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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Vote Veterans' Affairs – Defence Force

Budget 2013 Four-year Plan

20 December 2012

Forwarded by:

Hon Nathan Guy

Minister of Veterans' Affairs

1.0 STRATEGIC DIRECTION

Purpose

Veterans' Affairs New Zealand (VANZ) is an operational unit of the New Zealand Defence Force (NZDF). The functions and duties of VANZ are set in statute under the Veterans' Affairs Act 1999. VANZ is headed by a General Manager (GM) who reports directly to the Chief of Defence Force (CDF). GM VANZ is appointed to the statutory role of Secretary for War Pensions under Section 4 of the War Pensions Act 1954.

The purpose of Veterans' Affairs New Zealand (VANZ) is to provide Veterans and their families with professional services that recognise Veterans, their diversity, their contributions to New Zealand and their individual needs.

The nature and scope of the Veterans' Affairs portfolio covers the provision of a wide range of government funded services to veterans. The main areas of activity cover:

- The administration, management and processing of a range of statutory entitlements;
- Facilitating the delivery of a range of services to individual veterans and their families, in recognition of the needs generated as a result of their service;
- Providing opportunities for veterans to have their service acknowledged so that they are recognised as special New Zealanders; and
- Advising Government on veterans' issues.

The role of VANZ in support of government's outcomes and priorities is to ensure that veterans are able to access the services they need to support them in their everyday lives. Veterans' Affairs New Zealand achieves this by:

- Providing advice to the Minister of Veterans' Affairs and other Ministers, as well as departments and agencies on aspects of policy relating to veterans;
- Managing the Government's relationship with veterans and their representative organisations;
- Ensuring that the assessment of veterans' entitlements is undertaken fairly and accurately;
- Facilitating and co-ordinating the services provided to veterans and their families by other government departments and agencies;
- Managing the Government's relationship with veterans and their representative organisations; and
- Facilitating veteran's access to services within the broader community.

Veterans have access to the services and support the Government makes available to all New Zealanders. On top of this support and in recognition of their service to New Zealand, VANZ is responsible for providing additional support and assistance to qualifying veterans. Examples of such additional assistance include the granting of War Disablement Pensions, payment of Travel Concessions and the provision of funding for medical treatment in private hospitals in circumstances where veterans requiring medical treatment for accepted disabilities cannot access treatment through public hospitals in a timely fashion. VANZ also operates a Case Management Service that provides assistance and support to veterans.

The Minister of Veterans' Affairs key priorities in order are:

- **Modernise the War Pensions Act in Response to the Law Commission's Report on the Review of the Act**

In 2010 the Law Commission released a major review with 170 recommendations to modernise the outdated War Pensions Act 1954 (the Act), in order to better meet the needs of all veterans.

Cabinet considered and approved in October 2012 a suite of papers responding to the Law Commission report and agreed to a \$60 million package of additional funding, which will enable the introduction of modern legislation to replace the 1954 Act. The new legislation will contain two distinct schemes. Scheme One will replace the current Act and consist of a similar framework. Scheme One will apply to personnel with service prior to 1 April 1974 (the introduction of universal accident compensation (ACC)). Scheme Two will apply to personnel with service post-1 April 1974 and will interface with ACC.

Cabinet also approved a 5% increase from 1 April 2013 to the War Disablement Pension (WDP) and Surviving Spouse Pension rates, in addition to the normal annual Consumer Price Index (CPI) adjustment.

Drafting instructions are currently being prepared for the new legislation, and the Minister intends introducing the Bill in the first half of 2013. It is intended that Scheme One will commence on 1 July 2014 and Scheme Two on 1 July 2015.

- **Successfully Manage Significant Commemorations**

In addition to the 97th Anniversary of the Gallipoli Landings, commemorated in Turkey in April 2012, 2012 has seen the successful completion of three significant World War Two 70th Anniversary commemorations. Two Royal New Zealand Air Force (RNZAF) veterans attended the 70th Anniversary of the Fall of Singapore commemorations in Singapore on 15 February 2012. 32 RNZAF veterans of Bomber Command travelled to London in June 2012 for the Unveiling and Dedication of the Bomber Command Memorial on 28 June at Green Park and in October 2012, 22 veterans of the North Africa Campaign attended 70th anniversary commemorations at El Alamein in Egypt. New Zealand-based ceremonies were also held at the National War Memorial in Wellington for each of the 70th Anniversary commemorations, including the 70th Anniversary of the arrival of US Forces in New Zealand, on 14 June 2012.

Work progresses on arrangements for Gallipoli 2015. Public consultation on balloting attendance at Gallipoli 2015 was recently completed. The Minister will update Cabinet in January 2013 and report to the Cabinet Social Committee (SOC) by 28 February 2013 with further recommendations on the key elements, operation and process for operating the balloting system.

In 2013 the 70th Anniversary of the War in the Pacific commemorations will be held in Noumea, New Caledonia, on 25 and 26 April, and in New Zealand in early May. Veteran interest in attendance has been high.

The 60th Anniversary of the Armistice in Korea will occur in July 2013, and Cabinet has approved funding for up to 30 veterans to attend the commemoration, and planning for the commemoration is under way.

- **Support and Build Relationships between Veterans and their Respective Organisations and the Government**

In order to build on and maintain the good relationship established by this Government, the Minister has actively engaged with veterans and veterans' organisations on a regular basis throughout 2012. It is his intent to continue to do so in the coming years.

In particular, the new legislation to be introduced in 2013 will result in significant changes to the assistance provided to veterans in the future, it is important that the perspectives of veterans are considered as part of government decision-making on the Bill.

Outcome Framework

The Government's stated intent underpinning policy related to veterans is 'Respecting Veterans, Honouring Service'. This is substantiated by the broader principles of:

- Respecting Veterans;
- Strengthening Communities; and
- Dignity for older New Zealanders.

In order to ensure the government expectations for the delivery of services to veterans are met and to support the achievement of the key government priorities, VANZ has identified the following outcomes:

- Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation;
- Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support that promote wellbeing; and
- The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.

Better Public Services

Whilst an operational unit within the NZDF, VANZ operates in a small specialist sector within New Zealand, and is not directly part of a broader sector, facing broader sector issues. VANZ takes a lead role within the war veteran community alongside other support agencies.

In relation to Better Public Service (BPS) results, the average age of the current veteran population is 80 years. The declining veteran population over the forecast period will not materially alter this average age as the next age bands of veterans feed through. The specialist needs of this small cohort of the population is very different to the average needs of the wider population of New Zealanders.

VANZ maintains a comprehensive Veterans' Affairs New Zealand Internet site and acting within the constraints of the specialist needs of the veteran community, contributes towards BPS result 10, New Zealanders can complete their transactions with government easily in a digital environment.

Future state

The Government, veterans and the public will see VANZ has not only embedded significant change but it has also enhanced services to veterans whilst adapting to the changing needs of veterans. The Government's response to the Law Commission's Report on the War Pensions Act 1954 is the single most significant event to impact VANZ since the original 1954 legislation.

Over the next four years VANZ will embark on a journey of change that will include but not be limited to:

- Delivery of the new VANZ IT system during 2013/14;
- Support drafting of the new veteran Bill and six months of Select Committee hearings through the remainder of 2012 and 2013;
- Embedding new business processes over the period to 30 June 2014 in preparation for the delivery of new veteran legislation:
 1. Introducing new decision-making structure and systems for each entitlement type;
 2. Developing new operational policy; and
 3. Revise the VANZ Manual, forms and fact sheets over the period to 30 June 2014;
- Create new Regulations for rehabilitation services, health benefits and independence assistance to align and support the enactment of new veteran legislation from 1 July 2014.

The end state is for VANZ to have:

- Successfully implemented the Government's response to the Law Commission's Report on the War Pensions Act 1954 by 1 July 2015. Cabinet agreed to a package of initiatives to be progressively implemented through to Scheme Two on 1 July 2015;
- Delivered over this time high quality, relevant services to meet the changing needs of veterans and the changing veteran demographic. Over the period of this Plan the Half Year Economic and Fiscal Update (HYEFU 12) forecast for War Disablement Pension (WDP) numbers show a decline from the current 31 October 2012 level of 11,389 to a forecast (HYEFU 12) level of 8,085 in 2016/17 representing a 29% decline in current recipient numbers. This represents the decline in veteran numbers, dominated by World War Two recipient decline, more than offsetting the uptake of younger veterans. VANZ will need to demonstrate that it has continued to deliver high quality services that address the needs of not only World War Two veterans and other conflicts of that era, but also the very different requirements of veterans of more recent deployments;
- Have built on relationships between the Minister, veterans and veteran organisations to ensure that veterans' perspectives are considered as part of the government decision-making on issues that may impact on their lives. It is essential that over the period of this Plan that Government is made well aware of the changing needs of veterans and that VANZ is able to demonstrate that it has built on the good relationships fostered between government, veterans and veteran organisations; and
- In association with the NZDF, successfully delivered on special group (including veteran) participation in the 2015 Gallipoli 100th anniversary commemorations and other significant First World War, World War Two and other commemorations over this period as set out in the below table. As at the time of the submission of this Plan, these are the significant First World War One, World War Two and other commemoration's that Government expects New Zealand veterans to attend.

