



Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Caring for veterans and their families* (letter of 2 September 2013).

The response to this request will be released on the PBO website (<http://aph.gov.au/pbo>).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely



Phil Bowen

5 September 2013

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Caring for veterans and their families
<p>Summary of proposal:</p>	<p>The proposal would fund a suite of fourteen initiatives that would :</p> <ul style="list-style-type: none"> i) Care for veterans by: <ul style="list-style-type: none"> a) providing \$6 million to develop mental health support b) funding research into specific needs of female veterans c) recognising the service of British and Commonwealth Occupation Forces (BCOF), SEATO nurses and the Australian Women’s Land Army (WLA), giving them access to the services and benefits they deserve, and d) ensuring injured service personnel are entitled to the income tax exemptions that apply under Section 23AD of the Income Tax Assessment Act 1936 for the period in which the exemptions would have applied had the person not been injured. ii) Care for veterans’ families by: <ul style="list-style-type: none"> e) allowing children of veterans acting as a carer, and parents and siblings of veterans killed in service, to access counselling through the Veterans and Veterans’ Families Counselling Service (VVCS) f) granting bereavement payments to partners who have separated from their veteran partner due to veterans’ mental health issues g) increasing funeral benefits under the <i>Veterans’ Entitlements Act 1986</i> from \$2,000 to \$4,000 h) making the Department of Veterans’ Affairs responsible for assessing the eligibility of veterans’ carers for the Centrelink Carer Allowance i) changing the current situation regarding Carer Allowance so it is no longer cancelled after the veteran has been hospitalised for six weeks j) reviewing the carer supplement every five years k) increasing Veterans’ Home Care respite services to 260 hours per year l) establishing and maintaining a ‘Jobs for Defence Families’ website m) funding the Defence Community Organisation to provide induction and support seminars for defence families, and

POLICY COSTING – ELECTION CARETAKER PERIOD

	<p>n) bringing forward the reporting date for the Vietnam Veterans' Family Study to December 2013.</p> <p>The package would have effect from 1 July 2014, with the exception of the proposal to bring forward the reporting date for the Vietnam Veterans' Family Study to 31 December 2013.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	2 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	29 August 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • Department of Veterans' Affairs (DVA) • Department of Defence • Department of Education, Employment and Workplace Relations • Department of Families, Housing, Community Services and Indigenous Affairs • Department of Finance and Deregulation • Department of Human Services

Costing overview

The package of proposals is expected to decrease the underlying cash balance by \$108.1 million and fiscal balance by \$109.1 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

Overall, the package is considered to be of medium to high reliability with the following proposals considered to be of medium reliability:

- *Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits*: is based on estimated beneficiary populations and an average DVA cost per beneficiary, which in actual terms may vary
- *Carer Allowance – modifying rules for suspension*: there is uncertainty on how the change in arrangements would affect the individuals' awareness of their eligibility to claim the allowance
- *Carer Supplement Review*: there is uncertainty around the scope of the review
- *Increase Veterans' Home Care respite services*: there are data limitations regarding veterans using residential respite care, and
- *Vietnam Veterans' Family Study*: there is uncertainty around the amount of funding required to complete the report by 31 December 2013.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices) ^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-2.0	-35.9	-35.8	-34.4
Fiscal balance (\$m)	-2.0	-37.1	-35.7	-34.3

(a) A negative number for the fiscal balance indicates an increase in expenses or net capital investment in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses or net capital investment in cash terms.

A breakdown of the impact on each component of the proposal, including the duration of each policy is included at [Attachment A](#).

Key assumptions

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits as per advice from DVA and the Department of Finance and Deregulation:

- the estimated SEATO nurses population of 133 on 1 July 2014 (declining to 127 by 1 July 2016)
- the estimated BCOF veteran population of 450 on 1 July 2014 (declining to 338 by 1 July 2016)
- of surviving BCOF veterans, 50 per cent qualify for the Gold Card through other World War II service, and of the residual, 55 per cent have a Gold Card via other eligibilities
- of surviving BCOF veterans that do not have a Gold Card, 50 per cent have a White Card
- due to other World War II service, BCOF veterans would already have access to support pensions
- the estimated average cost per beneficiary (including access to the Gold Card) of \$22,800 in 2014-15 rising to \$25,000 by 2016-17
- there would be offsetting savings to the Medical and Pharmaceutical Benefits Schemes as patients will no longer claim benefits under these schemes. Offsets per beneficiary are estimated to be \$3,566 in 2014-15 growing to \$3,848 in 2016-17, and
- the average departmental cost per client for DVA to administer the activity is approximately \$1,000.

