



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
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Briefing for the Incoming Minister for ACC

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This document has been proactively released. Redactions made to the document have been made consistent with provisions of the Official Information Act 1982.

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1 Portfolio overview

1. As Minister for ACC, you are responsible for the accident compensation scheme and the overall performance of the Accident Compensation Corporation (ACC). The Ministry of Business, Innovation and Employment (MBIE) advises you on policy, the scheme's legislative framework, broader direction, and balancing scheme interests and the interests of clients, providers and levy payers.

The accident compensation scheme

2. New Zealand's accident compensation scheme (the scheme) is a key social and economic institution tasked with promoting injury prevention and providing rehabilitation and compensation entitlements to people who are injured so that they can return to normal life as quickly as possible.
3. There is broad buy-in from New Zealanders to the social contract that the scheme embodies. This social contract replaces civil actions for damages arising out of personal injury by accident, with a comprehensive no-fault scheme for people that are injured. The accident compensation regulatory system includes:
 - coverage of injuries
 - entitlements to compensation and the provision of treatment
 - decisions and review of decisions
 - management of the scheme and setting and collection of levies
 - management of injury-related information
 - the accredited employer regime.
4. The scheme is guided by five principles, which have endured over the scheme's 40 year history:
 - community responsibility: the community shoulders an individual's loss when their ability to contribute to the general welfare by their work is interrupted by injury
 - comprehensive entitlements: all injured people are entitled to a consistent level of assistance for a similar level of incapacity/need regardless of the causes which gave rise to their injury
 - complete rehabilitation: injured people should be supported to achieve timely physical and vocational recovery
 - real compensation: payment of income-related benefits for income losses for the period of incapacity and in recognition of permanent bodily impairment
 - administrative efficiency: all aspects of the scheme should be managed in a timely, consistent and economical way.
5. Overall the scheme is performing well, with increasing return on injury prevention investments, a robust financial position, high public and business trust and confidence, and low levels of disputes. However, there are some challenges, for instance around increasing claims volumes and the interface with the health and welfare systems.

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6. The Performance Improvement Framework (PIF) follow up review of ACC carried out in May 2017 suggests that there is scope for the scheme to better align financial and client goals, for example, by improving the impact of investments in prevention, treatment and rehabilitation in reducing the Outstanding Claims Liability.¹
7. To improve the way it deals with clients, service providers and business customers ACC is undertaking significant change through its Shaping Our Future strategy. ACC is investing in ways to use technology and data to improve clients' access to services as well as transforming organisational culture and redesigning case management practices to deliver better services. MBIE has an interest in the change programme from a regulatory stewardship perspective. The Treasury is ACC's performance monitor and provides advice to you on the Shaping Our Future strategy from a performance perspective.

The wider labour market and accident compensation

8. You are responsible for ACC appropriations that fall within Vote Labour Market (discussed in more detail below). The other appropriations within Vote Labour Market are the responsibilities of:
 - the Minister of Immigration
 - the Minister for Employment (previously the Minister for Tertiary Education, Skills and Employment)
 - the Minister for Workplace Relations and Safety.
9. Work is the main way that most people participate in and benefit from the success of a growing economy, and businesses need labour and skills to thrive. If we are to lift the economic and social wellbeing of New Zealanders through a growing economy, then more people can be employed or employed for longer hours, and we can improve the productivity of the workforce
10. New Zealand has one of the highest rates of labour force participation in the OECD. Overall our labour market is successful at providing employment. However, a significant minority of people would like to work more, and some groups have relatively low participation rates. There is a risk that people who fail to enter the labour market (e.g. young people not in employment, education or training) or become separated from it (e.g. people who have suffered injury or have health issues) will have poor long term outcomes.
11. New Zealand has been somewhat less successful at lifting productivity, with lower productivity than many OECD countries and small advanced countries that we compare ourselves to. Our workers have high overall skill levels, and relatively high levels of literacy, numeracy and problem solving skills. Around 62 percent of people are working in skilled occupations. However, there are high numbers of workers reporting a mismatch between their job and their skills/qualifications. At the same time, firms are reporting difficulties finding the skills they need, with higher levels of

¹ The Outstanding Claims Liability or OCL, is the amount of money required to cover the future costs of all accidents which have already occurred. In order to express this in today's terms, estimated future costs are discounted using a long-term interest rate – if this rate falls, the OCL increases. The liability informs the calculation of levy and appropriation requirements.

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migrant employment than previously. Some of this is a reflection of the nature of our economy, but there is undoubtedly an opportunity to make better use of labour and skills to raise productivity.

12. There has been growing concern internationally about inequality. Wage levels are relatively low in New Zealand, and nominal wage growth has remained relatively low since the GFC, although low rates of inflation have ensured real wage growth across the income distribution. Income inequality is above the OECD average, but has remained relatively flat since the mid-1990s. Nevertheless, some individuals and groups may have persistently low incomes, and poorer outcomes that may persist across generations.
13. Many government portfolios have been focusing on improving outcomes for these groups, especially improving education outcomes and labour market attachment for those most at risk. Many of these issues are complex, and require coordinated and concerted efforts across portfolios and agencies.
14. While economic forecasts suggest that the medium term economic outlook is positive, the government needs to consider the challenges and opportunities from a set of “global megatrends” that are already transforming the nature of work and workplaces – technological change, globalisation, demographics and climate change.
15. Much has been written about these megatrends, but no-one can be sure what impact they will have. There has not been much evidence of significant change in New Zealand yet, but it cannot be assumed that this will remain the case. In the longer term, participation rates may start to fall as the population ages. There may be challenges keeping lower skilled workers in the labour market if jobs continue to become more skilled, and people may need to retrain or more regularly upskill for jobs that change more rapidly than in the past. It is important to ensure that labour market systems are designed in a way that they can cope with potential changes, and that people acquire the sorts of skills that will stand them in good stead whatever the future brings.
16. It is also important to focus on the positive opportunities that these trends may offer. MBIE has been working in partnership with sectors, regions and cities to jointly address their labour and skill needs in a way that provides opportunities for local workers and raises productivity. Many of the solutions will be at a system level and require buy-in from a range of stakeholders, not just government.
17. The big challenges and opportunities across the portfolios of Vote Labour Market are:
 - Ensuring that labour market settings facilitate a growing, more innovative and productive economy, which workers benefit from through rising wages
 - Keeping overall labour force participation high, and increasing it for people who want more work, and for those who struggle to attach to the labour market
 - Ensuring employment standards are met, including for migrants at risk of exploitation, and addressing employment practices intended to circumvent employment standards
 - Reducing inequalities in employment outcomes for different groups, with a key focus on

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closing the gender pay gap

- Addressing skill mismatches and skill shortages, by getting the education and training, immigration and welfare systems working together effectively
- Ensuring that the employment and work health and safety regulatory frameworks adapt to technological and demographic changes, while continuing to support business innovation and productivity
- Ensuring that workers have the skills they will need into the future
- Working with sectors, regions and cities to develop agreed and sustainable solutions to labour and skill needs.

18. A well-functioning market means better return-to-work outcomes for injured New Zealanders who may often have more limited opportunities and can face ongoing challenges to maintain their connection to the labour market. Also, the risks of injuries may be correlated to changes in the nature of jobs and levels of skills. It is important to ensure that the labour market context is taken into account in the stewardship of the scheme.

19. To achieve good outcomes, it is important to ensure that rehabilitation provided by the scheme complements other labour market interventions. Effective injury prevention and return to work rates are critical to achieving a high performing labour market.

Scheme funding

20. The scheme is funded through a combination of levies and government appropriations. ACC manages its funding under five separate Accounts which relate to where and how injuries occurred:

- The Work, Earners' and Motor Vehicle Accounts are funded through levies
- The Non-Earners' Account is funded from government appropriations, set via the Budget process
- The Treatment Injury Account is funded from contributions from the Earners' and Non-Earners' Accounts.