Table of Scheduled and Funded Commemorations

Commemoration's commencing post 1 January 2013	Funding in Place	2012/13	2013/14	2014/15	2015/16	2016/17
70 th Anniversary of War in the Pacific, New Caledonia	Yes - DOM Min (11) 18/3 dated 5 October 11.	April 13				
Gallipoli 2013	Yes - Existing Baselines	April 13				
60 th Anniversary of the Korean War Armistice	Yes - CAB Min (12) 35/6 dated 1 Oct 12.		July 13			
Gallipoli 2014	Yes - Existing Baselines		April 14			
70 th Anniversary of the Battle of Monte Cassino	Yes - DOM Min (11) 18/3 dated 5 October 11.		May 14			
70 th Anniversary of the D-Day Landings	Yes - DOM Min (11) 18/3 dated 5 October 11.		June 14			
100 th Anniversary of Gallipoli Landings	No additional funding above existing baseline funding for annual Gallipoli event – CAB Min (12) 34/11 dated 24 September 12 requires the Minister of Veterans' Affairs to update Cabinet in January 13 and report back to SOC by 28 February 13 with finalised costs including any additional funding required for managing Gallipoli 2015.			April 2015		
Gallipoli 2016	Yes - Existing Baselines				April 2016	
Gallipoli 2017	Yes - Existing Baselines					April 2017

1.1 Operating or Business Model

Case Management

At the heart of the operating model is the Case Management System first introduced at VANZ in early 2002. The intent of Case Management is for the veteran to have one point of contact for all the services provided by VANZ. The role of the case manager is to establish an agreed outcome with the veteran and their family and then facilitate and broker the delivery of a range of services from appropriate agencies to meet the agreed outcome.

The forecast number of WDP recipients reflects a steady decline in numbers over the period of this Plan from the current recipient level of 11,389 (31 October 2012) to a forecast (HYEFU 12) level of 8,085 in 2016/17.

Approximately 3,000 veterans are actively case managed (representing around 25% of current War WDP recipients, and depending upon their needs and requirements, are contacted on a regular basis to monitor that these needs are met. This occurs a minimum of every four months, however if the veteran has high-needs (living alone, having surgery, terminal illness) this contact will be made a minimum of monthly or two-monthly. It is expected that this contact model will continue in the medium term. Actively case managed means that the veteran is consulted to establish his or her needs and his or her General Practitioner or other Health Professionals or contractors are contacted and their services engaged to ensure that support is in place. This support is then monitored to ensure that the veteran is not in any danger and that the veterans needs continue to be met. The type of support can be Social, Counselling, Medical or Practical.

The balance of WDP veterans are not actively case managed but if VANZ is contacted they are assigned a Case Manager to assist them. However, current case management resourcing does not allow for case managers to proactively contact all of these veterans in an ongoing manner after they are initially established on a pension.

As recommended in the Law Commission Report, the focus of case management will shift progressively towards making contact with all veterans on a WDP. This maturing of the case management model is seen as a better support profile for veterans than the current support model where case management resources only allows support allocated to those in most need.

Coupled with the maturing of the case management model, an estimated additional 3,000 veterans and 1,100 surviving spouses will become entitled to support services such as home help and lawn mowing services from 1 July 2015 as recently agreed by Cabinet. These veterans and surviving spouses, will need service for the establishment and monitoring of contracted services and then annual re-assessment of entitlements and services provided.

As recently agreed by Cabinet, VANZ has been funded for an additional three Case Managers in 2015/16 to cater for these additional veterans and surviving spouses as well as the additional resource needed to case manage veterans on rehabilitation plans. Without additional case management resource it is likely that the influx of veterans not on a WDP wishing to seek additional support services from 1 July 2015 would not be able to be managed without otherwise diverting current case management staff off attending to case management needs of WDP recipients many of whom have greater support needs, such as those on rehabilitation programmes.

The Case Management in the Community (CMIC) programme was introduced in 2009 and is a natural extension of Case Management services offered by VANZ. This allows VANZ Case Manager's to meet directly with the veteran community, providing veterans with a mechanism by which they can interact one-on-one with the case management teams and raise any issues or concerns they have. This builds stronger relationships between all parties and allows both the veterans and case managers to develop personal interactions out in the local community. It is also used as an outreach to make contact with veterans who have not been absorbed into the case management programme.

The intended outcomes of Case Management are as follows:

- To improve the veterans quality of life;
- To enable the veteran to live independently within their own community;
- To ensure that the veteran/family member is, where possible, in control of their own life;
- To provide opportunities for rehabilitation; and
- To ensure that veterans get the services and support required to meet agreed outcomes.

These outcomes feed directly into achievement of strategic direction around support of government's outcomes and priorities to ensure that veterans are acknowledged for their service and sacrifice, are able to access the services they need to support them in their everyday lives, and are listened to by Government.

Entitlement Decision Making Process

Running in unison but separate from the Case Management System is the decision making process for war disablement and surviving spouse pensions.

The implementation of new legislation will see the 1954 Act replaced with modern legislation containing two distinct schemes that will see all veterans and deployments currently covered under the 1954 Act retain eligibility under the new legislation. Changes from the current provision will include the introduction of decision-making instruments and the introduction of a 100% payment scale reflecting whole of body impairment.

The intended outcomes of the decision making process are:

- To continue to improve the efficiencies of the processes and functions around the war disablement pensions disability process to ensure decision making is consistent and within the legal framework;
- To provide high quality, accessible information which improves the operation of the decision making process for the lowest costs;
- Timely assessment and review of entitlements to a War Disablement Pension;
- Easily understood application forms and processes; and
- The timely delivery of decisions.

These outcomes contribute to adding value to all the work undertaken that is responsive to the veteran clients needs.

New VANZ IT System

The new VANZ IT system is due to be implemented during 2013/14 and is intended to align the VANZ case management service delivery model with the benefits of a modern IT system to efficiently provide a co-ordinated range of services to veterans as they interact directly with case management staff. The IT system will become a key enabling strategy for VANZ over the period of this Plan to support VANZ business processes that in turn deliver on VANZ strategies. The new IT system will be fully integrated with Case Management and therefore supportive of the VANZ strategic direction.

Future Changes to the Operating Model

VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Case Management and CMIC generally can be tailored to an individual veteran and his/her needs and therefore are an essential enabling strategy that fully contributes to the VANZ requirement to meet the changing size and needs of the veteran community.

The emphasis of VANZ is to transition towards new veteran legislation (planned enactment of 1 July 2014 with Scheme One introduced 1 July 2014 and Scheme Two 1 July 2015) with a stable workforce that will be required in the current numbers to embed the required new business policies and processes over the next two to three years at the same time delivering on business as usual activities.

Towards the end of the Plan period, once new veteran legislation and resultant changed policies and processes are embedded, VANZ will actively look to its operating model to ensure moving forward that the model is not only fully aligned to the future changing size and needs of the veteran demographic but is also providing the value for money expected of Government.

Some elements of the operating model that may be subject to change over the period of this Plan are:

1. An integration of Vote Veterans' Affairs – Defence Force with Vote Defence Force. Officials are currently investigating this option with a scoped implementation date of 1 July 2013. However, at the time of submission of this Plan it is too early to specify the extent of resultant change on the operating model that would flow from Vote integration.
2. A merger of one or more of the small Benefits and Other Unrequited Expenses (BOUE) Outputs into the War Disablement Pension Output. The BOUE Output 'Interest Concessions Land and Buildings' is limited to the provision for grand parented loans of the differential between 3% or 5% Rehabilitation Loan rate and the current market rate. The number of recipients is dwindling and with no new recipients the value of the appropriation is forecast (Budget Economic and Fiscal Update (BEFU) 12) to drop below \$500 (single dollars) in 2016/17 This will round to \$0.
3. Whilst no significant change to the current case management model is anticipated over the life of this Plan, non-the-less the following strategies will progressively be implemented in a maturing of the model:
 - As the older veterans are progressively replaced by younger veterans in smaller numbers requiring less active case management, Case Managers will be able to progressively contact more veterans than they are currently able to. Currently case managers actively case manage around 250 veterans each, primarily World War Two veterans who have the highest dependency. Over time this will change as less World War Two veterans survive into their late 90s. The intent is that case managers will progressively over time be able to proactively make regular contact with veterans from the wider pool who are currently contacted infrequently. This fits with the intent of the above listed Case Management intended outcomes.
 - With the introduction of new veteran legislation and specifically the Veterans Independence Programme on 1 July 2015, case managers will be required to manage larger numbers of younger veterans and surviving spouses who will be entitled to support services. This will see a progressive shift in focus from 1 July 2015 to a smaller but growing number of high dependency veterans undergoing rehabilitation and larger numbers of veterans and surviving spouses but of less dependency than the current cohort. VANZ is funded for an additional three Case Managers to cater for the surge in veteran surviving spouse numbers post 1 July 2015.

Organisational Capability and Readiness

VANZ serves veterans by honouring their service and sacrifice, and being responsive to their changing needs. A key objective is to ensure that the VANZ structures are in place to deliver a high standard of service to a changing veteran population.

The environment in which VANZ operates as an organisation requires the capability to work on both current and historic issues across the interface of the political environment, public service and veteran community.

The Government's recent response to the Law Commission's Report on the War Pensions Act 1954 is the single most significant event to impact VANZ since the original 1954 legislation. To that end VANZ will be required to transition through a period of change (limited organisational change but significant process change) over the next two to three years.

This will see new processes for decision-making structure and systems for each entitlement type being embedded leading up to new veteran legislation being enacted whilst at the same time, VANZ will be required to deliver on business-as-usual activities such as supporting veterans to attend key anniversaries associated with their service, support and build relationships with veterans and deliver enhanced services to veterans. The NZDF will be required to play a key support role to VANZ during the period of this Plan providing resources in areas such as legal, contract management and financial services to compliment VANZ staff.

Planning post the 1 October Cabinet agreement decision has commenced and VANZ has completed a detailed high-level Schedule of Tasks to support the new Veteran's Rehabilitation and Support Act implementation. The pending targeted recruitment of a Project Manager and two policy staff will bolster resources needed as VANZ embarks on the required transition to new veteran legislation for a targeted enactment date commencing on 1 July 2014 and complete enactment by 1 July 2015.