The PBO has assumed that 100 per cent of beneficiaries would take up the entitlements and that the age of WLA members from the peak enrolment in 1943 was evenly distributed over the recruitment ages of 18 to 50.

Funeral benefits

The PBO has assumed that an increase in the maximum benefit amount would not encourage claimants who do not currently claim the \$2,000 to claim the higher amount in this proposal.

Carer allowance assessment – DVA

In costing this proposal, the PBO has assumed:

- the assessment of veterans by DVA would cost no more than were the assessments to continue to be carried out by DHS

POLICY COSTING – ELECTION CARETAKER PERIOD

- the cost of conducting two-yearly ‘remote reviews’ would equate to the cost of conducting similar ‘circumstance reviews’ which are currently undertaken by DHS for recipients of Carer Allowance, and
- the cost to develop a new veteran-specific application form (or to amend the current form) would be minimal.

Carer allowance – no longer cancelled after hospitalisation

In costing the proposal the PBO has assumed no additional demand for Carer Allowance as a result of this proposal, noting the recipients have the same regulatory requirement to prove their eligibility regardless of their benefit being suspended or cancelled. This also means the workload of the Department of Human Services is unchanged as the evidence that needs to be assessed remains the same.

The PBO understands that the current program for administering the Carer Allowance payment has the capacity to either suspend or cancel payments. Therefore, no additional funding has been included for IT changes.

Carer supplement review

In costing this proposal, the PBO has assumed that this internal review could be conducted by a team of three people over the course of six months. This is consistent with the average funding for a basic program review by other agencies.

Increase Veterans’ Home Care respite services

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- all veterans currently utilising more than 81 hours of in-home care per year would use an additional 64 hours per annum
- all veterans currently utilising more than 181 hours of residential care per year would use around nine extra days of care
- the number of veterans approved to use residential care is equal to the number of veterans using residential respite care
- the estimates for residential respite care would grow in line with the average trend growth in the forward estimates for in-home respite care (ie around 3 per cent per annum). This takes into account indexation and change in demand
- additional departmental expenses for three staff, and
- a two-month lag between claims and payments.

In addition to the above, the PBO has not included any offsets from other programs because the impact is expected to be minimal and data availability is limited.

Establish and maintain a ‘Jobs for Defence Families’ website

In costing this proposal, the PBO has assumed the Australian JobSearch (AJS) website established and maintained by the Department of Education, Employment and Workplace Relations (DEEWR) is similar in function and design to the proposed ‘Jobs for Defence Families’ website.

POLICY COSTING – ELECTION CARETAKER PERIOD

Provide enhanced induction and support seminars for defence families

Consistent with the costing request, the proposal is similar to the Defence Transition Seminars.

The PBO has assumed the cost per seminar and the number of seminars to be conducted under the proposal is similar to those of the Defence Transition Seminars.

Vietnam Veterans' Family Study

The PBO has assumed that bringing forward the funding in the final year (from 2014-15 to 2013-14) would provide sufficient resources to enable the report to be finalised by 31 December 2013.

Methodology

Research into specific needs of female veterans

The current funding profile for 'Health and Medical Research' listed under Program 2.5 in the Department of Veterans' Affairs' Portfolio Budget Statement was multiplied by 25 per cent, consistent with the costing request.

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

The total cost for each element annually was derived by multiplying the cost per beneficiary by the estimated population, less the assumed benefit schemes offsets, with the application of the claims processing lag to differentiate between underlying cash and fiscal balance.

The estimated population for the WLA members is 220 in 2014-15 (declining to 143 in 2016-17), based on applying the Australian Bureau of Statistics survival and mortality rates to the peak number of WLA permanent and auxiliary members totalling 3421 (the 1943 enrolment figure from the Australian War Memorial).

Departmental costs for DVA to administer the activity are based on multiplying the average cost per beneficiary by the estimated population, less any overlap costs from existing White Card beneficiaries.

Ensuring injured service personnel are entitled to income tax exemptions while being treated

A member of the Defence Force is eligible for an income tax exemption under Section 23AD of the *Income Tax Assessment Act 1936* if, among other things, they are on eligible duty in a specified area outside of Australia. Eligible duty for the purposes of Section 23AD of the *Income Tax Assessment Act 1936* is defined by Regulation 7A of the *Income Tax Regulations 1936* (the Regulations).

All current eligible duty under Regulation 7A of the Regulations terminates prior to the intended date of effect of this proposal. Accordingly, the proposal will not impact the underlying cash or fiscal balances as, under current policy settings, there will be no personnel eligible (or who would be eligible under this proposal) for an exemption under Section 23AD of the Act from 1 July 2014.

Should Regulation 7A of the *Income Tax Regulations 1936* be amended in the future to declare military operations to be eligible for an exemption, the cost of doing so would be increased as a result of this proposal.