21. Table 1 outlines who contributes to each of the Accounts and the cover provided.

Table 1 – ACC Accounts

Account	Who funds it	What is covered	Amount funded for ACC in 2016/17
Work Account	Levies from Employers: based on wages paid to staff Levies from Self-employed: based on income earned	Work related injuries	\$791m
Earners' Account	Levies from Employees: levy based on income earned Levies from Self-employed: levy	Non-work injuries to people in employment	\$1397m

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Account	Who funds it	What is covered	Amount funded for ACC in 2016/17
	based on income earned		
Motor Vehicle Account	Levies from Vehicle owners: funded through petrol use and motor vehicle licensing fees	Injuries that involve motor vehicles on public roads	\$552m
Non-Earners' Account	Government appropriations, reviewed as part of the Budget process	Injuries to people not in employment (e.g. children, retired people), excluding Motor Vehicle Account injuries	\$1088m
Treatment Injury Account	Contributions from the Earners' and Non-Earners' Accounts	Medical treatment related injuries	\$278m

Funding the levied Accounts

22. Levy rate consultation and decisions take place once every two years. The 2016 levy round was the first biennial levy round, so the next levy consultation is due to commence in the latter part of 2018.
23. Since 1999 the levied Accounts have been operated on a fully funded basis. This means that ACC collects enough money during each levy year to cover the full lifetime costs of every claim that occurs in that year.
24. ACC is required to publicly consult on and recommend levies in line with a funding policy set by the Government based on legislated financial responsibility principles. The funding policy establishes the timing over which funding is provided to maintain a target level of assets to cover claims liabilities and avoid large changes in levy rates over time.
25. The latest government funding policy statement was issued in May 2016 and sets a funding target for the levied Accounts of 105% of reported liabilities over a 10 year period.
26. MBIE's role as your policy advisor on the scheme includes providing you with independent advice on funding policy and ACC's proposed levy rates and levy-related policy proposals. MBIE reviews ACC's application of the funding policy and considers whether the recommended rates are consistent with it. MBIE also seeks independent actuarial advice on the assumptions underlying ACC's costings and application of the funding policy.
27. As Minister for ACC you must consider ACC's levy rate recommendations but you have discretion to recommend levy rates for Cabinet's consideration that balance other matters of public interest. Responsibility for setting levy rates to achieve fully funded Accounts lies with the government of the day.

The Motor Vehicle Account

28. The levy that is charged to vehicle owners through the motor vehicle licensing fee is set based on a Vehicle Risk Rating model (VRR), which is provided for in regulation. VRR assigns vehicles to levy

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bands according to their make, model and year. The difference in levy rates across bands is small (currently between band 1 and 4 the difference is \$62 a year) and is unlikely to provide an injury prevention outcome. Consideration could be given to the structure of motor vehicle levies at the next levy setting round in 2018.

Non-Earners' appropriation and funding policy

29. The Non-Earners' appropriations provide legislated entitlements for people who are not working that are injured – funding around 880,000 claims per year, mostly from children and retirees. The appropriations also fund a portion of the ACC Treatment Injury Account to cover injury costs for non-earners arising from medical treatment (e.g. new-borns injured during delivery).
30. Since July 2001 non-earners' injury claims have also been funded on a fully funded basis, according to a funding target of 88% of reported liabilities.² Unlike the levied Accounts, the Non-Earners' Account (NEA) is not legally required to be fully funded, but doing so makes visible the true cost of services for injuries that extend over multiple years, ensures costs are funded at the time they occur rather than by future generations (offsetting cost pressure from an aging population), and signals Government commitment to the scheme.
31. You will be required to submit any baseline funding requests for non-earners' claims alongside other Budget bids in December 2017 as part of the Budget cycle.

Scheme trends

32. This section provides a high level overview of scheme trends over time.

Claim rates and entitlement claims trends

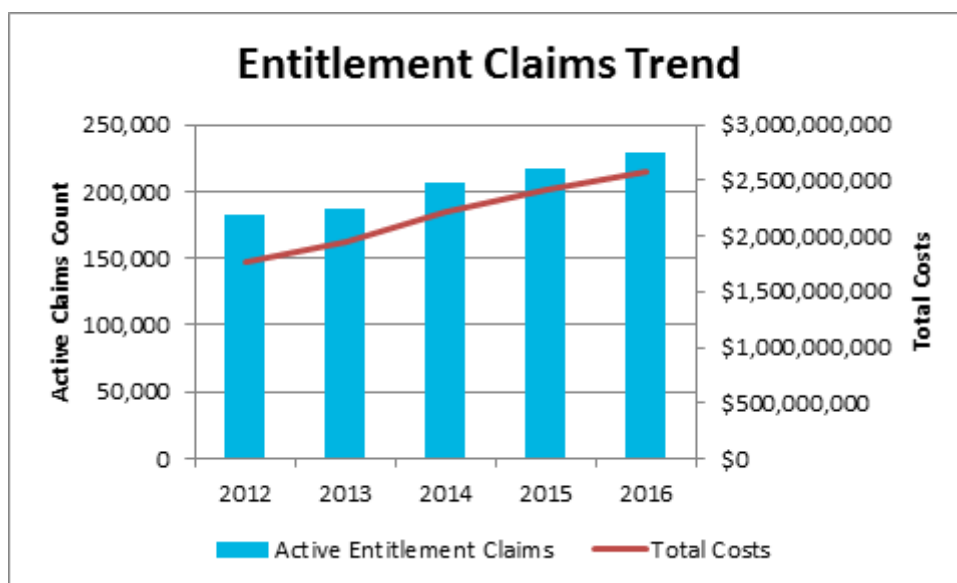
33. From July 2016-June 2017, there were 2,277,369 active ACC claims, of which 1,782,841 were new claims. Of the 2,277,369 active claims, 229,475 (10.08 percent) were entitlement claims.³
34. From 2012 to 2016, the number of new claims has increased at a slightly faster pace than population growth. Most claims are for treatment only. Claims involving entitlements in addition to treatment tend to be more costly and have also increased slightly as a proportion of all new claims. Figure 1 below illustrates the current entitlement trends.

Figure 1: Entitlement claims trends

² The NEA full funding target is to cover the expected cost of claims at a 50% probability of sufficiency. This contrasts with the levied Accounts' funding target for assets to cover 105% of the expected cost of claims at a 75% probability of sufficiency.

³ Entitlements are claims additional to treatment claims, such as weekly compensation.

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Return to work trends

35. The scheme has performed reasonably well at supporting durable return to work or independence but these outcomes are expected to face pressure from broader labour market trends. Early return to work is a key factor in longer-term positive outcomes. Return to work post injury is influenced by a number of personal factors including, for example, type and severity of injury, age, pre-injury health, employment history as well as the state of the job market. It is also influenced by firm characteristics such as size or capacity of a firm.
36. One of the key predictors of a faster return to work is retaining a connection to pre-injury employment. Recent decreases in return to work rates may reflect trends in the wider labour market, for example, fluctuations in job security. However, over the longer term, ACC has performed well when compared to other jurisdictions such as Australian workers' compensation schemes.