VANZ is well placed to successfully manage this transition whilst delivering on the Minister's priorities. The VANZ leadership team is experienced, stable in tenure and has been in place for a number of years. VANZ has established highly constructive relationships within the NZDF and can draw on support in key areas such as mentioned above.

As set out above, VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Over this period the emphasis will be on a stable workforce required to progressively embed changed policies and processes surrounding the introduction of new veteran legislation.

Case Management and Case Management in the Community will be progressively tailored to changing veteran needs over the Plan period and the associated VANZ decision-making structure changed to reflect new veteran legislation. As a result of an expected surge of new applications for assistance with the introduction of the Veterans Independence Programme from 1 July 2015 plus a smaller but growing number of high dependency veterans undergoing rehabilitation, VANZ has secured funding for three additional Case Managers in 2015/16.

Key Enabling Strategies

The development of a high-level road map for VANZ over the period of this Plan will be completed in association with the development of a detailed Project Plan by the yet to be appointed Project Manager to oversee VANZ through to the post veteran legislation enactment period. A high-level road map and detailed project plan will be key enabling strategies for VANZ.

The new VANZ IT system is due to be implemented during 2013/14. This will replace the legacy 'WAR' system that came across from the Ministry of Social Development (MSD) with the integration of

the War Disablement Pension division of MSD into the NZDF (VANZ) on 1 July 2008. WAR is essentially a payments system that does not integrate the case management tools and veteran specific documentation required to provide 'one-stop shop' services to veterans when they contact their Case Managers.

The IT system will align the VANZ case management service delivery model to efficiently provide a co-ordinated range of services to veterans as they interact directly with case management staff. This will become a key enabling strategy over the period of this Plan to support VANZ business processes that in turn deliver on VANZ strategies.

The Case Management Model is another key enabling strategy to VANZ. Case Management and CMIC can generally be tailored to an individual veteran and his/her needs. The progressive maturing of the case management model in line with the changing veteran demographic and associated changing needs will remain as a key enabling strategy for VANZ over the period of this Plan.

Strategic Relationships

VANZ has worked closely with a wide range of agencies involved with the provision of policies and services that relate to veterans and continues to work with these agencies to provide and gather advice when necessary. This has been particularly critical when assessing the Law Commission report on the review of the War Pensions Act 1954.

As an example VANZ will be required to work closely with the Accident Compensation Commission (ACC) over the eighteen months prior to enactment of new veteran legislation. An Information-Sharing Agreement between VANZ and ACC needs to be established and agreement reached regarding ongoing co-operation over the potential overlap in case management of veterans under Scheme Two that is closely aligned to the ACC legislation (for example rehabilitation planning). In a like manner a number of VANZ Case Manager's will need to be progressively trained in the ACC scheme entitlements and ACC have offered to assist here.

VANZ will be required to also work closely with a number of other agencies such as the Inland Revenue Department and the Ministry of Social Development.

VANZ takes an active part in the "Five Eyes" Veterans Administration's Senior Ministerial and Senior Officials Fora and Networks in order to obtain information on international trends in the provision of services to veterans.

New Zealand is involved in ongoing dialogue with other countries in order to share information that is relevant to improving knowledge of the impact of various deployments and the trends in service delivery.

1.2 Operating Environment and Strategic Challenges

Managing in a Changeable Operating Environment

The Veteran Community

The term veteran has, in the public eye, come to mean a veteran of a specific conflict or location. The changing nature of deployments means that the term veteran will come to describe someone who has service in the Armed Forces in a variety of operational environments.

The veteran population ranges in age from 19 year old veterans of current deployments, to the remaining Second World War veterans, who range in age from late 80's to 100 plus. The Second World War population still makes up the majority of the veteran community.

Given the age profile of the veteran community, this demographic is changing. The overall number of veterans will naturally decline in future. It is expected that the rate of this decline will occur over the next three to five years. This significant change in the veteran demographic will mean that over time, the largest group of veterans will be those that have taken part in the deployments that have taken place within the last 30 years.

The types of deployments that New Zealand Service personnel have been involved in have changed since the Second World War. The most significant change is the fact that there have been no deployments of an entire generation, as was the case in the World Wars. The deployments that have taken place have been of individuals within each generation who have made a conscious choice of the military as a career.

The duration of deployments has also changed. Service personnel are not deployed for years to one conflict, as was the case with the World Wars. Over the course of their military careers, Service personnel may be deployed for short tours of duty to different war and emergency situations. The experience of younger veterans is of a number of deployments to different locations for a variety of different reasons.

Veteran Health and Wellbeing

Health and wellbeing is a critical issue for the veteran population. As all the long term impacts of deployments are unknown, veterans have ongoing concerns about the long term impact of their service on their health and the health and wellbeing of their families.

Veterans of different wars and emergencies face different barriers to their health and wellbeing. The changing face of deployments has meant that the psychological effects and environmental impacts of deployments often have a greater impact on health and wellbeing than physical injuries.

It is essential that VANZ remains abreast of international research into the effects of military operations on defence personnel. This is primarily achieved by participation in the "Five Eyes" Ministerial and Senior Officials Fora.

Government Priorities

The Government is currently refreshing its three-year priorities. A key part of this is lifting state sector performance and achieving better public services for New Zealanders from within the tight fiscal environment described below.

The Minister of Veterans' Affairs top priority is the successful enactment of new veteran legislation to replace the War Pensions Act 1954. The Bill is currently being drafted and is expected to be introduced to Parliament early next year. The Minister has clearly stated that he will listen carefully to

veterans and other members of the public through the select committee process in order to deliver a modern piece of legislations that fits the needs of not only the older cohort of veterans, but the younger veterans as well.

The Minister through VANZ is fully committed to deliver the new veteran legislation over the next two to three years whilst at the same time continuing to deliver high-quality services to the veteran community. Once legislation is enacted and associated changed systems and procedures are embedded, VANZ will be in a more favourable position to deliver on value for money considerations expected by the Government.

Vote Funding Constraints

The global economic environment continues to pose significant uncertainty for New Zealand as New Zealand continues to operate in a challenging economic and fiscal environment for the foreseeable future. Government Departments have being asked to absorb cost pressures over the last few years from within existing baselines as the Government strives to return to an operating surplus. In this changeable external operating environment the onus is on VANZ to be adaptive and change accordingly to continue to provide better public services to veterans at a time of funding constraint. This however must be achieved within the unique constraints of the Vote.

Vote Veterans' Affairs - Defence Force has three components being Departmental, Non-Departmental and Benefits and Other Unrequited Expenses (BOUE). Cost Pressures against all three Vote components are set in Section 6. In brief:

Cost Pressures against Departmental Outputs over the last few years have required re-prioritising from within various cost elements such as travel, office equipment and computer purchases in order to meet increased costs at a time of no increase to baselines. Departmental comprises around 6% of the total Vote.

Cost Pressures against Non-Departmental Outputs erodes over time the level of support VANZ can make via various assistance measures to veterans within each of the four stand-alone Non-Departmental Output Expenses. Non-Departmental comprises around 2% of the total Vote.

Cost Pressures against the BOUE relates to the annual CPI adjustment to War Disablement Pensions and medical cost increases. BOUE Outyears are already modelled on CPI assumption increases. Collectively, the BOUE comprises around 92% of the total Vote.

[6]

The BOUE is demand driven with forecast updates completed twice-yearly and any financial implication that may eventuate would be included in this re-forecasting. This is set out in more detail in Section 5 Key Operational Risks.

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[10]

[6]

Vote Constraints Other

Vote Veterans' Affairs – Defence Force is a small Vote that is administered by VANZ from within a large parent organisation (NZDF or Vote Defence Force). Vote Veterans' Affairs – Defence Force is not directly appropriated for capital and a shortfall in the project funding in the 2011/12 FY required an Operating to Capital transfer from within Vote Veterans' Affairs – Defence Force across Votes to Vote Defence Force where the VANZ IT Project is held on the Net Asset Schedule of the NZDF.

In a similar manner, VANZ staffs are civilian members of the NZDF and the recently completed NZDF Remuneration Review 2012 (REM 12) has resulted in an increase in the overall remuneration package of most civilian employees of the NZDF. This is funded within Vote Defence Force by savings through transformation and reform packages. The impact on Vote Veterans' Affairs – Defence Force is however unfunded and will require an appropriation transfer between the two Votes.

Top Strategic Challenges

VANZ is a small operational unit within the NZDF and as such is very reliant on the NZDF for support in key areas such as legal, finance, commemorative and information technology. The current focus of VANZ is primarily predicated around successful and timely implementation of new veteran legislation commencing on 1 July 2014, whilst maintaining high quality services to veterans. The challenges that could impede the achievement of the strategic direction include:

- The further deterioration of the global economy that could result in Government re-prioritisation of agreed funding for the package of assistance to veterans;

- The loss of experienced staff who manage the day to day business and are required to embed changed policies and procedures surrounding new veteran legislation;
- A reduction in key support services provided by the NZDF; and
- A delay in delivery of the new VANZ IT system beyond 2013/14.

Failure in any of the above enablers would likely impact on the ability of VANZ to achieve the required strategic direction.

Baseline Profile at October Baseline Update inclusive of HYEUFU 12 BOUE Update.

Baseline profile – OBU 2012 (HYEFU 12)	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating expenditure – departmental	8.879	10.859	8.504	8.737	8.654
Operating expenditure – non-departmental	144.846	143.308	144.988	145.576	139.954

A further breakdown of the non-departmental baseline profile is set out below. This shows the impact that the BOUE makes to the overall non-departmental operating baseline profile.

