Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By:	Australian Labor Party	Proposal No:	A016
Referred Date:	9/12/2014	Released Date:	23/03/2015

Proposal Title: **FAIR VICTIMS' COMPENSATION - REVERSE IMPACT OF RETROSPECTIVITY IN SCHEME**

Lead Agency: Justice

General Government Sector Impacts

	2014-15 $'000	2015-16 $'000	2016-17 $'000	2017-18 $'000	4 Year Total $'000
Expenses (ex. depreciation)	-	17,667	7,552	8,815	34,034
Depreciation					-
Less: Offsets		10,100			10,100
Revenue					-
Net Operating Result:	**-**	**(7,567)**	**(7,552)**	**(8,815)**	**(23,934)**
Capital Expenditure					-
Capital Offsets					-
Capital Expenditure:	**-**	**-**	**-**	**-**	**-**
Net Lending/(Borrowing)	**-**	**(7,567)**	**(7,552)**	**(8,815)**	**(23,934)**
Net Financial Liabilities:	**244,155**	**251,722**	**259,274**	**268,089**	

Total State Sector Impacts

Net Financial Liabilities:	**244,155**	**251,722**	**259,274**	**268,089**

Notes and costing assumptions used:

This policy proposes reversing the retrospective impact of reforms to victims' compensation arrangements. The reforms included transitional measures affecting applications for statutory compensation lodged before the reforms commenced.

An estimate of amounts payable were the policy proposals implemented would ordinarily be subject to current actuarial assessment using recent data. However, in the absence of such an assessment reference to past actuarial assessments can be used as the best available information.

The most recent actuarial forecast of the liability for applications under the old scheme provisions was $430 million, which was performed at July 2012. However, there is evidence of a significant discernible trend towards reductions in the required liability as more data becomes available. Applying this trend reduces the additional liability that would be recognised should the proposals be implemented.

Offsetting this reduction, an adjustment to increase the liability to 'current dollars' is required due to the impact of inflation. The liability of $430 million reflects the liability in 2012-2013 dollars. An increase for inflation to arrive at current 2014-15 amounts is required. This adjustment for inflation is standard practice across the forward estimates.

After all adjustments, and having regard to liability amounts already recognised, an additional $244 million in liability is required. This increases 2014-15 Net Financial Liabilities but does not impact the 2014-15 Net Operating Budget as the adjustment is recognised in 'Other Economic Flows', which does not affect the 'budget

Costing Assumptions Continued:

result'. Future years' Net Operating Result is impacted by an interest cost arising from unwinding of the discount to 2015 dollars.

Costs of implementing the proposals include $8.1 million in employee costs and $1.9 million other operating costs, most of which would be expected to be incurred in the 2015-16 year. In the absence of exact timing, all costs have been attributed to 2015-16. It is also assumed that the 2015-16 overall agency budget could absorb these costs.