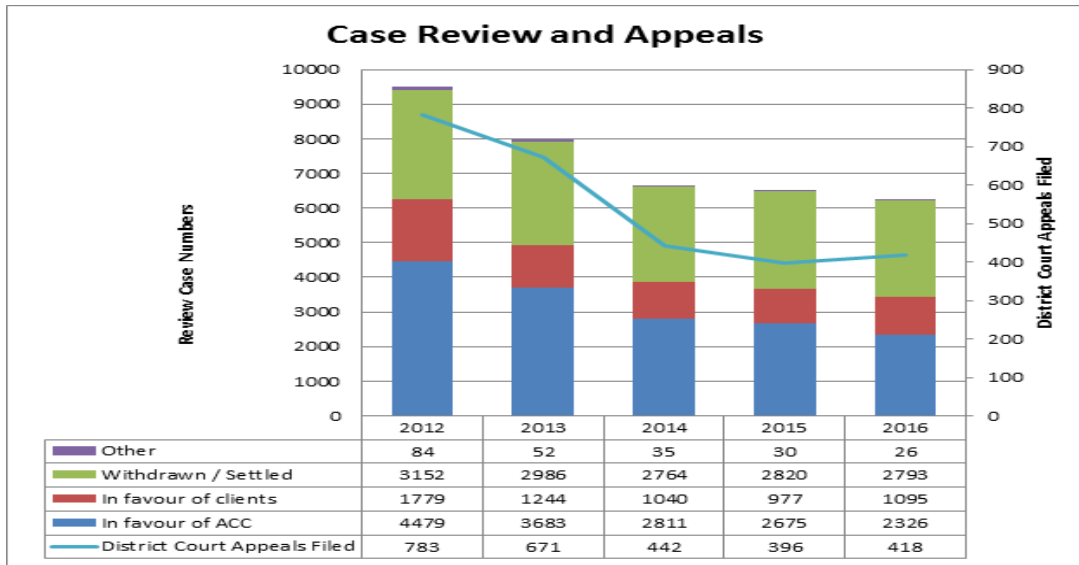
Dispute resolution trends

37. It is important that people who wish to challenge ACC decisions have access to fair, effective and timely processes. ACC has put significant effort into early dispute resolution with the introduction of programmes aimed at resolving disputes before they go to a review hearing. Agencies have worked together to implement the recommendations from the independent review by Miriam Dean QC of the Acclaim Otago report into accident compensation dispute resolution processes.⁴ As illustrated in Figure 2, review numbers and the number of district court appeals have been decreasing since 2012.

⁴ In December 2015, the Minister for ACC asked MBIE to commission an independent review of advocacy group Acclaim Otago's report into Accident Compensation Dispute Resolution Processes.

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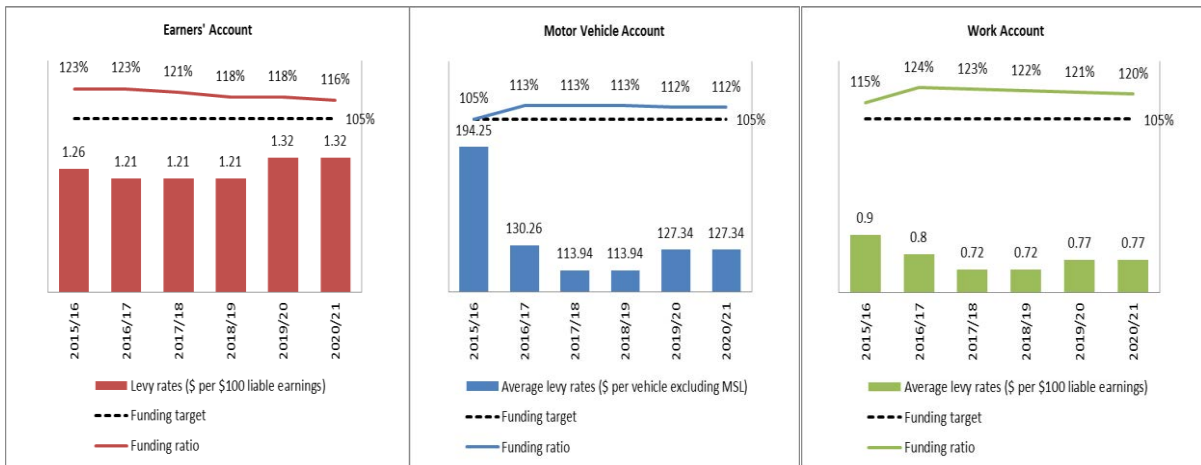
Figure 2: Dispute resolution trends



Scheme funding

38. Over time the scheme’s liability has tended to increase. This is partly driven by population increases, inflation, cost of claims increases and also claims management performance. These factors are also offset by the levy exposure base which is the size of the payroll and motor vehicle numbers. This has reduced pressure on levy rates. Figure 3 below illustrates the current and predicted levy rates in the levied Accounts.

Figure 3: Recent, current and projected levy rates and funding ratios for the levied accounts



39. The appropriations for funding non-earners’ claims have increased over time due to similar factors as the levied Accounts. It is expected to come under increased funding pressure over time with the aging population. The appropriations are set out in table 2 below, broken down by the fully funded component, the pre-2001 pay-as-you-go component, and the contribution to the Treatment Injury Account for non-earners’ claims.

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Table 2: Breakdown of Vote Labour Market Appropriations for Non Earners' Account (\$M)

	Post 2001 fully funded claims*	Pre 2001 pay-as-you-go claims	Treatment injury claims	Total
2016/17	\$964m	\$125m	\$143m	\$1,232m
2017/18	\$1066m	\$130m	\$158m	\$1,354m
2018/19	\$1138m	\$143m	\$176m	\$1,457m
2019/20	\$1135m	\$141m	\$176m	\$1,452m
2020/21	\$1133m	\$143m	\$176m	\$1,452m

*Note that the care and support workers' pay equity settlement agreement appropriation is included in this component. A portion of this appropriation relates to treatment injury claims.

2 Portfolio responsibilities

40. This section outlines your key responsibilities as Minister for ACC.

The role of the Minister for ACC

41. The Minister for ACC is responsible for the strategic policy framework, legislation and regulations which give shape to the scheme.
42. Specific responsibilities of the Minister for ACC include:
- developing proposals to improve the policy framework of the scheme, as set out in the Accident Compensation Act 2001 (AC Act) and related regulations. MBIE assists in administering the AC Act and is the lead adviser on policy, legislative and regulatory change
 - undertaking consultation with the public or specific stakeholders before making regulations, depending on the nature of the regulations being considered. In most cases MBIE is the appropriate agency to undertake this consultation on behalf of the Minister (e.g. on the levy framework). In some instances, however, the legislation requires ACC to consult (e.g. on levy rates)
 - considering recommendations on levy rates to fund the Work, Earners' and Motor Vehicle Accounts, and making recommendations to Cabinet for their implementation by regulation
 - monitoring of ACC's performance with the Minister of Finance
 - making recommendations on Budget appropriations to fund the Non-Earners' Account, which are implemented through the annual Budget processes. MBIE is responsible for administering the appropriations, and advising the Minister for ACC on the appropriateness of ACC's estimation of required appropriations and on funding and Budget options.

The role of the Associate Minister for ACC

43. In recent administrations it has been common for the Associate Minister for ACC to be delegated responsibility for:
- all matters in respect of ACC operations relating to individual client concerns.
44. Other delegations have included:
- oversight of the response to the Independent Review by Miriam Dean of the Acclaim Otago Report into Accident Compensation
 - matters requiring Ministerial attention in relation to the processing and management of sensitive claims by ACC.

Ministerial responsibilities under the Crown Entities Act 2004 and Public Finance Act 1989

45. ACC is a Crown Agent, governed by the AC Act and the Crown Entities Act 2004.⁵ The Minister for ACC has responsibilities under the Crown Entities Act 2004 for the overall performance of ACC. The Minister for ACC exercises this responsibility through the relationship with the ACC Board and, in particular, the Chair of the Board.
46. Specific Ministerial responsibilities include such functions as providing the Letter of Expectations to the Board, monitoring ACC's financial and non-financial performance against key performance measures and targets set out in the Statement of Intent and the Service Agreement, and making appointments to the ACC Board.

