



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition  
Date Referred: 13/03/2015

Proposal No: C057  
Date Published: 23/03/2015

Proposal Title: **VICTIMS COMPENSATION SCHEME**

Cluster: Justice

## General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)	4,764	15,142	7,552	8,815	36,273
Depreciation					-
Less: Offsets		7,575			7,575
Revenue					-
<b>Net Operating Result:</b>	<b>(4,764)</b>	<b>(7,567)</b>	<b>(7,552)</b>	<b>(8,815)</b>	<b>(28,698)</b>

Capital Expenditure					-
Capital Offsets					-
<b>Capital Expenditure:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Net Lending/(Borrowing)</b>	<b>(4,764)</b>	<b>(7,567)</b>	<b>(7,552)</b>	<b>(8,815)</b>	<b>(28,698)</b>
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<b>Net Financial Liabilities:</b>	<b>244,155</b>	<b>251,722</b>	<b>259,274</b>	<b>268,089</b>
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## Total State Sector Impacts

<b>Net Financial Liabilities:</b>	<b>244,155</b>	<b>251,722</b>	<b>259,274</b>	<b>268,089</b>
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## Notes and costing assumptions

The policy proposes to reverse the retrospective application of the *Victims Rights and Support Act 2013* and assess all claims arising up until the introduction of the new legislation under the former Victims Compensation Scheme from 1 April 2015.

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 applicants 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 2012-13 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 result'.

**Costing assumptions continued:**

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. One quarter of the costs are assumed to be incurred in 2014-15, with the remainder in 2015-16. It is assumed that 2015-16 costs could be absorbed in the agency budget.