

Briefing for the incoming Minister for ACC

23 January 2025



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1. Portfolio overview

Immediate upcoming decisions

1. Three time-sensitive decisions on key parts of the ACC portfolio are coming up, in order to address significant fiscal challenges:
 - Confidential advice to Government
[REDACTED]
 - An independent review of ACC by consultancy firm Finity has begun. You are scheduled to meet with Finity on Wednesday 29 January 2025. Officials from MBIE and Treasury will be available to support you. The Minister of Finance agreed to this review, along with the previous Minister for ACC.
 - Confidential advice to Government
[REDACTED]
2. MBIE will brief you separately on each of these key actions and their time sensitivities.

Ministerial responsibilities

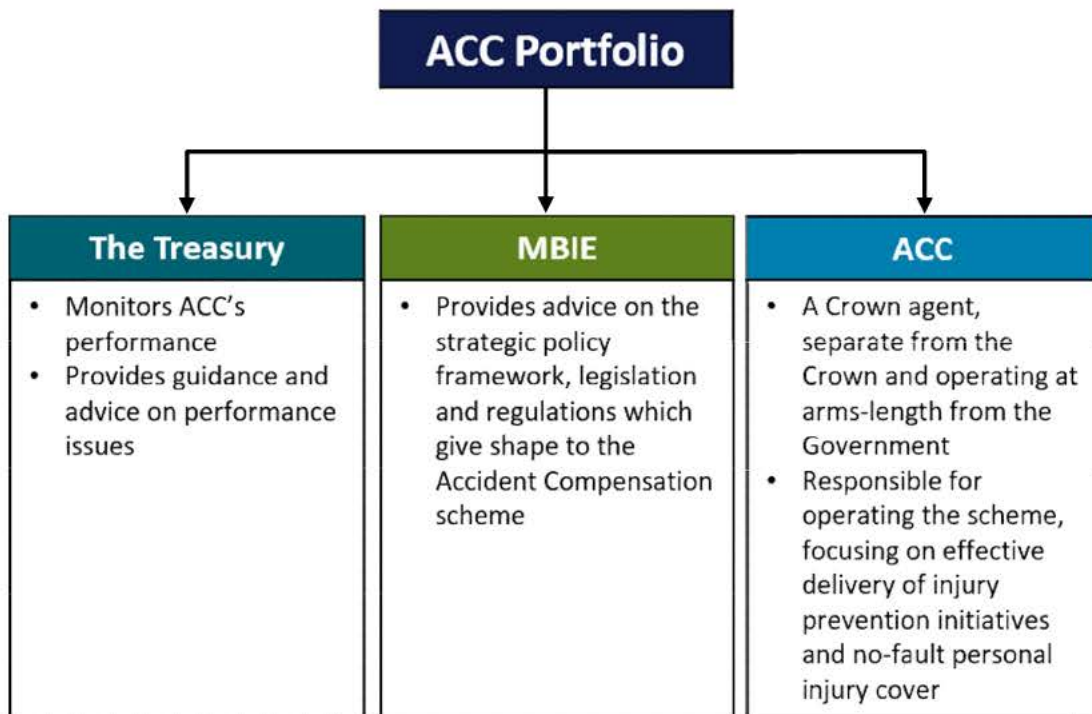
3. The Minister for ACC is responsible for the *Accident Compensation Act 2001*, the strategic policy framework, and regulations which give shape to the scheme. Key levy and entitlement regulations are regularly reviewed.
4. We look forward to discussing your priorities for the ACC portfolio and work programme.
5. This term, delegations for ACC operations relating to individual claimant concerns and statutory scheme access reporting have been given to the Associate Minister. If you wish, you can alter these via a formal letter.

ACC as a Crown Entity

6. As a Crown entity, ACC operates at an arm's length from Ministers. It is the ACC Board's role to exercise the powers and perform the functions of ACC. This structure is governed by the *Crown Entities Act 2004*.
7. It is your role to oversee and manage the Crown's interests in and relationship with ACC. You are responsible for responding to any concerns or risks arising from its activities.
8. This includes powers to appoint or remove Board members, review ACC's performance, and participate in setting ACC's strategic direction, among others. These powers do not include the ability to directly influence ACC's operations including the management of its investment funds, and individual claim decisions.

Three agencies will support you

9. You are supported by three government agencies, each with their own area of focus:



10. The MBIE Accident Compensation Policy team has 6.0 FTE. All are policy staff. An ACC portfolio Private Secretary is also available in your office to support you.

11. A list of key officials from MBIE who will support you is at **Annex One**.

Funding overview

ACC Accounts

12. Most of ACC's funding comes from levies, with around \$4.2 billion in levy funding across the Accounts in 2023/24. However, some funding comes from government appropriations from general taxation.