Baseline profile – OBU 2012 (HYEUFU 12)	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Non-Departmental BOUE War Disablement Pensions – including War Disablement Pension, Surviving Spouse Pension, Scheme One and Two Veteran’s Weekly Income Compensation and Terminal Payments.	121.799	119.543	121.104	115.435	110.391
Non-Departmental BOUE War Disablement Pensions – Veteran’s Independence Programme	0	0	0	6.194	5.786
Non-Departmental BOUE Medical Treatment	19.695	20.413	20.533	20.595	20.425
Non-Departmental BOUE Other	0.029	0.029	0.028	0.029	0.029
Non-Departmental Other – including Outputs Development and Maintenance of Services Cemeteries, Support for Veterans and Their Families, Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans and Debt Write-down (BOUE).	3.323	3.323	3.323	3.323	3.323
Operating expenditure – non-departmental	144.846	143.308	144.988	145.576	139.954

1.3 Decision Points and Trade-offs

Context

New Veteran Legislation – A Paradigm Shift in Focus from Compensation to Rehabilitation

Cabinet agreed on 1 October 2012, to a comprehensive veteran support package predicated around a modern replacement to the War Pension Act 1954. The current Act was never amended to reflect the introduction of ACC, which has resulted in inequity through veterans of recent deployments such as East Timor and Afghanistan being able to claim ACC entitlements in addition to their WPA entitlements.

The current scheme will be replaced with two schemes, Scheme One will replace the current Act and consists of a similar framework to cover all veterans with qualifying operational service prior to 1 April 1974. Scheme Two will apply to personnel with service post-1 April 1974 and will be closely aligned with ACC. It is intended to enact new legislation from 1 July 2014 with Scheme One commencing on the same date. It is intended for Scheme Two to commence on 1 July 2015.

The focus of the current Act is on compensation through a 'life-time' of entitlement to a war disablement pension and coverage of medical costs, not on rehabilitation and a return to employment (where applicable). Scheme Two is designed to link to ACC to ensure that the two schemes are complimentary. The focus of Scheme Two is rehabilitation and restoration to pre-injury capability to the maximum extent possible. It is proposed that the assistance provided to veterans will incentivise wellness and use rehabilitation as the gateway to other assistance. For veterans where rehabilitation is not possible, the intention is to provide support to the veteran and their family to ensure that they are able to maintain quality of life.

Changing Veteran Demographic

Over the period of this Plan HYEPU 12 forecast War Disablement Pension (WDP) numbers show a decline from the current 31 October 2012 level of 11,389 to 8,085 recipients at the end of FY 2016/17 representing a 29% decline in current recipient numbers. This represents the decline in veteran numbers, dominated by the decline in World War Two recipient numbers, more than offsetting the uptake of younger veterans (refer Table below).

The forecast BOUE spend on War Disablement and Surviving Spouse Pensions also reflects a forecast decline. Prior to new funding initiatives approved by Cabinet on 1 October 2012 the BOUE War Disablement Pensions Output appropriation was forecast to decline by around 17 percent between 2012/13 and 2016/17. The suite of Law Commission based changes agreed to by Cabinet reduces the decline in expenditure to an estimated 10% decline before the Veteran's Independence Programme is introduced on 1 July 2015 and 5% after. The underlying trend in expenditure however remains most influenced by the decline in older veterans, most of whom served in World War Two.

HYEFU 12 Forecast WDP Recipient Numbers

Financial Year end 30 June	HYEFU 12 WDP Recipient Numbers	Accumulated Percentage Decrease
31 Oct 2012	11,389	
2012/13	10,799	5.2%
2013/14	9,980	12.4%
2014/15	9,258	18.7%
2015/16	8,631	24.2%
2016/17	8,085	29.0%

Outcome

The Government has already recently agreed to a changed, modern approach to assistance for the younger generation of veterans to be realised through new veteran legislation intended to be enacted from 1 July 2014. The Minister of Veterans' Affairs has stated that he will listen carefully to veterans and other members of the public who make submissions through the Select Committee process in order to ensure that the new legislation fits the needs of all veterans.

Beyond the forecast period of this Plan active rehabilitation of the younger generation of veteran as opposed to a lifetime of WDP payments will be both in line with modern practice and also fiscally advantageous to the Government. It is therefore anticipated that the BOUE appropriation will reduce further as older veterans on Scheme One grand-parented War Disablement Pensions are replaced by younger Scheme Two veterans where the modern-day cost of support and rehabilitation in line with provisions of the ACC Scheme, will cost less than a lifetime of disablement pension payment entitlement.

Delivery of Strategic Direction

As set out above, VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Over this period the emphasis will be on retention of a stable workforce required to progressively embed changed policies and processes surrounding the introduction of new veteran legislation from 1 July 2014 whilst maintaining business as usual services and support to veterans. This will require the full commitment of all VANZ staff. Further, VANZ will continue to be reliant on the support of the NZDF around key areas such as legal, finance, commemorative and computer support services.

It is expected that the number of actively case managed veterans will decline over this period and the focus of case management will shift progressively towards making contact with all veterans on a WDP. This maturing of the case management model is seen as a better support profile for veterans than the current support model where case management resourcing only allows support to be allocated to those in most need. This change of emphasis will be dependent on close case management of veterans, particularly those actively engaged on rehabilitation programmes.

VANZ has secured funding for three additional Case Managers in 2015/16 to cater for both the increasing demands of managing veterans undertaking rehabilitation and also the expected surge of new applications for home help type assistance with the introduction of the Veteran's Independence Programme from 1 July 2015. These veterans and surviving spouses will require the establishment of

home care contracts and annual monitoring of continued entitlement and service level satisfaction amongst the case management services provided to them.

Case Management and Case Management in the Community will be progressively tailored to changing veteran needs. Administrative processes and the decision-making structure and processes will be changed by 30 June 2014 in line with the new veteran legislation intended to be enacted from 1 July 2014.

Whilst pending new veteran legislation heralds a modern approach to support care for veterans in line with ACC, it may be prudent to revisit consideration of further options for delivery of services to veterans after new veteran legislation is enacted and both Scheme One and Scheme Two have been implemented. This should allow for sufficient time to elapse to ensure that the impact on veterans is fully measurable in line with government expectations for the delivery of services to veterans, the achievement of the key government priorities, and that potential value for money considerations are being achieved.

2.0 Medium-term Intentions

2.1 Summary of Medium-term Intentions – Intended Changes

Intention	Type of Action	Success measures	
[6]			
B	New Information Technology System	Change	<p>The new IT project benefits and key outcomes will be measured following system implementation as stated in the detailed Benefits Realisation Plan. The new VANZ IT system is due to be implemented during 2013/14 in time for new veteran legislation enacted from 1 July 2014. Successful transition will be measured in terms of a seamless transfer of services & payments to veterans including the ability to pay Scheme Two veterans from 1 July 2015, Veterans Weekly Income Compensation, Lump Sum Payments for permanent impairment and Death Benefits.</p>
C	New Veteran Legislation	Change	<p>VANZ is currently recruiting for a Project Manager to cover the transition of VANZ through to enactment of new veteran legislation and beyond. One of the first tasks of the Project Manager will be the formulating of a detailed Project Management Plan to include a Project Benefits Realisation Plan. This will need to list the key outcomes selected that will be used to monitor progress towards achieving project benefits. Accountabilities, assessment metrics and target benefit realisation dates for the key outcomes will also need to be stated.</p>

[6]

2.2 Core Business, Continuous Improvement and Other

Broad Overview of Outputs, Services and Delivery

Vote Veterans' Affairs - Defence Force contributes to government activity through the provision of the following outputs:

Departmental Output Expenses

Output Expense Policy Advice and Related Outputs MCOA

Policy Advice

This output class is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Veterans' Affairs.

Administration Services

This output class is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities, the coordination of commemorations, the provision of administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Service Cemeteries.

Output Expense Services and Payments to Veterans

The assessment, review and payment of entitlements and benefits (War Disablement Pensions and related concessions and allowances, Surviving Spouse Pensions), the assessment and review of entitlement for burial in Service Cemeteries, the installation of ex-service memorials for eligible veterans, and the provision of case management for veterans and their families.

Non-Departmental Output Expenses

Output Expense Development and Maintenance of Services Cemeteries

The development and maintenance of Services Cemeteries (performed under contract by external manufacturers and service providers for VANZ).

Output Expense Support for Veterans and their Families

The provision of 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; additional support for veterans to facilitate them remaining in their own homes for as long as possible; additional support to facilitate veterans' rehabilitation; support for the surviving partner after the death of the veteran and for the provision of grants to Non-Government Organisations for the support of veterans and their families.

Non-Departmental Benefits and Other Unrequited Expenses

Output Expense Interest Concessions and Buildings

The provision of grandparented loans of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941.

Output Expense Medical Treatment

The payment of assessment costs as set out in the War Pensions Regulations 1956 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.

Output Expense Special Annuities

The payment of annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand Society.

Output Expense War Disablement Pensions

The payment of 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 the War Pensions Act 1954, the payment of Surviving Spouse Pensions as set out in the War Pensions Act 1954 and the payment of allowances as set out in the War Pensions Act 1954 and the War Pensions Regulations 1956.

Non-Departmental Other Expenses

Output Expense Debt Write-down for Benefits and Other Unrequited Expenses.

The write-down of Crown debtors administered by the New Zealand Defence Force due to the requirement to comply with Crown accounting policies and generally accepted accounting principles (GAAP).

Output Expenses Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans

The payment to Vietnam veterans and/or members of their family with accepted conditions and for the annual comprehensive medical assessments for Vietnam Veterans.