Accountability Processes

47. Statutory Crown entities work to three sets of expectations. The Treasury assists you in preparing the second and the third:
1. the Enduring Letter of Expectations from the Ministers of Finance and State Services
 2. Ministerial expectations set forth in an annual letter to the ACC Board Chair, to inform entities' strategic direction and priorities for the coming year
 3. operating expectations, which guide engagement between the statutory entity, its responsible Minister and the monitoring department.
48. The ACC Board responds to the setting of expectations through its Statement of Intent (setting out the strategic direction for up to four years) and its annual Statement of Performance Expectations (referred to as the Service Agreement for ACC). The most recent Letter of Expectations was sent to the ACC Board chair in November 2016. ACC is required to produce an updated Statement of Intent this financial year, due prior to May 2018.
49. You may wish to:
- invite the Board to provide advice on its proposed strategy and priorities before these are included in a draft Statement of Intent or Service Agreement, and/or
 - provide written comments, or enter into discussions with the Board, on draft Statements of Intent or Service Agreements prior to being finalised.
50. ACC reports to you on performance on a quarterly basis with respect to targets set in the annual Service Agreement. The 2017/18 Service Agreement, concerning the quality and quantity of services purchased or provided by ACC, was signed by the Minister for ACC and the ACC Board Chair in June 2017.
51. The State Services Commission provides further advice on the accountability process⁶ and a schedule of Treasury's standard reports is also provided in Annex 5.

⁵ Other particularly relevant legislation includes the Public Finance Act 1989, and the State Sector Act 1988.

⁶ <http://www.ssc.govt.nz/cegd3c>

3 Major links with other portfolios

52. ACC has links with many other ministerial portfolios and it is important to consider the impact of the scheme and how it works in the broader context of the economy and the government's finances. The scheme has a number of boundary interactions with the health and welfare systems, and some of ACC's clients will cross and overlap with these boundaries at the same time as, or following access to, services and entitlements under the scheme.

Workplace relations and safety

53. The Health and Safety at Work Act requires the Minister for Workplace Relations and Safety to make reasonable efforts to publish a Health and Safety at Work Strategy (the Strategy) by April 2018. The Strategy will set out the Government's overall direction in improving the health and safety of workers, and identify any significant issues relating to the capacity or capability in the work health and safety system and any plan for addressing those issues.
54. The strategy is being developed jointly by MBIE and WorkSafe. The development process involves consultation with stakeholders and with regulatory agencies (currently the Civil Aviation Authority, New Zealand Police, New Zealand Transport Agency, Maritime New Zealand, Environmental Protection Authority, local authorities, New Zealand Fire Service, medical officers of health, Ministry of Health and ACC).
55. ACC is an important participant in the Health and Safety system through its injury prevention work. The joint WorkSafe and ACC Harm Reduction Action Plan is a recent example of collaboration between WorkSafe and ACC. The Strategy must take into account ACC's injury prevention priorities and is an opportunity to ensure that collaboration between ACC and WorkSafe continues to work well.

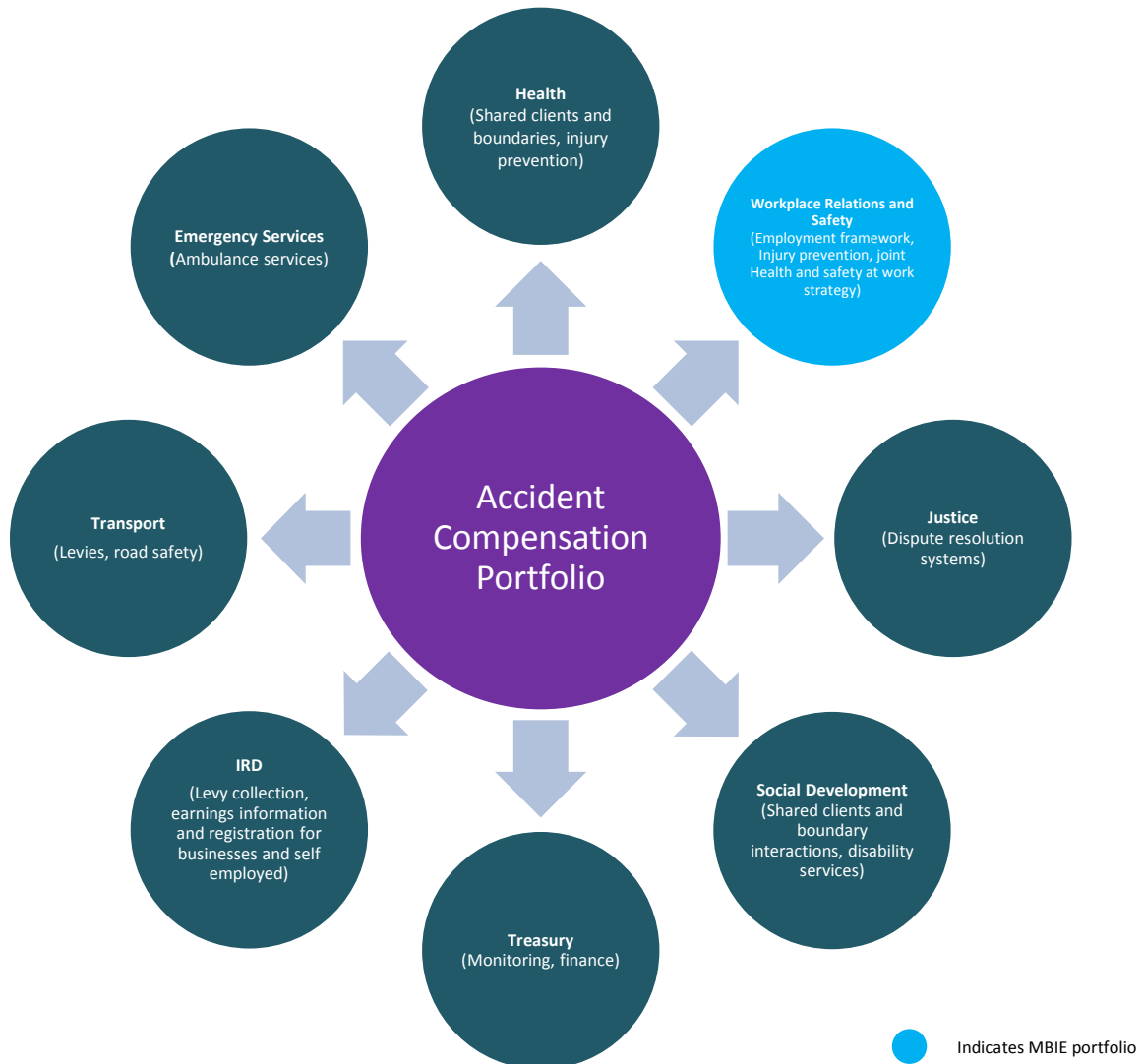
Interface with the health and disability sector

56. ACC shares a large number of clients and also has a number of boundary interactions with the health and disability sector as well as the wider welfare system. As New Zealand experiences demographic change (for example, as the population ages and the incidence of diseases such as diabetes rise), co-morbidities are likely to put further pressure on the interface between health and ACC requiring a system-wide approach to manage care and cost allocation.
57. ACC and health sector agencies are working together to reduce the incidence and severity of patient injuries, such as injuries from falls while in care and treatment. The success of these initiatives should improve patient outcomes and reduce costs over the medium-long term. MBIE also advises on funding choices and high level policy settings and objectives such as treatment service purchasing and ambulance services.
58. An important consideration for the scheme is how decisions made in the health portfolio may also impact on ACC (and vice versa given ACC's significant purchasing power in the market); for example, the recently negotiated care and support worker settlement applied to ACC residential care and home help services for long term injuries. The costs were factored into the appropriations

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for the NEA at Budget 2017 but they have not been taken into account for the 2017/18 and 2018/19 levy rates decided in December 2016. The pay equity costs will be taken into account at the next levy round. The most significant impacts will be on the Motor Vehicle Account because of the higher proportion of long term serious injury claims that can involve lifetime support (including from the care and support workforce).