13. Scheme funds are allocated to five accounts. Coverage of the accounts is based on who is injured and how, and Accounts cannot be used to cross-subsidise each other.

Account	Criteria	Levies or appropriations	Who pays?	Outstanding Claims Liability ^{1 2}
Earners'	Claimant is considered an earner.	Levies	Employees and self-employed	\$14.9 billion
Non Earners'	Claimant is considered a non-earner.	Appropriation	General taxpayers	\$15.5 billion
Work	Injury happened at work.	Levies	Employers and self-employed	\$8.8 billion
Motor Vehicle	Injury involved a motor vehicle.	Levies	Motor vehicle owners	\$12.8 billion
Treatment Injury	Injury was the result of medical treatment.	Both (mixed)	Employees and general taxpayers	\$8.2 billion
Total (2024)				\$60.2 billion

1. The Outstanding Claims Liability (OCL) is the amount of money ACC needs to have available to pay the lifetime costs of all the claims that are currently on its books. The OCL in each Account is the amount needed for the claims in that Account.
2. Including risk margin, per ACC's 2024 Annual Report.

'Full funding' and the Funding Policy Statement

14. ACC must collect sufficient money for each levied account each year to cover the full lifetime costs of every claim occurring in that account that year. This is called 'full funding'. Actual levies collected may differ, depending on factors like the Account being in surplus.
15. The Funding Policy Statement sets out how the government intends to fund the Accounts. The current policy was agreed by Cabinet in April 2021, and sets a funding target of 100% over a 10-year horizon. Any annual increase to the levy rate for an Account is generally limited to 5%.
16. The Non-Earners' Account is not legally required to be fully funded, but has historically been operated as though it is. Annual cost pressure increases in appropriation are set at a limit of 7.5%.

ACC government appropriation

17. For 2024/25, the government appropriation for ACC is as follows:

Appropriation (via Vote: Labour Market)	Amount
Non Earners' Account	\$2,068.8 million
Non-earners' claims in the Treatment Injury Account	\$302 million
Access to treatment, referrals to further services and obtaining forensic evidence for victims of sexual abuse	\$13.5 million
Policy advice to the Minister for ACC	\$2 million
Regulatory services from the competitive accident insurance market in 1999/2000.	\$0.1 million
ACC portfolio total	\$2,386.4 million

2. Opportunities for action

Declining rehabilitation performance and cost increases

18. Over the past 10 years, ACC has seen an ongoing deterioration in claim performance. This has resulted in a decline of ACC's financial performance, namely:
 - the funding ratio (the ratio between assets and liabilities for claims that have already occurred), and
 - a widening new year cost gap (the deficit between funding collected by levies and appropriations and the cost of new claims each year).
19. While this has been a trend for an extended time, it has affected ACC's financial indicators particularly strongly this year. ACC's liabilities for existing claims increased from \$52 billion in 2022/23 to \$60 billion in 2023/24. ACC data shows that the last time that the Scheme experienced such a significant increase was in 2008/09.
20. Claim performance is driven by how effectively and efficiently injured clients are rehabilitated by ACC. This is affected by a mix of factors, some (but not all) of which are within ACC's control or ability to influence. Poor claim performance directly impacts New Zealanders through higher levy costs.

21. Confidential advice to Government
- [Redacted text block]

Independent Review of ACC

23. The previous Minister and Minister of Finance agreed to an independent review of ACC by consultancy firm Finity. This review under section 132 of the Crown Entities Act, is to ensure ACC can improve its claims management performance, cost-effectiveness and efficiency. Finity has deep experience and knowledge both ACC and comparable Australian schemes.
24. The review will be completed by the start of the 2025/26 financial year.

Levy setting

25. ACC's levy settings are required to be set every three years. Confidential advice to Government
- [Redacted text block]
26. On 2 December 2024, Cabinet agreed to ACC levy rates for the 2025/26, 2026/27, and 2027/28 levy years alongside a number of levy-related policy and technical changes [CAB-24-MIN-0471 refers].

BRIEFING FOR INCOMING MINISTER FOR ACC

27. To ensure the sustainability of the Scheme, these changes include increased levies across all ACC's levied Accounts, alongside steps to improve ACC's performance.