3.0 Organisational Capability and Workforce

3.1 Organisational/Sector Capability

The following are the organisational capabilities that VANZ is seeking to enhance, premised on the need for VANZ as an organisation, to be able to react to all circumstances - the predictable and unpredictable:

- The capability to critically analyse issues in context, identify the level of risk and take a pragmatic approach to proposing solutions;
- The analytical capability to establish cause as well as to generate a solution so that risk is minimised and future practice is informed;
- Knowledge of the legislation and regulatory components and policy expectations of the environment in which VANZ operates;
- The capability to build constructive relationships with the groups impacting on the VANZ role, while understanding the boundary issues inherent in those relationships and the consequences of crossing those boundaries; and
- The capability of working across the whole organisation so that the organisational impact of decision-making is considered.

Approach to Building Organisational and Corporate Capability to Deliver on Work Programme

VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Over this period the emphasis will be on a stable workforce required to progressively embed changed policies and processes surrounding the introduction of new veteran legislation from 1 July 2014.

VANZ is currently recruiting for a Project Manager and two policy advisers required to assist with the transition through to enactment of new veteran legislation.

Case Management and CMIC will be progressively tailored to changing veteran needs over the Plan period, the decision-making structure changed to reflect new veteran legislation.

To cater for close case management of veterans, particularly those actively engaged on rehabilitation programmes and the expected surge of new applications for assistance expected with the introduction of the Veteran's Independence Programme from 1 July 2015, VANZ has secured funding for three additional Case Managers in 2015/16.

Assessment of Current Capability to Deliver

VANZ is well placed to successfully manage this transition whilst delivering on the Minister's priorities. The VANZ leadership team is experienced, stable in tenure and has been in place for a number of years. VANZ has a highly-constructive relationship with the NZDF and can draw on support in key areas such as finance, project management, legal, contract management and human resources.

3.1.1 Change leadership

The key changes that the VANZ work programme will drive are predicated on new veteran legislation to replace the War Pensions Act 1954. The Government's response to the Law Commission's Report on the War Pensions Act 1954 is the single most significant event to impact VANZ since the original 1954 legislation.

The change leadership approach within VANZ is a top-down approach working within the current operating model. All staff will need to be fully immersed in the change programme needed to deliver changed procedures and processes across VANZ in support of new veteran legislation. Senior Management will be 'change-leaders' setting the correct tone of change for the organisation, leading by example, encouraging, empowering and supporting all staff as they contribute to the change programme.

Towards the end of the Plan period, once new veteran legislation and resultant changed policies and processes are embedded senior management will actively look to the current operating model to ensure moving forward that the model is not only fully aligned to the future changing size and needs of the veteran demographic but is also providing the value for money expected of Government.

3.1.2 Culture

The organisational culture needed to deliver on the VANZ work programme will need to be adaptive and acceptance of change including new technology whilst at the same time maintaining the core values of benevolence of care, respect, integrity and excellence of service.

All staff will be required to be fully committed to the required change-programme centred around new veteran legislation. All staff were briefed by the General Manager VANZ and the Minister of Veterans' Affairs on 1 October 2012 following Cabinet agreement to the Government's response to the Law Commission Report on the War Pensions Act 1954. GM VANZ has followed this up with further briefings to staff around the support package and the new legislation.

The current VANZ Organisational Culture

The VANZ vision is to provide veterans and their families with professional services that recognise veterans, their families, their contributions to New Zealand and their individual needs. At the heart of our vision is our staff and the benevolence of care they show to veterans.

VANZ values are expressed in terms of benevolence and care and respect shown to veterans, integrity and service excellence. An emphasis is placed on a progressive development of our customer focus to meet the changing demographic and associated needs of the declining veteran population.

3.2 Workforce

Context

VANZ is an operational unit of the New Zealand Defence Force (NZDF). The NZDF has developed a comprehensive Workforce Strategy consistent with the requirements of Agency / Sector Workforce Strategy Guidance (State Services Commission October 2011).

The staff of VANZ are members of the Civil Staff of the NZDF and as such would be incorporated within the NZDF Workforce Strategy. Notwithstanding this fact, VANZ has developed a Workforce Strategy commensurate with the size of the Unit (82 Full Time Equivalent staff at 30 November 2012) that will assist with the delivery of better results now and in the future.

Background

VANZ has a current staff strength (FTE) of 82 as at 30 November 2012. Staff reside at two locations being the Wellington and Hamilton Offices. The Hamilton Office is a result of the merging of the War Disablement Pensions Unit of the Ministry of Social Development (Hamilton Office) with the NZDF (VANZ Wellington office) from 1 July 2008.

Since the 1 July 2008 merger the focus of the operating structure has been on front line service delivery. Around 60% of staff are considered front line as their roles require them to provide a service directly to the public for a significant rather than occasional part of their duties. These include 20 case management staff and 29 other frontline staff. The remaining 33 staff are considered to fulfil back office functions and these include 5 policy-related positions, along with management, accounts/finance, ministerial support, and other business support staff. Many of these staff provide direct support to frontline staff.

Staff at the Wellington Office comprise a small number of specialist positions in the areas of Medical Advisory, Finance, Strategic Policy and Commemorations Planning and Co-ordination with the balance being non-specialist staff covering Veteran Case Management and Support Services. Staff at the Hamilton Office comprise non-specialist staff covering Veteran Case Management and Support Services. All staff appointed to fill vacant VANZ positions are recruited through utilising the services of the NZDF Defence Personnel Executive (DPE) with both internal (NZDF) and external advertising. DPE assist with recruitment services that are fully consistent with the NZDF recruitment strategy and policy.

For specialist staff a full handover period as a minimum of 1 month would normally be expected. Back-up from within the NZDF may also be required to cover specialist staff during extended periods of absence. For non-specialist staff full on-the-job-training is provided following a standard induction period of one week. Being a small unit, workforce flexibility is encouraged and in this manner staff are encouraged to develop knowledge of other positions around them to provide coverage and continuity around staff absences. For example to provide cover for finance, front reception desk and ministerial correspondence. A temping agency is also utilised on occasion to cover staff here.

Major Drivers of Change

The major drivers of change over the forecast period of the Plan are:

- Implementation of the Governments Response to the Law Commission's Report on the War Pensions Act 1954 predicated around new veteran legislation; and
- The changing demographic of an aging veteran population.

Alignment of Workforce Strategy

VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Over this period the emphasis will be on a stable workforce required to progressively embed

changed policies and processes surrounding the introduction of new veteran legislation from 1 July 2014.

VANZ will continue to be reliant on the support of the NZDF around key areas such as legal, finance, commemorative and computer support.



The forecast number of War Disablement Pension recipients reflects a steady decline in numbers over the period of this Plan from the current recipient level of 11,389 (31 October 2012) to a forecast (HYEFU 12) level of 8,085 in 2016/17. It is expected that the number of actively case managed veterans will also decline over this period and the focus of case management will shift progressively towards making contact with all veterans on a WDP. This maturing of the case management model is seen as a better support profile for veterans than the current support model where case management resources only allows support allocated to those in most need.



Coupled with the maturing of the case management model, an estimated additional 3,000 veterans and 1,100 surviving spouses will become entitled to support services such as home help and lawn mowing services from 1 July 2015. These veterans and surviving spouses require the establishment of contracted services then annual re-assessment of entitlement and services provided. VANZ has been funded for an additional three Case Managers in 2015/16 to cater for these additional veterans and surviving spouses and for the close case management of veterans, particularly those actively engaged on rehabilitation programmes.

Without additional case management resource it is likely that this influx of veterans not on a WDP wishing to seek additional support services from 1 July 2015 would not be able to be managed without otherwise diverting current case management staff off attending to case management needs of WDP recipients many of whom have greater support needs, such as those on rehabilitation programmes.







The new VANZ IT system to be delivered during 2013/14 is intended to be fully integrated with the Case Management service delivery model. Currently Case Managers are required to speak to veterans whilst using the current IT system, separate case management spreadsheets and Microsoft word intake documents. The new IT system will integrate all three and should therefore increase the efficiency of services provided to veterans as they interact directly with case management staff.

3.2.1 Workforce capacity and capability impacts – intended changes





Capacity Change	Capability Change	Context	Change in Capability
		<p>The most significant impact on workforce capacity and capability is the transition to new veteran legislation to be enacted from 1 July 2014.</p> <p>This is the single most significant event to impact VANZ since the original 1954 legislation.</p> <p>The existing legislation is seen as increasingly outdated and no longer meeting the needs of veterans.</p>	<ul style="list-style-type: none"> Progressive adoption of ACC rehabilitation case management approach from 1 July 2014. Project Management capability to be recruited (funding is in place). Continued reliance on NZDF for support across key areas such as legal services.
New VANZ Information Technology System		The legacy WAR system (1999) was inherited from the Ministry of Social	<ul style="list-style-type: none"> New VANZ IT system training impacting all staff.

		Development (MSD) at the time the MSD War Disablement Pension Unit was merged into VANZ (1 July 2008). The WAR system is little more than a payments system and is not integrated with the VANZ Case Management model and operating systems and procedures.	
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Key

Capacity Change			Capability Shift		
					
Neutral	Decrease	Increase	High	Medium	Low

3.2.2 Workforce capacity and capability impacts – whole of organisation/sector

Capacity Change	Capability Change	Context	Change in Capability
Case Management		New veteran legislation enacted from 1 July 2014. Associated progression to veteran rehabilitation services and additional uptake of veterans seeking support services under the Veteran's Independence programme from 1 July 2015.	<ul style="list-style-type: none"> • Training in ACC related case management services centred around individual rehabilitation programmes. • New VANZ IT system training.
			