59. Other links are set out in the following diagram:



4 How MBIE assists you

60. Responsibility for providing advice on the scheme sits within the Ministry’s Labour and Immigration Policy branch. Key contacts are set out in the table below:

Key MBIE officials

Contact	Role	Priority Area	Contact details
<p>Carolyn Tremain</p> 	<p>Chief Executive, Ministry of Business, Innovation and Employment</p>	<p>All</p>	<p>E Carolyn.Tremain@mbie.govt.nz P 04 901 1357 MS 9(2)(a)</p>
<p>Paul Stocks</p> 	<p>Deputy Chief Executive, Labour, Science and Enterprise</p>	<p>The Labour, Science and Enterprise Group works with people, businesses, regions, and the science, innovation and education systems to help the country and New Zealanders to be successful.</p>	<p>E Paul.Stocks@mbie.govt.nz MS 9(2)(a)</p>
<p>Ruth Isaac</p> 	<p>General Manager, Labour and Immigration Policy, Labour, Science and Enterprise</p>	<p>The Labour and Immigration Policy Branch provides policy and regulatory advice in relation to employment relations and standards, work health and safety, accident compensation, immigration, and skills and employment.</p>	<p>E Ruth.Isaac@mbie.govt.nz P 04 901 3883 MS 9(2)(a)</p>

The role of MBIE

61. MBIE is responsible for advising the Minister for ACC on matters relating to the scheme including broader scheme direction and performance as well as the legislation and regulations governing the scheme. MBIE also administers the appropriation for the Crown funded Non-Earners’ Account and

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provides you with advice on the setting of levy rates including the engagement of independent actuarial review of the levy proposals.

MBIE's regulatory stewardship role

62. MBIE is the steward of 16 regulatory systems, including the accident compensation regulatory system, and the other regulatory systems in Vote Labour Market (immigration, employment relations and standards, and health and safety at work).
63. MBIE has developed a programme of work to meet its regulatory stewardship obligations. The work includes periodic assessments of each MBIE regulatory system, to help ensure that MBIE has a good understanding of its fitness for purpose even where a major policy review hasn't recently been undertaken. It also includes the development of regulatory charters for many MBIE systems, so that the roles and responsibilities of the various participants in each system are clear.
64. In 2015, the Government asked seven of the main regulatory departments to publish regulatory management strategies outlining the current state of the regulation each department is responsible for, and the department's plans for amendments to regulation and new regulation. MBIE's first Regulatory Management Strategy was published in August 2016. It describes MBIE's regulatory stewardship programme in more detail. The strategy is updated each year.⁷
65. MBIE's Regulatory Stewardship Strategy 2017-2018, concluded that, overall the accident compensation regulatory system is performing well, but identified that changes in operating context, including technological developments and emphasis on better customer service and cross-government collaboration, present new challenges and opportunities for the scheme and its administration. Changes that are blurring the boundaries of the scheme (e.g. increasing co-morbidity with an ageing population) will also raise questions about the fitness for purpose of some current settings. Improvements to the system may be worth considering to address these issues.

The role of ACC

66. ACC is responsible for operating the scheme, focusing on effective delivery of injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand, including overseas visitors.
67. The division of responsibility between MBIE and ACC reflects ACC's status as a Crown Agent and allows ACC to focus on the effective and efficient delivery of the scheme. ACC has also prepared a briefing for you that provides further information on their role and how they support you as Minister for ACC.
68. MBIE and ACC have a close working relationship in order to ensure the scheme operates effectively.

⁷ <http://www.mbie.govt.nz/publications-research/publications/regulatory-systems-programme/regulatory-stewardship-strategy-2017-18.pdf>

The role of Treasury

69. Treasury is the Crown's monitor of ACC performance. Treasury provides support to the Minister for ACC through Governance and Performance advice on ACC as well as supporting the Board appointment and evaluation process. Treasury also supports the Minister of Finance directly with advice for Crown Financial Institutions, of which ACC's investment function is one, and policy and fiscal advice.
70. The ACC Board is the primary monitor of ACC performance and Treasury employs the 'It Takes Three' operating expectations for statutory crown entities⁸ in delivering its monitoring responsibility. There are multiple Treasury roles concerning ACC and, through the Health & ACC Team who are the relationship coordinators, Treasury aims to provide a consistent presence to Ministers.
71. The Minister of Finance has tended to have a strong interest in ACC from both a performance and financial perspective. ACC has a significant impact on the Crown balance sheet and it is often commented on at Economic Fiscal Updates and has the potential to affect fiscal targets.

⁸ <http://www.ssc.govt.nz/it-takes-three-operating-expectations-framework>

5 Immediate priorities and upcoming decisions

72. This section provides an overview of some of the key upcoming actions and decisions you will need to make, as well as some of the specific workstreams that are currently underway. We will seek direction from you on your priorities and any next steps for other matters on our work programme.

Key upcoming decisions and appointments

Topic	Description	Driver	Timing
Things that are going to happen			
Non-Earners' Account Budget bid	The Non-Earners' appropriations provide legislated entitlements for people who are not working that are injured including a portion of the ACC Treatment Injury Account to cover injury costs for non-earners arising from medical treatment. You are required to submit any baseline funding requests for non-earners' claims alongside other Budget bids in December 2017 as part of Budget 2018. MBIE, Treasury and ACC are preparing the non-earners' appropriations bid for mid-November.	Budget	Engage with officials at your earliest convenience
Annual review of the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003	The Cost of Treatment Regulations set regulated subsidies for treatment providers to enable claimants financial access to treatment. ACC is required to review the rates in the Cost of Treatment Regulations and the Hearing Loss Regulations annually to consider whether contributions are enabling access. ACC will provide advice to the Minister for ACC's office with the recommendation for the 2017 review by 1 December 2017. MBIE will then begin the process to update the regulations including providing you with a draft Cabinet paper and Regulatory Impact Statement in the new year.	Statutory requirement	December 2017
Dispute resolution	Last year MBIE commissioned an Independent Review by Miriam Dean QC into Acclaim Otago Ltd's report into accident compensation dispute resolution processes (Independent Review). In September 2016 a government response to the recommendations outlined in the Independent Review's report was released. The majority of the recommendations in the Independent Review's report concern operational processes related to ACC and FairWay. ⁹ However there are also recommendations that are being led by the	Cross-agency report back	A progress report will be provided to your office in November 2017 or sooner depending on your priorities

⁹ FairWay Resolution Ltd is contracted by ACC to conduct independent statutory reviews. At the time of the Independent review, FairWay was a Crown Company.

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Topic	Description	Driver	Timing
	Ministry of Justice, the Treasury and MBIE. MBIE also has a coordination and reporting role on progress against the report's recommendations.		
<i>Treasury responsibilities</i>			
Report back on progress of Transformation Programme	Report back on progress ACC has made on the transformation programme.	Cabinet report back	Early 2018
Annual Letter of Expectations	The Ministerial Letter of Expectations sets out key expectations such as performance targets, government and ministerial priorities. There is no defined timeframe and a letter remains in force until it is updated. However, the ACC Board generally holds a strategy day in November each year and setting expectations prior to this is an effective way to engage the Board.	Statutory requirement	Engage with monitoring officials at your earliest convenience on a draft letter
Board Appointments	Treasury will provide a summary briefing on recent and upcoming Board appointment processes.	Statutory requirement	Treasury officials will coordinate with your office on the timing for this
Monitoring update on ACC	Treasury works closely with ACC's finance function to understand performance and works across the executive to understand ACC's operational delivery and risk management. A briefing will be provided on ACC performance and timing will be coordinated with your office.	Agency briefing on proposed options	Engage with monitoring officials at your earliest convenience

Topic	Description	Driver	Timing
Things currently scheduled to happen			
Regulatory Systems Bill (2)	Regulatory Systems Bills (RSB) are omnibus bills that provide a vehicle for regular technical improvements to legislation. They are intended to maintain the effectiveness and efficiency of regulatory systems and can include policy changes that involve continuous improvement of, or repairs and maintenance to, regulatory systems, but not significant policy changes. There are five amendments to the AC Act included in the upcoming RSB (2): <ul style="list-style-type: none"> • Removing the election requirement between weekly compensation and superannuation for people first injured near, at or past New Zealand Superannuation Qualification Age • Removing the election requirement between surviving spouse weekly compensation and superannuation • Moving to a biennial review of the cost of treatment regulations 	Cabinet report back	Approval is scheduled to be sought to release the RSB as an exposure draft in December 2017