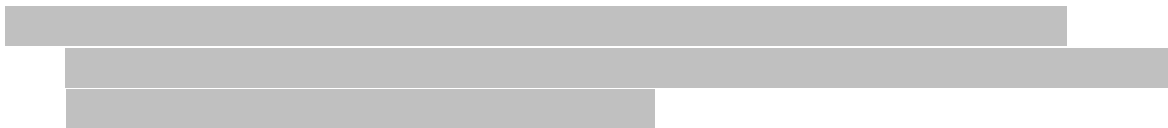
28. Confidential advice to Government



29. Confidential advice to Government



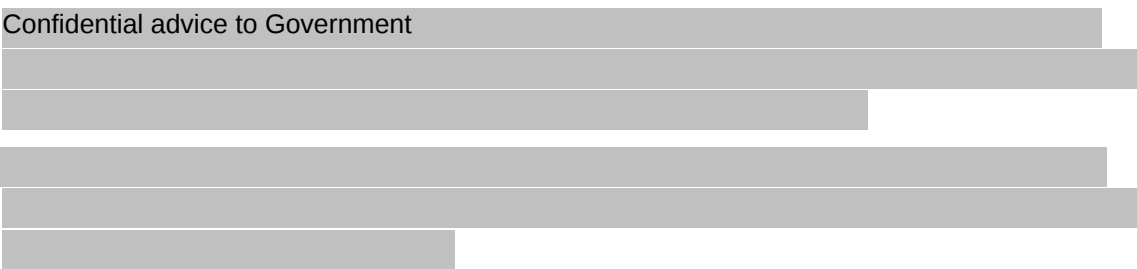
Confidential advice to Government



Confidential advice to Government



34. Confidential advice to Government



36. Confidential advice to Government

Confidential advice to Government

Other work programme items separate from the Action Plan

40. A number of other opportunities, requirements and initiatives are underway to ensure scheme settings are up-to-date and fit-for-purpose, or to respond to all-of-government priorities.

41. These are:

Work	Description	Current status
Schedule 2 update	Reviewing the list of occupational diseases in Schedule 2 of the AC Act.	Preparing advice post-consultation.
Confidential advice to Government		
Royal Commission of Inquiry into Abuse in Care	The Royal Commission of Inquiry into Abuse in Care made recommendations relating to ACC.	MBIE will provide you with advice in Q1 2025.
Confidential advice to Government		
Access reporting	ACC has a statutory requirement to report on access to the scheme by Māori and identified population groups.	ACC undertaking first report.
Review of Maternal Birth Injury cover	A review of the cover provided under the <i>Accident Compensation (Maternal Birth Injury and Other Matters) Amendment Act 2022</i> is required as soon as practicable after 1 October 2025.	Work not started, required later this year.

Annex One: Key MBIE officials

Contact	Role	Contact details
Carolyn Tremain 	Chief Executive, Ministry of Business, Innovation and Employment	Privacy of natural persons 
Nic Blakeley 	Deputy Chief Executive, Labour, Science and Enterprise The Labour, Science and Enterprise (LSE) Group helps boost the New Zealand economy by developing New Zealand's skills system, science and innovation systems and labour market policy. It does this through advising on labour market, immigration, industry, investment, science, tourism, health and safety at work, and accident compensation policy. LSE supports major events, just transitions, leads the science and innovation system, and invests significant public funds. LSE works through international partnerships in its trade remedies, innovation, and space regulation functions.	Privacy of natural persons 
Hayden Fenwick 	Acting General Manager, Workplace Relations and Safety Policy The Workplace Relations and Safety Policy Branch provides policy and regulatory advice in relation to employment relations and standards, health and safety, international labour, and accident compensation.	Privacy of natural persons 

IMPROVING PUBLIC SERVICES - DECLINING REHABILITATION RATES AND RISING COSTS IN ACC

Over the past 10 years, ACC has seen an ongoing decline in rehabilitation performance. This has caused a decline in financial performance.

The decline has been especially marked over the last year – the liability for existing claims increased from \$52 billion in 2022/23 to \$60 billion in 2023/24.

Poor claim performance directly impacts New Zealanders through higher levy costs.

Poor rehabilitation affects claimants' independence and quality of life.

Some of the causes are within ACC's control or ability to influence.

Confidential advice to Government

ACTIONS

INDEPENDENT REVIEW OF ACC

- The previous Minister for ACC, and the Minister of Finance agreed to an independent review of ACC by consultancy firm Finity. The purpose is to ensure ACC can improve its claims management performance and improve cost-effectiveness and efficiency. The terms of reference have been sighted by Cabinet and agreed with the Minister of Finance.
- Finity understands both ACC and comparable Australian schemes.
- The review will be completed later this year.
- You have a key role in shaping how the review is received and implemented by ACC.

LEVY SETTINGS

- ACC's levy settings must be set every three years. Confidential advice to Government
- Cabinet has agreed to increased levies, and steps to improve ACC's performance.
- Confidential advice to Government
- Confidential advice to Government

Confidential advice to Government