Rest of Veterans Affairs		New veteran legislation requiring all staff to contribute to embedding of new business processes over the period to 30 June 2014 centred around a new decision making structure, changed systems for each entitlement type and changed operational policy.	<ul style="list-style-type: none"> • New VANZ IT system training required for all staff.
			

3.2.3 Capability

There are no foreseen key capability shifts. Project Management capability will be contracted shortly for a period of 2 years to see through the transition to new veteran legislation and associated changed business processes.

VANZ will continue to be reliant on the NZDF for key capability support in areas such as legal, financial and contract management.

Preliminary discussions have been held with ACC around a number of VANZ case managers being trained in the ACC rehabilitation case management approach. It is anticipated that a core of 2 to 4 case managers will be trained (from 1 April 2014) and be responsible for rehabilitation of veterans under changes brought in through new veteran legislation from 1 July 2014.

All staff will be required to be fully committed to the required change-programme centred around new veteran legislation. All staff will be provided with user training in regards to the new VANZ IT system to be delivered during 2013/14. Key staff are to be trained as lead trainers responsible for training all other staff and for providing the first line of support to users.

The VANZ leadership team is experienced, stable in tenure and has been in place for a number of years. Management will need to lead in a top down approach to change management encouraging and supporting staff.

3.2.4 Capability pressures

VANZ has a highly-constructive relationship with the NZDF and can draw on support in key areas such as finance, project management, legal, contract management and human resources. VANZ does not envisage any capability gap over the period of this plan outside of what has been discussed above.

3.2.5 Capacity

VANZ has a funded staff strength of 82 FTE positions. VANZ is currently recruiting for two Policy Advisers to fill current vacancies.

The emphasis of VANZ is to transition towards new veteran legislation (planned enactment from 1 July 2014 with Scheme One introduced 1 July 2014 and Scheme Two 1 July 2015) with a stable workforce that will be required in the current numbers to embed the required new business policies and processes across VANZ over the next two to three years at the same time delivering on business as usual activities.

Case managers will be required to manage larger numbers of younger veterans and surviving spouses who will be entitled to support services from 1 July 2015. VANZ is funded for an additional three Case Managers in 2015/16 to cater for this expected surge in veterans and surviving spouse numbers post 1 July 2015 and also the requirement to manage veterans undertaking rehabilitation.

Without additional case management resource it is likely that the influx of veterans not on a WDP wishing to seek additional support services would otherwise divert current case management staff off attending to case management needs of WDP recipients many of who have greater support needs such as those on rehabilitation programmes.

Towards the end of the Plan period, once new veteran legislation and resultant changed policies and processes are embedded, VANZ will actively look to its operating model to ensure moving forward that the model is not only fully aligned to the future changing size and needs of the veteran demographic but is also providing the value for money expected of Government.

3.3 Total Workforce Costs

The expected workforce cost picture over the next four years comprises the Departmental Personnel costs baseline that is unchanged through to 2015/16 when VANZ is funded for an additional three case managers as set out above. Departmental Personnel costs comprise 94 percent of total workforce costs in the current financial year falling to 91 percent in 2016/17 as additional unfunded personnel cost pressures arise. Additional unfunded cost pressures include the impact of annual wage inflation, annual staff performance payments and the impact of the New Zealand Defence Force Remuneration 12 Review (REM 12).

Other people-related cost drivers include a training budget [10] a small recruitment budget for external advertising and the use of temporary contractors to cover staff on extended absences.

VANZ is reluctant to cut other people-related cost drivers such as staff training and the use of contractors for short periods or to not reward outstanding performance from staff. Therefore VANZ will need to rely on savings from Departmental Operating to cover for the unfunded Departmental Personnel costs referred to above.

VANZ staff are civilian members of the NZDF and VANZ can not influence wider issues of remuneration and therefore the workforce cost picture, such as the impact of REM 12.

[10]

4.0 Summary of Total Financial Impact

Operating – Departmental

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
<i>Current operating expenditure baseline</i>	8.879	10.859	8.504	8.737	8.654
Financial Implication of Planned Changes and Cost Pressures					
Financial implication arising from changes to outputs, services or deliveries	0	0	0	0	0
[10]					
Operational cost pressures arising from capital	0	0	0	0	0
Other operational operating cost pressures	0.049	0.002	0.003	0.003	0.003
[10]					
Funding for Changes and Cost Pressures Available From					
Operational efficiencies/reprioritisation	0.069	0.119	0.121	0.175	0.179
Changes to third-party revenue	0	0	0	0	0
Transfers to/from other Votes	0.225	0.278	0.278	0.278	0.278
<i>Total funds available</i>	0.294	0.397	0.399	0.453	0.457
Savings required but not yet identified	0	0	0	0	0
Savings required as % of baselines	0	0	0	0	0
New Funding Sought from the Centre					
Total new funding sought	0	0	0	0	0
<i>Savings required if new funding received</i>	0	0	0	0	0

Operating – Non-departmental

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
<i>Current operating expenditure baseline</i>	144.846	143.308	144.988	145.576	139.954
[6]					
Funding for Changes and Cost Pressures Available from					
Operational efficiencies/reprioritisation	0	0	0	0	0
Changes to third-party revenue	0	0	0	0	0
Transfers to/from other Votes	0	0	0	0	0
Total funds available	0	0	0	0	0
Savings required but not yet identified	0	0	0	0	0
Savings required as % of baselines	0	0	0	0	0
[6]					

Capital

Capital expenditure

Vote Veterans' Affairs – Defence Force is unable to influence the Government intention for capital expenditure. The only current VANZ capital expenditure is the new VANZ IT Project system. This project has capital funding in place of \$0.940 million and sits on the Net Asset Schedule of the New Zealand Defence Force. A further Capital Injection of \$0.138 million has been appropriated for 2013/14 as part of the recent Government response to the Law Commission's Report on the War Pensions Act 1954. The project is planned to be finalised during 2013/14.

Vote Veterans' Affairs – Defence Force has no other known future capital intentions during the period of this Plan that may have an impact on operating.

Departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Opening balance funding available	0	0	0	0	0
Depreciation funding	0	0	0	0	0
Sale of assets	0	0	0	0	0
Other (please specify)	0	0	0	0	0
Total baseline funding available (a+b+c+d)	0	0	0	0	0
Capital investments funded from baselines	0	0	0	0	0
New capital funding sought from the centre	0	0	0	0	0
Closing baseline funding available	0	0	0	0	0

Non-departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Baseline funding available for the purchase or development of Crown capital assets	0	0	0	0	0
New capital funding sought from the centre	0	0	0	0	0
Capital investment in organisations other than departments	0	0	0	0	0
Total	0	0	0	0	0

5.0 Key Operational Risks

Risk Number	Description	Likelihood	Consequences	Exposure	Financial Impact and timing by year(where applicable)	Treatment/Mitigation
1	Delay in the delivery of the new Veteran IT system past 2013/14 may hinder the ability of VANZ to process Veterans Weekly Income Compensation payments to veterans post 1 July 2014.	Possible	Severe	High	A continuation of the legacy WAR system @ \$0.005 per month on maintenance and support.	[9]
2	The new IT system when implemented does not meet all VANZ user requirements resulting in pension payments to veterans and surviving spouses being unpaid and/or badly affected.	Possible	Severe	High	Further development work required with potential unknown costs, possibly significant to VANZ. Would potentially cause bad publicity, possibly at a national level, potentially all the way to the Minister.	[9]
3	Loss of key staff affecting the delivery of new veteran legislation	Possible	Severe	High	VANZ is a small operational unit of the NZDF with a small	VANZ is working closely with the NZDF in a number of

	and/or other key strategic objectives.				number of key staff holding positions that will have a strong influence on the level of achievement of key strategic objectives over the life of this Plan.	key areas such as legal and finance to ensure a continuity of knowledge. VANZ is also currently recruiting staff to fill vacancies in key areas such as policy advice and using cross-training to avoid single points of failure.
4	World economic conditions deteriorate sharply leading to Government revisiting previously agreed funding initiatives including the recently approved veteran's support package. Part of the package is scrapped leading to a material impact on the new veteran legislation and associated benefits package.	Unlikely	Severe	Moderate	A delay or cancellation of all or part of the veteran's package depending on the scale of Government decisions. May necessitate changes to the new veteran legislation and a further commitment of VANZ resources. Would inevitably lead to a storm of protest from the veteran community.	VANZ works closely with the Minister of Veterans' Affairs, the CDF and Treasury. A current proposal to merge the two Votes is being investigated.
5	A diminishing of the support provided by the NZDF in key areas such as commemorations, finance and human resources affecting the delivery of key strategic objectives.	Unlikely	Severe	Moderate	VANZ would be required to seek and pay for external resources at an unknown cost but with a very limited budget.	GM VANZ continues to work closely with CDF to ensure VANZ receives the support needed to achieve key strategic objectives.

6	New Veteran Legislation is not passed.	Rare	Severe	Moderate	VANZ would not access funding appropriated for a range of new veteran support initiatives from 1 July 2014. The status quo payment of war disablement pensions would continue in line with the current Act.	VANZ will continue to work closely with the Minister of Veterans' Affairs, the Chief of the Defence Force and Treasury to ensure a smooth passing of the legislation.
[6]						

Likelihood of risk event with existing controls in place	
Almost certain	The event is expected to occur in most circumstances. Probability: 80%–100% expectation that the event will occur.
Likely	The event will probably occur in most circumstances. Probability: 50%–80% expectation that the event will occur.
Possible	The event could occur at some time. Probability: 30%–50% expectation that the event will occur.
Unlikely	The event could occur at some time. Probability: 5%–30% expectation that the event will occur.
Rare	The event may occur only in exceptional circumstances. Probability: Less than a 5% expectation that the event will occur.

