report that sets out:

- a. the amount of expenses incurred; and
- b. the explanation of the Minister for Veterans for the expenses.

17. The NZDF will include a statement in its annual report relating to the unappropriated expenditure, and in a report prepared for the Minister for Veterans to accompany the submission of Section 26(c) of the PFA requirements as set out above.

Recommendations

18. It is recommended that the Minister:

- a. **Note** that decisions of the High Court in July 2023, and the Veterans' Entitlements Appeal Board in October 2024 have significant implications for Veterans' Affairs and for the Crown.

NOTED

- b. **Note** that on advice from Treasury, the value of the liability to be recognised as a consequence of the Veterans' Entitlements Appeal Board's decision is \$6.127 billion. This represents the medium scenario and is an increase of \$3.215 billion in the liability from its 30 June 2024 value.

NOTED

- c. **Note** that the NZDF, through Crown Law, has lodged an appeal against the decision of the Veterans' Entitlement Appeal Board.

NOTED

- d. **Note** that as the decision is now in force, the NZDF is required to increase the value of the obligation reported.

NOTED

- e. **Note** that the increase in expenditure cannot be absorbed within the existing Service Cost – Veterans' Entitlements appropriation, and that Vote Defence Force is in breach of appropriation until the increase is approved.

NOTED

- f. **Note** that the NZDF will include a statement in its annual report relating to the unappropriated expenditure, and in a report prepared for the submission of Section 26(c) of the Public Finance Act documentation.

NOTED

- g. **Note** that the NZDF has informed the Minister of Defence of this request as it is a material matter which relates to Vote Defence Force.

NOTED

- h. **Agree** to submit the attached Cabinet Paper to the Cabinet Office by 10:00am Thursday 20 March 2025, to be considered at the Cabinet Social Outcomes Committee meeting on Wednesday 26 March 2025.

YES / NO

s. 9(2)(k)


T DAVIES
Air Marshal
Chief of Defence Force

HON CHRIS PENK
Minister for Veterans

Enclosure

1. Cabinet Paper: Veterans' Support Entitlements Obligation

Chair, Cabinet Social Outcomes Committee

VETERANS: VETERANS' SUPPORT ENTITLEMENT OBLIGATION

Proposal

- 1 This paper seeks approval for a \$3.215 billion operating uplift in Vote Defence Force Non-Departmental appropriations to align with an increase in the Veterans' Support Entitlement Obligations as a consequence of a Veterans' Entitlements Appeal Board (VEAB) decision made in October 2024.

Relation to Government Priorities

- 2 This is a proposed increase to appropriations required to reflect decisions made by the High Court in 2023 and the VEAB in 2024 which had significant financial implications.

Background

- 3 In 2021, a Vietnam veteran appealed to the VEAB following a review decision of Veterans' Affairs (VA) not to accept his condition of glioblastoma as service-related under section 14 of the Veterans' Support Act 2014 (VSA). The VEAB issued a majority decision in his favour. The Crown appealed this decision to the High Court.
- 4 The High Court allowed the appeal and sent the case back to the VEAB for reconsideration and decision, asking them to take the High Court's conclusions about the law into account. The VEAB has now confirmed their original decision that the claim must be accepted.
- 5 Given that the gateway to entitlements available under the VSA is a service-related condition, these decisions have a number of implications for VA and for the Crown.
- 6 The decision impacts how veterans' support entitlements claims are assessed. It will be potentially difficult, if not impossible, to disprove a hypothesis supporting a veteran's claim.
- 7 New Zealand Defence Force's (NZDF) external actuarial valuers for the Veterans' Support Entitlement liability, PwC, have modelled the likely impact of an increased number of claims being accepted.
- 8 There is a very high level of uncertainty in their results due to uncertainty on a number of factors, so calculations were based on three possible scenarios, low, medium and high, based on the number of additional claims accepted per year. The liability was calculated to be s. 9(2)(f)(iv) billion, \$6.127 billion and s. 9(2)(f)(iv) billion respectively for each scenario.

- 9 Acceptance rates of claims could increase s. 9(2)(f)(iv) as a consequence of the VEAB's decision. Increasing acceptance rates would significantly increase the Crown's Veterans' Support Entitlement liability over the lifetime of a veteran. In consultation with the Treasury, the NZDF will report the liability at the medium scenario. This means the liability will increase by \$3.215 billion from its 30 June 2024 valuation of \$2.912 billion to \$6.127 billion.