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	<ul style="list-style-type: none"> Improving the workability of biennial levy rounds by allowing for automatic indexation of maximum and minimum liable earnings Disestablishing the historic Accident Compensation Appeal Authority 		
Registered Health Professionals	<p>Injuries caused by registered health professionals (RHPs) during treatment are subject to the treatment injury provisions under the AC Act. A patient who suffers an injury caused by a registered health professional as defined under the AC Act is eligible for ACC treatment injury cover.</p> <p>MBIE released a discussion document in April 2017 proposing to move the definitions of RHPs to regulations and also proposed updating the definitions of RHP to align with the health practitioner groups regulated under the Health Practitioner Competence Assurance Act as authorised by the Injury Prevention, Rehabilitation, and Compensation Amendment Act (No 2) 2005.</p>	Agency briefing on proposed options	Work on the RHP proposal is continuing and if you agree, we will provide you with further advice to inform a draft Cabinet paper and Regulatory Impact Statement for final recommendations before the end of 2017 or early 2018
Treatment Providers	<p>Treatment providers can provide and be paid for treatment to ACC claimants. When consultation on the Registered Health Professionals proposal was carried out, MBIE also consulted on adding pharmacists as a health occupational group included in the definition of treatment provider, to allow pharmacists to be paid directly by ACC for treatment they provide to claimants.</p> <p>Following consultation the proposal to add pharmacists to the definition of treatment provider was deferred to allow for further work on developing regulations to set payment rates.</p>	Agency briefing on proposed options	ACC is undertaking further work on the development of regulations as part of the annual review of Cost of Treatment Regulations, to be reported to you by December 2017

Topic	Description	Driver	Timing
Things to be aware of			
S 9(2)(f)(iv)	[Redacted]	[Redacted]	[Redacted]
S 9(2)(f)(iv)	[Redacted]	[Redacted]	[Redacted]

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Topic	Description	Driver	Timing
	<p>S 9(2)(f)(iv)</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		
Full review of the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003	<p>During the 2016 annual review of the Cost of Treatment Regulations public consultation was carried out. Submissions received said that the Cost of Treatment Regulations are inflexible, do not allow for modern health workforce practices, and do not allow for innovative methods of health care.</p> <p>In response to this feedback, MBIE is undertaking a full review of the Cost of Treatment Regulations. A full review is intended to update and modernise the Cost of Treatment Regulations to ensure they provide access, improve quality treatment, and support modern health workforce practices.</p>	Agency briefing on proposed options	MBIE will provide you with advice and seek direction for a draft Cabinet paper on the outcome of the substantive review and any regulatory proposals in early 2018
Review of Accident Compensation (Review Costs and Appeals) Regulations 2002	<p>The independent review undertaken by Miriam Dean QC recommended that the maximum rates of reimbursement for costs be ‘increased – and by more than just inflation to ensure claimants receive a meaningful contribution to review costs’.</p> <p>Work is underway on a more substantive review of the regulations. The substantive review will look at whether there are alternative regulatory structures which will support more cost-effective, flexible and targeted assistance to clients, especially in the more difficult cases.</p>	Agency briefing on proposed options	MBIE will provide you with advice and seek direction for a draft Cabinet paper on the outcome of the substantive review and any regulatory proposals in early 2018
Evaluation of the Accredited Employer Programme	MBIE is planning an evaluation of the Accredited Employer Programme to better understand its performance against policy intent to incentivise AEP employers to prevent injuries and effectively rehabilitate people back to work.	Agency briefing on proposed options	MBIE will update you as this work progresses

Annex 1: Relevant legislation and regulations

Accident Compensation Act 2001

The purpose of the AC Act is to enhance the public good and reinforce the social contract represented by the scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals, minimising both the overall incidence of injury in the community, and the impact of injury on the community (including economic, social, and personal costs), through—

- establishing as a primary function of the Corporation the promotion of measures to reduce the incidence and severity of personal injury
- providing for a framework for the collection, co-ordination, and analysis of injury-related information
- ensuring that, where injuries occur, the Corporation's primary focus should be on rehabilitation with the goal of achieving an appropriate quality of life through the provision of entitlements that restores to the maximum practicable extent a claimant's health, independence, and participation
- ensuring that during their rehabilitation claimants receive fair compensation for loss from injury, including fair determination of weekly compensation and, where appropriate, lump sums for permanent impairment
- ensuring positive claimant interactions with the Corporation through the development and operation of a Code of ACC Claimants' Rights
- ensuring that persons who suffered personal injuries before the commencement of the AC Act continue to receive entitlements where appropriate.

Under section 166B of the AC Act the Minister must issue a funding policy statement.

Regulations made under the Accident Compensation Act 2001

Regulation	Description
<i>Accident Compensation (Apportioning Entitlements for Hearing loss) Regulations 2010</i>	Sets out ACC payments to claimants for hearing devices, assessments, repairs and fittings.
<i>Accident Compensation (Earnings' Levy) Regulations 2014</i>	Details the ACC levy to be paid by workers.
<i>Accident Compensation (Experience Rating) Regulations 2014</i>	Provides for an experience rating system for businesses based on ACC claims made by a business, which may result in an increase or decrease in the Work Account levy paid by that business.
<i>Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003</i>	Sets out payments to be made for treatment to health providers such as GPs and physiotherapists on behalf of claimants.

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Regulation	Description
<i>Accident Compensation (Motor Vehicle Account Levies) Regulations 2013</i>	Details ACC levy to be paid by motorists including motorcyclists.
<i>Accident Compensation (Work Account Levies) Regulations 2014</i>	Details the ACC levy to be paid by businesses.
<i>Accident Compensation (Ancillary Services) Regulations 2002</i>	Sets out payments and payment conditions for services ancillary to treatment such as transport and pharmaceuticals.
<i>IPRC (Applications to Determine Previous and Subsequent Injury Entitlements) Regulations 2003</i>	Provides for disputes between ACC and a private insurer over who is liable for payment of entitlements for a subsequent injury (an injury that occurs as a result of a previous injury) to be heard in the District Court. These regulations remain from the period where the scheme was open to competition.
<i>IPRC (Code of ACC Claimants' Rights) Notice 2002</i>	Approves the ACC Code of Claimant' Rights. The Code sets out the service level a claimant should expect from ACC.
<i>IPRC (Indexation) Regulations 2002</i>	Details a method of calculating inflation increases for a range of entitlements.
<i>IPRC (Interest Rate for Late Payment of Levies) Regulations 2002</i>	Provides for a method of calculating interest for the late payment of any levy.
<i>IPRC (Lump Sum and Independence Allowance) Regulations 2002</i>	Details a method for assessing eligibility for a lump sum or independence allowance. Also includes a scale for the payment of lump sums.
<i>IPRC (Occupational Diseases) Order 2007</i>	Adds additional diseases to Schedule 2 of the AC Act. Schedule 2 sets out the diseases that are considered to be likely to be work-related and therefore eligible for accident compensation entitlements as a work-related gradual process disease or infection.
<i>IPRC (Public Health Acute Services) Regulations 2002</i>	Defines public health acute services for the purpose of calculating the payment to be made to the Crown by ACC for treatment of claimants in the public health system.
<i>IPRC (Refund of Fuel Levy) Regulations 2003</i>	Sets out a process for claiming a refund on payment of the ACC levy on petrol where the petrol is used for specified purposes. A refund rate is specified.
<i>IPRC (Review Costs and Appeals) Regulations 2002</i>	Provides for the award to the applicant of legal costs and other expenses on review and the rules for appeal to the District Court.
<i>Accident Insurance ("Counsellor") Regulations 1999</i>	Prescribes the organisations a "counsellor" must belong to before ACC will pay for treatment of a claimant by that counsellor.
<i>Accident Insurance (Insurer Returns) Regulations 1999</i>	Provides for private insurers to make statistical returns for the period of accident compensation competition.