Magnitude of consequences	
Major	Extensive senior management attention or resources diverted to recovery from a crisis event affecting service quality, a programme or major project, the viability of the agency overall. This level of risk would have extreme consequences for the organisation both financially and politically.
Severe	Significant senior management attention to manage issues or prevent a crisis that may threaten the viability of a branch, service quality, programme or project. This level of risk would have very high consequences for the organisation financially and/or politically.
Moderate	Consequences could require review or changes to operating procedures with management effort required to prevent escalation. Although the consequences would not threaten the viability of the programme or organisation, service quality or performance could be affected.

Level of risk exposure						
Consequences	Major	Moderate	High	High	Very high	Very high
	Severe	Moderate	Moderate	High	High	Very high
	Moderate	Low	Moderate	Moderate	Moderate	High
	Minor	Very low	Low	Low	Moderate	Moderate
	Routine	Very low	Very low	Low	Low	Moderate
	Rare	Unlikely	Possible	Likely	Almost certain	
	Likelihood of event					

6.0 Detailed Activity and Financial Planning

6.1 Medium-term Intentions – Intended Changes

[6]

[6]

[6]

[6]

[6]

Intention name: Adoption of a new VANZ Information Technology System					
<p>The new IT system is intended to align the VANZ case management service delivery model with the benefits of a modern IT system to efficiently provide a co-ordinated range of services to veterans as they interact directly with case management staff. This fully contributes to the VANZ Outcome:</p> <p>Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support that promote wellbeing.</p>					
Change					
Motivation for change	Generating funds for reprioritisation				
	Seeking greater efficiency/performance from current spending				
	Responding to government priorities				
	Other: In line with the Cabinet Business Committee Paper CBC (08) 119 'Review of Services to Veterans' and subsequent recommendations of the State Services Commission's review of the VANZ service delivery model, VANZ sought the development of a new IT system to replace the current WAR system inherited from the Ministry of Social Development.				
<p>The new VANZ IT system is due to be implemented during 2013/14 and is intended to align the VANZ case management service delivery model with the benefits of a modern IT system to efficiently provide a co-ordinated range of services to veterans as they interact directly with case management staff.</p> <p>This will replace the legacy WAR system inherited from the Ministry of Social Development (MSD) at the time the MSD War Disablement Pension Unit was merged into VANZ. The WAR system is little more than a payments system and is not integrated with the VANZ Case Management model and operating systems and procedures.</p> <p>The new VANZ IT system will become a key enabling strategy for VANZ over the period of this Plan to support VANZ business processes that in turn deliver on VANZ strategies. The IT system will be fully integrated with Case Management and therefore will be fully supportive of the VANZ strategic direction.</p>					
<p>Financial impacts of the intended change:</p> <p>Capital funding of \$940,000 is currently in place with spending to date of \$737,000.</p> <p>As part of the Government's response to the Law Commission's Report on the War Pension Act 1954 capital funding of \$138,000 was secured in 2013/14 in order to make the necessary enhancement to the IT system functionality to cater for the calculation and payment of Veteran's Weekly Income Compensation payments from 1 July 2014. Further, operating funding of \$25,000 from 2013/14 was also secured to cover for depreciation and Capital Charge. This is set out in the next Intention.</p>					
Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental	0	0	0	0	0
Operating impact – non-departmental	0	0	0	0	0
Capital impact – departmental	0	0	0	0	0
Capital impact – non-departmental	0	0	0	0	0

Value of new funding sought from the centre	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating expenditure – departmental	0	0	0	0	0
Operating expenditure – non-departmental	0	0	0	0	0
Capital expenditure – departmental	0	0	0	0	0
Capital expenditure – non-departmental	0	0	0	0	0
<p>All VANZ staff will be required to receive training on the new IT system and a comprehensive staff training programme is planned to be run internally by key staff at both the Hamilton and Wellington offices.</p>					
<p>The new IT project benefits and key outcomes will be measured following system implementation as stated in the detailed Benefits Realisation Plan. Successful transition will be measured in terms of a seamless transfer of services & payments to veterans including the ability to pay Scheme Two veterans from 1 July 2015, Veterans Weekly Income Compensation, Lump Sum Payments for permanent impairment and Death Benefits.</p>					

Intention name: Government Response to the Law Commission's Report on the War Pensions Act 1954

The Government's response to the Law Commission's Report on the War Pensions Act 1954 is the single most significant event to impact VANZ since the original 1954 legislation. Modernisation of the War Pension Act 1954 will improve the support and recognition given to veterans who have served New Zealand and as well as being the Minister of Veterans' Affairs key priority, new veteran legislation is intrinsically linked to all three of VANZ Outcomes:

- Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.
- Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support that promote wellbeing.
- The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.

Change

Motivation for change

Generating funds for reprioritisation

Seeking greater efficiency/performance from current spending

Responding to government priorities

Other: In 2007, the Government asked the Law Commission to review the current legislation (the War Pensions Act 1954) as it was outdated and no longer met the needs of veterans.

On 1 October 2012 Cabinet considered and approved a suite of papers responding to the Law Commission report and agreed to a package of additional funding, which will enable the introduction of modern legislation to replace the out-dated 1954 Act. It is intended that the new legislation will be enacted from 1 July 2014.

[6]

[6]

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental	0	0	0	0	0
Operating impact – non-departmental	0	0	0	0	0
Capital impact – departmental	0	0	0	0	0
Capital impact – non-departmental	0	0	0	0	0

Value of new funding sought from the centre	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating expenditure – departmental	0	0	0	0	0
Operating expenditure – non-departmental	0	0	0	0	0
Capital expenditure – departmental	0	0	0	0	0
Capital expenditure – non-departmental	0	0	0	0	0

VANZ does not anticipate any significant change to the current operating model over the life of this Plan. Over this period the emphasis will be on a stable workforce required to progressively embed changed policies and processes surrounding the introduction of the new veteran legislation from 1 July 2014.

VANZ is currently recruiting for a Project Manager and two policy advisers required to assist with this transition.

With the introduction of new veteran legislation, and specifically the Veterans Independence Programme on 1 July 2015, case managers will be required to manage larger numbers of younger veterans and surviving spouses who will be entitled to support services. VANZ is funded for an additional three Case Managers to cater for the surge in veteran surviving spouse numbers post 1 July 2015 and also the requirement to manage veterans undertaking rehabilitation.

VANZ will continue to be reliant on the support of the NZDF around key areas such as legal, finance, commemorative and computer support.

The new IT solution will become a key enabling strategy for VANZ over the period of this Plan to support VANZ business processes that in turn deliver on VANZ strategies such as new veteran legislation. Capital funding is in place for changes to be made in 2013/14 to the IT system to enable the system to fully deliver on key initiatives of the new veteran legislation such as calculation and payment of Veteran's Weekly Income Compensation (VWIC).

VANZ is currently recruiting for a Project Manager to cover the transition of VANZ through to enactment of new veteran legislation and beyond. One of the first tasks of the Project Manager will be the formulating of a detailed Project Management Plan to include a Project Benefits Realisation Plan. This will need to list the key outcomes selected that will be used to monitor progress towards achieving project benefits. Accountabilities, assessment metrics and target benefit realisation dates for the key outcomes will also need to be stated.

6.2 Fiscal Implications

6.2.1 Cost pressures

Cost Pressure Overview Commentary

Vote Veterans' Affairs - Defence Force has three components being Departmental, Non-Departmental and Benefits and Other Unrequited Expenses (BOUE). Cost Pressures against all three vote components are set out in detail below.

The current VANZ appropriation totalling \$153.725m is made up as follows:

Vote Veterans' Affairs Baseline 2012/13 OBU (HYEFU 12)	\$M
Departmental (5.8% of total appropriation)	8.879
Non Departmental (2.2% of total appropriation)	3.323
Benefits and Other Unrequited Expenses (BOUE) (92% of total appropriation)	141.523
Total	153.725

Cost Pressure Departmental

Personnel

Cost pressure here is dominated by the impact to this Vote of the New Zealand Defence Force Remuneration Review 2012 (REM 12). The annual impact to Vote Veterans' Affairs – Defence Force is \$0.225 million in the current FY rising to \$0.278m from 2013/14 and outyears. Vote Defence Force will offset this increase via a vote transfer to Vote Veterans' Affairs – Defence Force to be given effect at the March Baseline Update 2013.

[10]

Operating

Departmental Operating: The major components of the current FY Departmental operating budget are:

Commemorations \$1.613m. This largely comprises annual contracted Gallipoli infrastructure site management costs (under contract until 2016/17 and not subject to cost pressure) and one-off funding in place for significant World War Two and other Commemorations.

Work progresses on arrangements for the Gallipoli 100th Anniversary Commemorations in April 2015. Officials are to update Cabinet in January 2013 and to report to SOC by 28 February 2013 with further recommendations on the key elements, operation and process for operating the proposed balloting system and any new funding requirements. At this stage an estimate is not provided as key decisions around the exact nature and scope of the commemoration/s have yet to be made.

[4]

Overseas and Domestic Travel \$0.320m. Cost pressure here relates primarily to Air New Zealand fare increases that are subject to fluctuations in the price of aviation jet fuel. Effective from March 2011 Air New Zealand increased all airfares by an average of 7%. This translates to approx \$0.010m spend increase for VANZ per annum. The likely future movement in the barrel price of jet fuel is subject to many variables and therefore has not been included as any additional cost pressure (it is noted that the international price for aviation jet fuel has been largely static over 2012). Travel other than airfares has had an annual CPI factor added translating to a further cost pressure of between (\$0.001 to \$0.002 per annum).