POLICY COSTING – ELECTION CARETAKER PERIOD

Expanding eligibility to the VVCS

The number of children who are caring for veteran parents was derived by multiplying the recipient forecasts for the *Carers Allowance – Adult* payment by the percentage of the Australian population that are veterans.

The percentage of the population that are veterans was derived by dividing DVC's projected number of veterans by projections of the total Australian population published by the Australian Bureau of Statistics in their Population Projections Series B.

The percentages and costs outlined below all reflect the data and assumptions used by DVA in the costing of the 2013-14 Budget measure, *Mental health services – expansion*:

- assumed utilisation of VVCS services by these new eligible cohorts was established by accounting for the percentages of people who are likely to have experienced a mental health episode in the last 12 months and those likely to seek VVCS services
- a staggered implementation has been applied to this costing, which would see 100 per cent uptake of services by these new cohorts by 2016-17, and
- a reduction in administered expenses for the Department of Health and Ageing and the Department of Human Services (DHS) have been also included as a result of less people using services provided under the Medicare Benefits Scheme (MBS). These reductions in expenses were determined proportionally to the new client population.

The additional clients were estimated by adding the following:

- the number of children acting as a veteran parent's carer: derived by multiplying the number of children caring for a veteran parent by the percentage of people who have experienced a mental health condition in the past 12 months and then again by the percentage of these people likely to seek VVCS services, and
- siblings of veterans killed in service: derived by multiplying the total deceased servicemen and women since World War 2 by the average number of siblings published in the 2011 census.

Bereavement payments

Upon the death of a veteran, the bereavement payment would be made to the ex-partner of the veteran instead of being paid to the veteran's estate. As the costing is based on redirecting the same amount to the estate, the proposal would not impact the underlying cash or fiscal balances.

Funeral benefits

The estimates in this costing are derived from doubling the current forward estimates for funeral benefits, given that the benefit per claimant would double from \$2,000 to \$4,000 as per costing request. For example, in the first year, the current 2014-15 estimate of \$13.1 million for this program was doubled to arrive at a total estimated cost of \$26.2 million. The current estimate was then subtracted to arrive at a net cost to budget of \$13.1 million.

Carer allowance assessment – DVA

The PBO has estimated that a one-off \$1 million cost would be incurred by DVA to change the IT system to accommodate the new arrangements. This cost, including the expenditure profile, is based on estimates to create a similar IT system for DVA in a 2010-11 Budget measure, 'Veterans' Pharmaceutical Reimbursement Scheme – establishment'.

POLICY COSTING – ELECTION CARETAKER PERIOD

Carer allowance – no longer cancelled after hospitalisation

No additional funding has been allocated to this proposal because the workload of the Department of Human Services remains unchanged and the current IT system has the capacity to implement this proposal.

Carer Supplement Review

The PBO has estimated that the internal review could be conducted by three staff over six months at a cost of \$0.2 million in 2014-15.

Increase Veterans' Home Care respite services

The estimates in this costing are derived from multiplying the additional hours of respite care, by the number of clients affected and by the cost of the care funded by DVA. The information is based on 2012-13 client data and costs.

Departmental expenses for three staff to undertake claims processing at a total cost of \$0.3 million has been included.

Establish and maintain a 'Jobs for Defence Families' website

A detailed breakdown of the establishment cost for the AJS website was obtained from DEEWR. Any expenditure related to specific DEEWR programs other than the job matching function of the website has been excluded. The resulting proportional decrease in establishment cost is also applied to the operating cost of the AJS to arrive at the estimated operating cost of the proposed website.

In 2013-14, funding of \$1.1 million represents the upfront cost of establishing the website.

Provide enhanced induction and support seminars for defence families

The costing is based on a similar program as identified in the request.

Vietnam Veterans' Family Study

The current funding of \$0.9 million in the final year (2014-15) has been brought forward to the 2013-14 Budget year.

Data sources

Research into the specific needs of female veterans

Department of Veterans' Affairs 2013-14 Portfolio Budget Statement

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

Australian Bureau of Statistics - Life Tables, States, Territories and Australia, 2009-2011:
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3302.0.55.001Explanatory%20Notes12009-2011?OpenDocument>

Australian War Memorial: http://www.awm.gov.au/encyclopedia/homefront/land_army/

Expanding eligibility to the VVCS

2011 Census QuickStats, Australian Bureau of Statistics,
http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0

POLICY COSTING – ELECTION CARETAKER PERIOD

Department of Veterans' Affairs, *Veterans' Entitlements Act 1986* population projections
<http://www.dva.gov.au/aboutDVA/Statistics/Documents/ExecutiveSummaryDecember2012.pdf>