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Regulation	Description
<i>Accident Insurance (Interest on Crown Advances) Regulations 1999</i>	Prescribes the way interest is to be paid on Crown advances to the Insolvent Insurers Fund and the Non-Compliers Fund under the Accident Insurance Act 1998.
<i>Accident Insurance (Occupational Hearing Assessment Procedures) Regulations 1999</i>	Details procedures for conducting hearing loss assessments and the degree of hearing loss to be attributed to old age (presbycusis).
<i>Accident Insurance (Prescribed Rate of Interest) Regulations 1999</i>	Prescribes the rate of interest applicable to debts due under various sections of the Accident Insurance Act 1998.
<i>Framework for Accredited Employers Programme</i>	Sets out the provisions required to be met to be part of the Accredited Employers Programme. There are a range of programmes offered from full self-cover to partial self-cover.

Crown Entities Act 2004

The purpose of the Crown Entities Act is to provide a consistent framework for the establishment, governance, and operation of Crown entities and to clarify accountability relationships between Crown entities, their board members, their responsible Ministers on behalf of the Crown, and the House of Representatives.

Relevant sections	Description
Sections 25-28 and 86-88	Outline the roles and responsibilities of the Board, Minister and Monitor as well as the Board appointment process.
Sections 49-51 and 138-156	Set expectations of Board accountability (referenced by sections 271-278 of AC Act)

Annex 2: Crown entities, institutions and statutory bodies, and international bodies

The institutions and statutory and advisory bodies associated with the portfolio are:

- Accident Compensation Corporation (ACC)

The Treasury is your performance monitor for ACC. More detailed information about how ACC operates will be provided in its briefing to you.

The ACC Board has up to eight non-executive members, each appointed by the Minister for ACC for three years. The Minister can re-appoint a Board member, or shorten their term.

The Board has authority to exercise ACC's statutory powers and perform its functions, and may only act for those purposes, which include:

- maintaining appropriate relationships with the Minister, the House of Representatives and the public
- ensuring ACC's compliance with the law, ACC's accountability documents and relevant Crown expectations
- ensuring that ACC is a good employer and creates a supportive environment that promotes the highest standards of safety and wellbeing, both for its staff and for the communities it serves
- setting strategic direction and developing policy on the operation and implementation of the legislation
- maintaining the financial viability and security of ACC and its investments
- appointing the Chief Executive of ACC
- monitoring the performance of ACC and of its Chief Executive.

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board. The Board delegates responsibility to the Chief Executive for the day-to-day management and leadership of ACC, which includes matters relating to ACC's responsibilities as an employer.

The current members of the ACC board are:

Members of the ACC Board		
	Date of original appointment	Expiry date of present term
Dame Paula Rebstock (Chair)	September 2012	September 2018
Trevor Janes (Deputy Chair)	September 2012	September 2018
Professor Des Gorman	September 2012	September 2018
Anita Mazzoleni	July 2014	July 2020
Kristy McDonald QC	September 2012	September 2018
James Miller	March 2013	February 2019
Leona Murphy	June 2017	June 2020
Jill Spooner	April 2011	July 2017

Annex 3: Key stakeholders

Crown Entities and Other Related Bodies	
ACC	Chair: Dame Paula Rebstock Chief Executive: Scott Pickering
WorkSafe NZ	Chair: Gregor Coster Deputy Chair: Ross Wilson Chief Executive: Nicole Rosie
Worker/Union	
Council of Trade Unions	President: Richard Wagstaff Secretary: Sam Huggard
Other Business Stakeholders	
New Zealand Law Society Accident Compensation Committee	Convenor: Don Rennie
Business Leaders' Health and Safety Forum	Chair: George Adams Executive Director: Francois Barton
Business New Zealand	Chief Executive: Kirk Hope
New Zealand Association of Accredited Employers	Chair: Carl Stent

Key Treasury officials

Role	Treasury Team	Responsible Minister	Comment
Performance Monitoring	§ 9(2)(a), Health & ACC (Carolyn Palmer, Manager)	Minister for ACC	Primary contact at the Treasury. Advice is copied to the Minister of Finance.
Board Appointments	§ 9(2)(a) Commercial Operations (Chris Gregory,	Minister for ACC	Advice is copied to the Minister of Finance.

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Role	Treasury Team	Responsible Minister	Comment
	Manager)		
Performance of Crown Financial Institutions	§ 9(2)(a) Commercial Operations (Craig Weise, Manager)	Minister of Finance	Advice is copied to the Minister for ACC where relevant.
Policy and Fiscal Advice to the Minister of Finance	§ 9(2)(a) § 9(2)(a) Health & ACC (Carolyn Palmer, Manager)	Minister of Finance	Advice is copied to the Minister for ACC where relevant.

Annex 4: Funds and appropriations

Vote Labour Market: Budget Structure

Five Ministers are responsible for appropriations in Vote Labour Market. For 2017/18:

1. The Minister for ACC is responsible for appropriations totalling \$1,354m, primarily to cover the estimated cost of injury prevention, claims processing, medical services and social rehabilitation for claims on the Non-Earners' Account.
2. The Minister of Immigration is responsible for appropriations totalling just under \$295.5m, primarily for the provision of immigration services, including assessment and processing services, settlement and integration of refugees and integrity and security of the New Zealand immigration system.
3. The Minister of Tertiary Education, Skills and Employment has been responsible for an appropriation of just over \$4m for the provision of employment information and facilitation services.
4. The Minister for Economic Development, as the Minister responsible for MBIE, is responsible for one appropriation of \$0.125m relating to impairment of debts owed to the Crown.
5. The Minister for Workplace Relations and Safety is responsible for appropriations totalling \$156m, primarily for the provision of employment relations services and health and safety services.

In addition, the Minister for Workplace Relations and Safety has overall responsibility for over \$21m to provide policy advice and related services to the Minister for ACC, the Minister for Employment, the Minister of Immigration, and the Minister for Workplace Relations and Safety. The following diagram attributes a portion of the policy advice appropriation to each of the constituent portfolios (other than Economic Development). The total figures in the diagram are therefore higher than the figures above.