Administration of the Obligation

- 10 The NZDF, through VA, administers the payment of veterans' support entitlements under the VSA.
- 11 The External Reporting Board issued an accounting standard in 2019 on employee benefits¹. The standard requires that expenses in respect of veterans' support entitlements are recognised at the point the veteran becomes eligible to receive support from the Crown.
- 12 As a result, a long-term liability is recorded on the Crown's balance sheet to represent the full cost of the Crown's financial obligation to eligible veterans, with the calculation based on estimated future entitlement payments discounted to today's dollars.
- 13 A Non-Departmental Other Expense appropriation (Service Cost – Veterans' Entitlements) accounts for these types of expenses².
- 14 As the obligation is discounted to present value, the discount incorporated into the liability value unwinds over time. This increase is recorded as an interest expense in the Non-Departmental Other Expense appropriation: *Unwind of Discount Rate – Veterans' Entitlements*.
- 15 In addition, the total liability on the Crown balance sheet is revalued annually. This process involves the actuary updating various valuation assumptions (for example, discount rates and other economic inflation indices).

Financial Implications

- 16 The impact of these decisions, and how they must be accounted for, increases the value of the obligation, and consequently the expenditure to be charged against the *Service Cost – Veterans' Entitlements* appropriation, by \$3.215 billion in 2024/25, being the present value of the lifetime costs of these decisions, discounted to today's dollars.
- 17 The \$3.215 billion represents the medium scenario estimate of the cost across the lifetime of the decisions, and is based on the best information available at the time of preparing this paper. NZDF's external actuarial valuer

¹ Public Benefit Entity – International Public Sector Accounting Standard (PBE IPSAS 39) *Employee Benefits* is effective for accounting periods beginning on or after 1 January 2019.

² Expense appropriations in respect of veteran's entitlements needed to be updated with the new accounting standard in 2019 because appropriations must align with accounting definition of expenses.

calculated the value of the obligation and determined cost assumptions for changes to the obligation. The table below presents these scenarios.

Indicative Value of the Liability under each Scenario, \$ million

Value of liabilities	Current 30 June 2024	Low Scenario	Medium Scenario	High Scenario
Veterans' support entitlements – pensions and other	1,235	s. 9(2)(f)(iv)		
Assessment, treatment and rehabilitation	470			
Veterans Independence Programme	1,207			
Total	2,912			
			6,127	

- 18 As the NZDF cannot absorb this increase of \$3.215 billion within the existing baseline for the *Service Cost – Veterans' Entitlements* appropriation, which is only funded up to \$12 million, an uplift to the appropriation of \$3.215 billion is required.
- 19 The increase to the *Service Cost – Veterans' Entitlements* appropriation is classified as a non-departmental expense and is set out in the table below:

	\$m increase/(decrease)				
Vote Defence Force Minister for Veterans	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Other Expense					
Service Cost – Veterans' Entitlements	3,215	-	-	-	-

- 20 Specific Fiscal Risks disclosed to the Treasury have already reported the degree of uncertainty, stating that the reported value of \$6.127 billion may be understated by as much as \$1.165 billion, or overstated by as much as \$971 million.

Consultation

- 21 The Treasury and Audit New Zealand have been consulted on this paper.

Legislative (and Other) Implications

- 22 The NZDF has lodged an appeal against the decision of the VEAB. No impact analysis is required. There are no climate, human rights, gender or disability implications.

Publicity

- 23 No publicity is planned for this paper.

Proactive Release

- 24 This paper and other relevant papers will be proactively released (with appropriate redactions).

Recommendations

25 I recommend that the Committee:

1. **note** that decisions of the High Court in July 2023, and the Veterans' Entitlements Appeal Board in October 2024 have significant fiscal implications for Veterans' Affairs and for the Crown;
2. **note** that on advice from Treasury, the value of the liability to be recognised as a consequence of the VEAB's decision is \$6.127 billion. This represents the medium scenario and an increase of \$3.215 billion of the liability from its 30 June 2024 value;
3. **note** that the New Zealand Defence Force, through Crown Law, has lodged an appeal against the decision of the Veterans' Entitlement Appeal Board;
4. **note** that as the decision is now in force, the NZDF is required to increase the value of the obligation reported;
5. **note** that none of the increase in expenditure can be absorbed within the existing service cost appropriation, and that Vote Defence Force is in breach of appropriation until the increase is approved;
6. **note** that the uplift to the appropriation requested is subject to a high degree of uncertainty, and that an increase to the liability will have additional financial impacts with regard to future expenditure associated with the unwind of interest;
7. **approve** the following changes to appropriations, with a corresponding impact on net worth; and

	\$m - increase/(decrease)				
Vote Defence Force Minister for Veterans	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non Departmental Other Expense Service Cost – Veterans' Entitlements	3,215	-	-	-	-

8. **agree** that the proposed changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Authorised for lodgement

Hon Chris Penk
MINISTER FOR VETERANS

March 2025