3222.0 - Population Projections, Australia, 2006 to 2101, Australian Bureau of Statistics,
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3222.0>

Funeral Benefit

Department of Veterans' Affairs - Portfolio Budget Statements 2013-14
<http://www.dva.gov.au/aboutDVA/publications/corporate/budget/2013-2014/Documents/dvapbs.pdf>

Department of Veterans' Affairs Annual Report 2011-12
<http://www.dva.gov.au/aboutDVA/publications/corporate/annualreport/2011-12/Documents/annrep.pdf>

Increase Veterans' Home Care respite services

Department of Veterans' Affairs

- Cost and client numbers of respite services
- 2013-14 Portfolio Budget Statement (in-home respite care budget and forward estimates)

Establish and maintain a 'Jobs for Defence Families' website

Department of Education, Employment and Workplace Relations

Cost of establishing and operating the Australian JobSearch website

Provide enhanced induction and support seminars for defence families

Department of Defence

- Cost of establishing and operating the Defence Transition Seminars

Vietnam Veterans' Family Study

Department of Veterans' Affairs Vietnam Veterans' Family Study webpage
http://www.dva.gov.au/health_and_wellbeing/research/FamilyStudyProgram/vietnam_vets_family_study/Pages/index.aspx

2007-08 Mid-Year Economic and Fiscal Outlook – Appendix A – Policy decisions taken since the 2007-08 Budget

http://budget.gov.au/2007-08/myefo/download/11_appendix_a.pdf

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

Table A1: Financial implications (outturn prices)^{(a) (b)}

Underlying cash and fiscal balance impacts	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
<i>Develop mental health support^(c)</i>					
Underlying Cash Balance	-	-2.0	-2.0	-2.0	-6.0
Fiscal Balance	-	-2.0	-2.0	-2.0	-6.0
<i>Research into the specific needs of female veterans^(d)</i>					
Underlying Cash Balance	-	-0.9	-0.9	-0.9	-2.7
Fiscal Balance	-	-0.9	-0.9	-0.9	-2.7
<i>Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits^(d)</i>					
Underlying Cash Balance	-	-14.3	-14.1	-13.0	-41.4
Fiscal Balance	-	-15.5	-14.0	-12.9	-42.4
<i>Ensuring injured service personnel are entitled to income tax exemptions while being treated</i>					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
<i>Expanding eligibility to the VVCS^(d)</i>					
Underlying Cash Balance	-	-0.2	-0.3	-0.5	-1.0
Fiscal Balance	-	-0.2	-0.3	-0.5	-1.0
<i>Grant bereavement payment to separated partners due to 'Special Domestic Circumstances'</i>					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
<i>Funeral Benefit^(d)</i>					
Underlying Cash Balance	-	-13.1	-12.7	-12.3	-38.1
Fiscal Balance	-	-13.1	-12.7	-12.3	-38.1
<i>Carer allowance assessment^(e)</i>					
Underlying Cash Balance	-	-0.8	-0.2	-	-1.0
Fiscal Balance	-	-0.8	-0.2	-	-1.0

POLICY COSTING – ELECTION CARETAKER PERIOD

Underlying cash and fiscal balance impacts	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
<i>Carer allowance – no longer cancelled after hospitalisation</i>					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
<i>Carer Supplement Review^(d)</i>					
Underlying Cash Balance	-	-0.2	-	-	-0.2
Fiscal Balance	-	-0.2	-	-	-0.2
<i>Increase Veterans' Home Care respite services^(d)</i>					
Underlying Cash Balance	-	-4.8	-5.0	-5.1	-14.9
Fiscal Balance	-	-4.8	-5.0	-5.1	-14.9
<i>Establish and maintain a 'Jobs for Defence Families' website^(d)</i>					
Underlying Cash Balance	-1.1	-0.2	-0.2	-0.2	-1.7
Fiscal Balance	-1.1	-0.2	-0.2	-0.2	-1.7
<i>Provide enhanced induction and support seminars for defence families^(d)</i>					
Underlying Cash Balance	-	-0.3	-0.4	-0.4	-1.1
Fiscal Balance	-	-0.3	-0.4	-0.4	-1.1
<i>Vietnam Veterans' Family Study</i>					
Underlying Cash Balance	-0.9	0.9	-	-	0.0
Fiscal Balance	-0.9	0.9	-	-	0.0
NET TOTAL					
Underlying Cash Balance	-2.0	-35.7	-35.6	-34.2	-108.1
Fiscal Balance	-2.0	-36.9	-35.4	-34.1	-109.1

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) Totals may not sum due to rounding.

(c) Terminating on 30 June 2017.

(d) Ongoing policy.

(e) Terminating on 30 June 2016.