[4]

Publications and Stationery \$0.148m. An annual CPI factor has been added of (\$0.002 to \$0.003) over the period of this Plan. This primarily covers the cost of printing of forms and the quarterly VANZ News as well as stationery requirements.

Minister's Discretionary Fund \$0.100m. This fund has been established in recognition of the value attending commemorative events have for the servicemen and servicewomen who have served New Zealand. The fund is designed to assist individual veterans of the New Zealand Armed Forces who wish to attend overseas commemorations and/or revisit battlefield sites. The fund also supports veterans' groups who have projects of enduring quality, commemorating the contribution veterans have made. Cost pressure here relates to demand on the Minister's Fund exceeding the limit of \$0.100m and the fund is often over-subscribed. It is not possible to predict future 'cost pressure' here.

Other budgeted costs cover a multitude of more minor cost elements such as phone rental/tolls, postage, courier, bank charges, minor equipment rental etc. An annual CPI factor cost pressure has been added to these budgeted areas at between \$0.004 and \$0.008m per annum over the period of this Plan. As set out in last year's Plan VANZ is also managing \$0.036m in increased operating within existing baselines resulting from a \$0.200m Operating to Capital transfer in 2011/12 in regards to the new VANZ IT system.

Vote Veterans' Affairs – Defence Force, VANZ will be required to reprioritise up to \$0.049m per annum over the period of this plan to cover operating costs pressures.

Cost Pressure Departmental Conclusion

Cost Pressure VANZ will be required to re-prioritise between \$0.069m per annum and \$0.0179m per annum over the period of the Plan within the Departmental component of the vote.

To achieve this VANZ will utilise savings from targeted reductions across a number of vote departmental cost elements as set out in detail in Section 4. VANZ does not believe this will result in any adverse impact on output performance.

Cost Pressure Non-Departmental

Development and Maintenance of Service Cemeteries: This comprises annual maintenance grants made to Councils who maintain Services cemeteries according to a rate per square metre (fixed \$0.326m) and a prioritised VANZ 5-year Capital Works Programme (FY 12/13 \$0.420m). Cost pressure here to VANZ relates to the erosion over time in real terms of what work can be funded by VANZ and subsequently completed by Councils/contractors up to the Vote maximum for this output.

Support for Veterans and their Families: This comprises payments made to home-care providers and other service providers to veterans (lawn mowing, window cleaning etc) up to a cap of \$1.027m. Cost pressure here to VANZ relates to the erosion over time in real terms of what homecare/support services work can be funded by VANZ up to the Vote maximum for this output.

MOU Vietnam Veterans: This comprises comprehensive annual medical assessment costs and ex-gratia payments made to Vietnam Veterans and accepted medical conditions of their family members in accordance with the MOU between the Government and Vietnam Veterans (\$1.4m). Cost pressure here to VANZ relates to the erosion over time in real terms of what can be funded by VANZ up to the Vote maximum for this output.

Debt Write-down for BOUE: This comprises the write-down of Crown debtors (\$0.250m) and is not associated with cost pressures.

Cost Pressure Benefits and Other Unrequited Expenses (BOUE)

BOUE Cost Pressures comprise the annual CPI adjustment to War Disablement Pensions (WDP comprises around 86% of FY 12/13 BOUE). Outyears are already modelled on CPI assumption increases that are subsequently adjusted according to the annual CPI rate.

The other component of total BOUE spending is Medical Treatment (14% of FY 12/13 BOUE). Medical expenses are based on spending trends over recent years and do not explicitly factor in mortality. Cost pressures include medical care and equipment prices, uptake of entitlements by veterans and the combined effects of morbidity and mortality. The latter effect has had an increasing influence on total spending in recent years.

6.2.1.1 Direct employment costs

	2012/13 (\$0.000m) %	2013/14 (\$0.000m) %	2014/15 (\$0.000m) %	2015/16 (\$0.000m) %	2016/17 (\$0.000m) %
[10]					

[10]

Cost pressure as a result of: Ongoing Wage Inflation
Describe pressure in further detail: Using the same indices as the NZDF [10]

[10]

[10]

]

6.2.1.2 Operational cost pressures arising from capital

Vote Veterans' Affairs – Defence Force has no new operational cost pressures arising from capital.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental depreciation/capital charge cost pressures	0	0	0	0	0
Total non-departmental depreciation/capital charge cost pressures	0	0	0	0	0

6.2.1.3 Other cost pressures

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental other operating cost pressures	0.049	0.002	0.003	0.003	0.003
Total non-departmental other operating cost pressures	0	0	0	0	0

Cost pressure as a result of: Domestic Travel

The last increase was Air New Zealand increasing airfares by an average of 7% effective 10 March 2011. This translates to approx \$0.010m spend increase for VANZ per annum. The likely future movement in the barrel price of jet fuel is subject to many variables and therefore has not been included as any additional cost pressure (it is noted that the international price for aviation jet fuel has been appeared largely static over 2012). Travel other than airfares has had an annual CPI factor added translating to a further cost pressure of between (\$0.001 to \$0.002 per annum).

Value of cost pressure	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.011	0.012	0.012	0.012	0.012
Non-departmental	0	0	0	0	0

Cost pressure as a result of: Rental of Property and Equipment

VANZ leases office space in Hamilton and Wellington. [4]

[4]

Cost pressure as a result of: Contractor Fees

[9]

Cost pressure as a result of: Publications and Stationery

An annual CPI factor has been added of \$0.001m to \$0.002m over the period of this Plan. This primarily covers the cost of printing of forms and the quarterly VANZ News as well as stationery requirements.

Value of cost pressure	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.001	0.002	0.002	0.002	0.002
Non-departmental	0	0	0	0	0

Residual, from all other items not significant enough to list above

Other budgeted costs cover a multitude of more minor cost elements such as phone rental/tolls, postage, courier, bank charges and minor equipment rental. An annual CPI factor cost pressure has been added to these budgeted areas at between \$0.004 and \$0.014m per annum over the period of this Plan. As set out in last year's Plan VANZ is also managing \$0.036m in increased operating within existing baselines resulting from a \$0.200m Operating to Capital transfer in 2011/12 in regards to the new VANZ IT system.

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.004	0.050	0.050	0.050	0.050
Non-departmental	0	0	0	0	0

6.2.2 Offsetting operational funding from reprioritisation/third-party revenue/vote transfers

6.2.2.1 Reprioritisation

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.00m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental reprioritised funding	0.069	0.119	0.121	0.175	0.179
Total non-departmental other operating cost pressures	0	0	0	0	0

Reprioritised funding available as a result of: Reduction in internal travel					
Describe reprioritisation in further detail:					
VANZ will be required to continue with an annual reduction in local travel of 20 percent cost which will free up around \$38,000 per annum. A number of initiatives are in place including greater use of tele-conferencing with the Hamilton Office, strategic transfer of a small number of key Hamilton staff to Wellington and early booking of travel to incur lower fares.					
VANZ does not believe this will result in any adverse impact on output performance.					
	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental	0.047	0.047	0.047	0.047	0.047
Non-departmental	0	0	0	0	0

Reprioritised funding available as a result of: Reduction in Spend on Computers, Office Equipment and Furniture and Fittings					
Describe reprioritisation in further detail:					
VANZ is using a rolling replacement programme for computers office equipment and furniture and fittings, but on a longer life-cycle for furniture and fittings and office equipment.					
VANZ does not believe this will result in any adverse impact on output performance.					
	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental	0.022	0.040	0.040	0.056	0.060
Non-departmental	0	0	0	0	0

Reprioritised funding available as a result of: Reduction of spend on Publications and Stationery

Describe reprioritisation in further detail:

VANZ has carefully examined costs around publications and stationery and is looking to generate a 15% reduction in office stationery costs and publications from 2013/14

VANZ does not believe this will result in any adverse impact on output performance.

Value of available reprioritised funding	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0	0.022	0.022	0.022	0.022
Non-departmental	0	0	0	0	0

Reprioritised funding available as a result of: Reduction in the Purchase of Various Administration Services

Describe reprioritisation in further detail:

VANZ has carefully examined costs around the purchase of services such as rental of office equipment, water coolers, plants, off-site document storage costs, etc. The largest cost here is off-site storage where VANZ is looking to the new IT system to be delivered in 2013/14 that will cut down over time on hardcopy document storage costs. VANZ will progressively make savings in this area from 2013/14.

VANZ does not believe this will result in any adverse impact on output performance.

Value of available reprioritised funding	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0	0.010	0.012	0.050	0.050
Non-departmental	0	0	0	0	0

6.2.2.2 Third-party revenue

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental third-party revenue changes	0	0	0	0	0
Total non-departmental third-party revenue changes	0	0	0	0	0

6.2.2.3 Transfers from/to other votes

	\$m Increase/(Decrease)				
	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total transfers	0.225	0.278	0.278	0.278	0.278

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
From/to: From Vote Defence Force to Vote Veterans Affairs – Defence Force	0.225	0.278	0.278	0.278	0.278
Vote, appropriation name and type affected: Vote Veterans' Affairs – Defence Force, Departmental Output Expenses: Services and Payments to Veterans					

7.0 Savings Ideas

Cabinet has recently agreed to the funding of a number of significant military commemorations and these are currently being delivered. Cabinet further agreed on 1 October 2012, to a comprehensive veteran support package predicated around a modern replacement to the War Pension Act 1954. This will see a number of funded initiatives introduced progressively out to 1 July 2015 consistent with the new veteran legislation currently being drafted to be enacted from 1 July 2014.

VANZ does not propose or support a cut in either of these initiatives, however VANZ understands that should the global economic situation take a sharp turn for the worse then the Government may be forced to revisit funding decisions already made. To that end VANZ would identify the following options:

[6],[1]