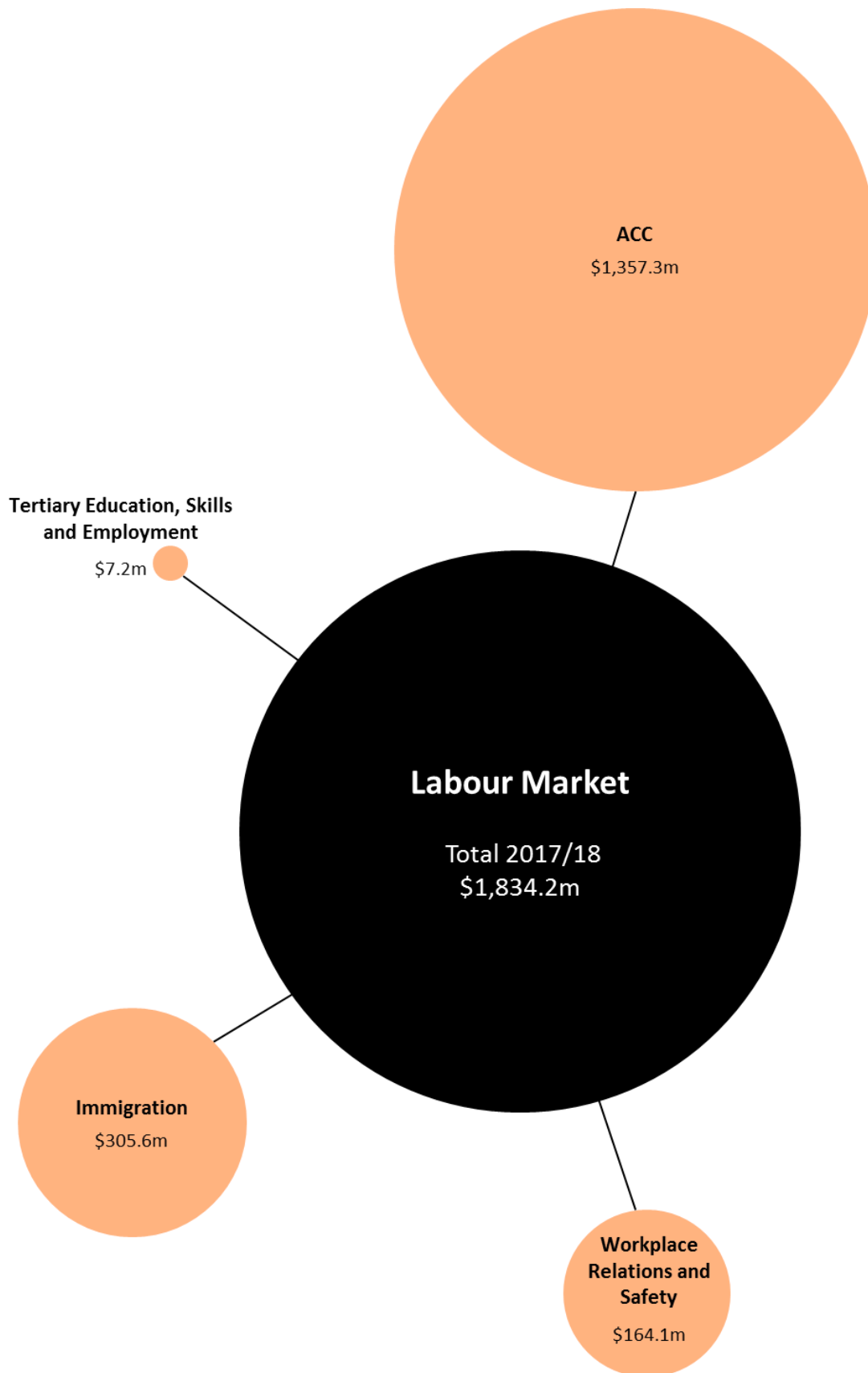
MBIE is the department responsible for administering Vote Labour Market.

For administrative simplicity, one Minister typically takes overall responsibility for Vote Labour Market budget processes. The Lead Minister for Vote Labour Market receives the final estimates documentation for approval, covering ACC, Workplace Relations and Safety, Immigration, and Employment. During the course of the financial year, the Lead Minister also receives:

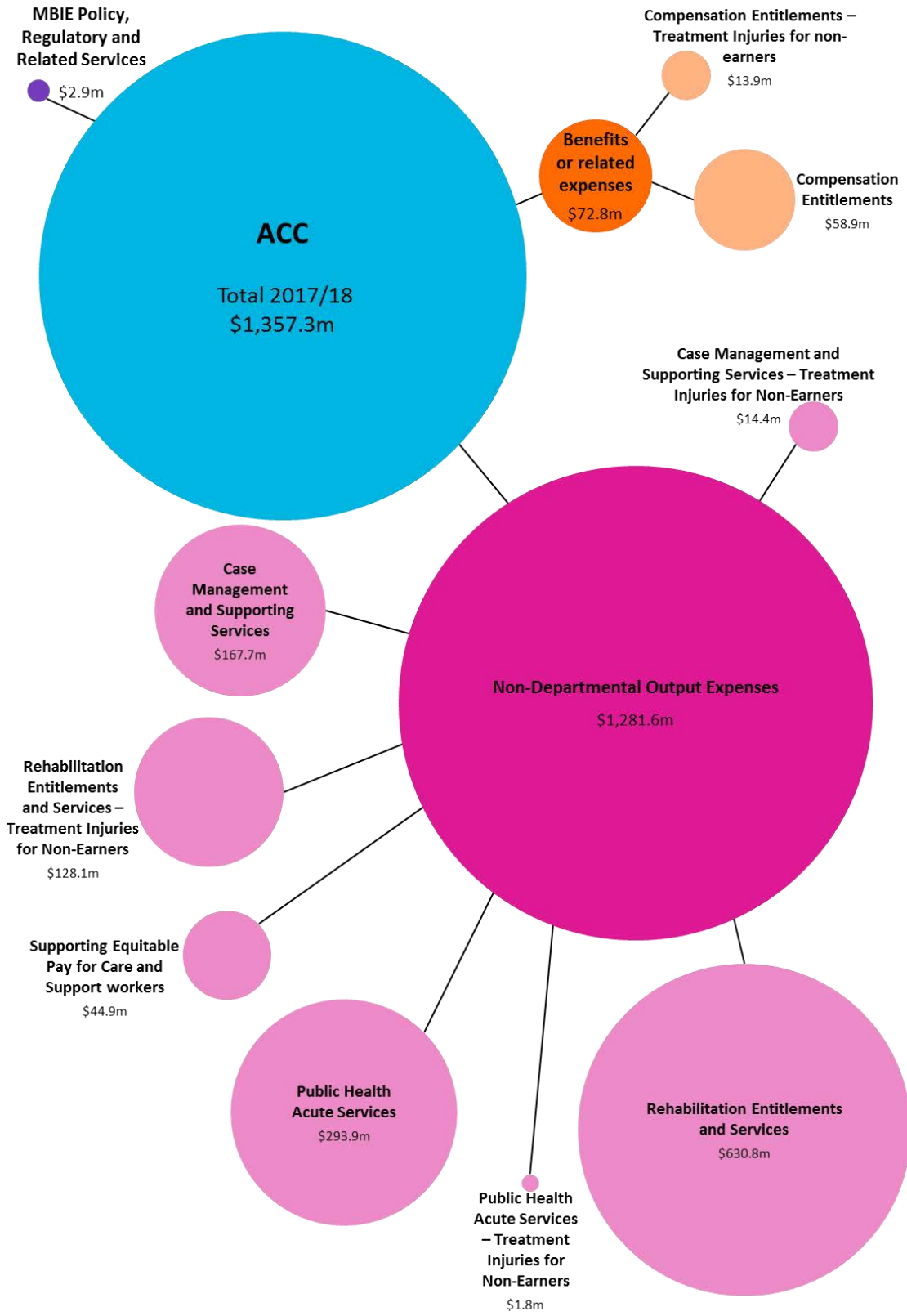
- October and March Baseline Updates
- Estimates and Supplementary Estimates
- Late In-Principle Expense Transfers (IPET) in June
- Select Committee Estimates Examination material as the main point of contact for Vote Labour Market.

The diagrams below set out the total 2017/18 appropriations for the ACC portfolio. This captures both departmental funding (funding received by MBIE to provide services directly) and non-departmental funding (funding provided via MBIE to other agencies for them to provide services). The budget relating to Tertiary Education, Skills and Employment will be updated to reflect new portfolio structures in due course.

2017/18 Vote Labour Market appropriations



2017/18 Departmental and non-departmental funds and appropriations



Annex 5: Schedule of Standard Monitoring Advice

Accountability Documents	Timing	Notes
Letter of Expectations	November (Dependent on priorities)	Crown Entities Act s27 (1) (f) refers ACC's Board strategy day is at the end of November
Statement of Intent	April/May (as required)	ACC will produce a new statement of intent in 2017/18
Service Agreement	April/May	AC Act (271) and CEA (49, 149) refers
Performance Reports		
Quarterly Reports	November, February, May, August	Briefings based on ACC's quarterly reporting schedule
Valuation Reports	December, June	ACC timings noted, Treasury receives the reports approximately 2 months afterwards and takes a long-term view of this information to prepare advice on strategic issues relating to Scheme performance
Financial Condition Report	November (Expected)	AC Act (278A) refers Treasury takes a long-term view of this information to prepare advice on strategic issues relating to Scheme performance
Major Projects Monitoring	TBD	Advises Investment Ministers and Cabinet (SEC) on the status of all high risk or high value programmes and projects including Shaping our Future The report is subsequently published on the Treasury's website
Other		
CFI Half Yearly Reports	September, March	Summarises performance of CFIs and investment markets, and discusses any CFI operational issues