Service Agreement 2020/21

Accident Compensation Corporation
Te Kaporeihana Āwhina Hunga Whara

Service Agreement

For the year ending 30 June 2021 between the Minister for ACC and the Accident Compensation Corporation

This Service Agreement[3] is required under the Accident Compensation Act 2001 and it also constitutes the annual statement of performance expectations for the purposes of the Crown Entities Act 2004 – both as amended by the Crown Entities Amendment Act 2013.

Ratonga Whakaaetanga

Mo te mutunga o te tau 30 o Pipiri 2021 e te Minitā o ACC me te Kaporeihana Āwhina Hunga Whara

Mā te Ratonga Whakaaetanga[4] e whaimana ana i raro o te Ture ACC me ngā mahi kōrero whaitake-a-tau me ngā hoaketanga o te Ture Crown Entities Act 2004 me ana nekeneketanga e te Ture Crown Entities 2013.

Hon Carmel Sepuloni
Minister for ACC
Dated 27 September 2020

Dame Paula Rebstock DNZM
Board Chair
Dated 22 September 2020

James Miller
Temporary Deputy Chairperson
Dated 22 September 2020

3 *For information on how this Service Agreement aligns with our other accountability documents, refer to **Appendix 1 – Alignment of the Service Agreement**. The conditions of this Service Agreement are disclosed in **Appendix 2 – Conditions of the Service Agreement**.*

4 *Mā te kōrero e pēhea ana ki ngā Ratonga Whakaaetanga me ngā herenga kōrero whānui, tirohia ki te **Appendix 1 – Alignment of the Service Agreement**. Kei kōnei ngā herenga ki tēnei Rātonga Whakaaetanga ki **Appendix 2 – Conditions of the Service Agreement**.*


HEY COOL CAT

Contents

An online version of this report can be found at ***www.acc.co.nz/about-us/corporate***


LIFE
ORA


BUBBLE LIFE
ORA MIRUMIRU

COVID-19 pandemic

The Service Agreement 2020/21 was developed and agreed based upon the best available information in accordance with legislative requirements and timelines, within a context of the COVID-19 pandemic.

The impact of COVID-19 on ACC and its customers is highly uncertain and pervasive. For example, ACC's performance is significantly impacted by the economy; including levy revenue, claim volumes, claim costs, rehabilitation outcomes, investment fund performance and the outstanding claims liability.

ACC was granted a three-month extension to develop this Service Agreement. This additional time has allowed ACC to consider actual experience and insights from the latest economic projections, and the impact on performance as a result of lockdown and transition between alert levels.

However the uncertainty remains a challenge in setting a budget and annual performance targets, actual 2020/21 performance outcomes could vary significantly from the budget and these targets which are not revised during the year.

Therefore, in addition to the annual budget and target setting, ACC regularly monitors both financial and non-financial performance, regularly re-forecasts future performance and aims to identify and understand notable trends and variances to expectations on a timely basis.


Kathmandu

Our strategic and performance environment

Our strategic framework

"Injury arising from accident demands an attack on three fronts. The most important is obviously prevention. Next in importance is the obligation to rehabilitate the injured. Thirdly, there is a duty to compensate them for their losses…"

Sir Owen Woodhouse, Chairman, Royal Commission on Compensation for Personal Injury, 1967

ACC's vision and values reflect the organisation that we want to be and the vision established by Sir Owen Woodhouse.

Our vision, values and outcomes are intended to remain constant over time, while our strategic intentions reflect the areas that we have identified as needing the most focus during the period of the Statement of Intent (2018-2022). There is a strong alignment between our outcomes and our strategic intentions.

Our strategic intentions represent our commitment to:

- reduce the incidence and severity of injury in New Zealand by increasing the success of our injury prevention activities
- rehabilitate injured people in New Zealand more effectively by improving our customers' outcomes and experiences
- ensure that New Zealand has an affordable and sustainable scheme by improving the financial sustainability of the ACC Scheme.

Injury prevention is critical to the success of ACC. Most injuries are preventable and we have an important role in encouraging those behaviours that contribute most to stopping injuries in the first place. Success in injury prevention goes a very long way towards improving quality of life in New Zealand.

Where an injury has occurred, ACC works to rehabilitate the individual. We recognise that an individual's health and wellbeing are significantly improved with a rapid return to independence, so it is important that we ensure the Scheme is fair and accessible and provides individuals with the right services at the right time.

In 2020, we will be completing the roll out across the country of our new case management model. This will be a key milestone for our Integrated Change Investment Portfolio (ICIP). ICIP has given us the foundation to better manage our performance and customer service delivery.

We will continue to transform, contribute to our strategic intentions and respond to the changing needs of our customers. This will be achieved through delivery of new initiatives to support improved client outcomes, operational resilience and efficiency. This is in addition to upgrading several our core systems.

We plan to maintain our pace of change and our management team and Board are committed to ensuring that our performance tracks as expected as changes are delivered.

FIGURE 1: STRATEGIC FRAMEWORK

Long term (Enduring)		Medium term (Four years)	Short term (One year)
Vision	**Outcomes**	**Intentions**	**Our outputs**
	Our outcomes describe, at a high level, what we are delivering to support a healthy and prosperous New Zealand.	Our intentions reflect the areas that need the most focus during the four-year period covered by our Statement of Intent. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government's priorities for ACC. We have strategic intentions and intentions to improve the organisational health and capability of ACC. • 22 key measures for 2020/21 • 46 initiatives for 2020/21	We aim to achieve the best possible delivery of New Zealand's unique ACC Scheme through four outputs representing the core activities we deliver and the areas we invest in. • 49 performance measures for 2020/21
To create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury	Reduce the incidence and severity of injury in New Zealand.	**Injury prevention** Increase the success of our injury prevention activities.	**Injury prevention** We aim to reduce the incidence and severity of injury to reduce the economic, social and personal impacts of injury on individuals and to achieve a cost-effective reductions in levy rates or government funding.
	Rehabilitate injured people in New Zealand more effectively.	**Customer outcomes and experience** Improve our customers' outcomes and experiences.	**Levy setting and collection** In order for us to deliver services we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account and recommend levies in line with the full funding requirements of the Scheme.
	Ensure that New Zealand has an affordable and sustainable Scheme.	**Financial sustainability** Improve the financial sustainability of the Scheme.	**Investment management** Serious injuries will require ongoing expenditure for decades into the future, so a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims.
		Organisational health and capability **People** – Maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes. **Information** – improve the way we use, protect and share information. **Technology** – Support our business outcomes with modern, reliable and secure information technology.	**Claims management** We deliver effective, high-quality rehabilitation services so that injured people covered by the Scheme get appropriate medical treatment, social and vocational rehabilitation services and compensation to enable an early return to work, independence or everyday life.

Whāia Te Tika – our strategy to pursue what is right for Māori and deliver on our aspirations

Environmental, social and governance focus – our impact on the environment, and social and governance performance

Integrated Change Investment Portfolio – our mechanism for delivering Shaping Our Future

Our key performance measures

Our most important performance measures are presented in our Statement of Intent 2018-22. These measures best reflect the aspects of performance we can control. They are closely aligned with the expectations of the Minister for ACC, as expressed in the letter of expectations. Together, they provide a succinct view of:

- how we are delivering impact
- the extent to which we are meeting customer expectations
- the extent to which we are delivering a scheme that New Zealanders have trust and confidence in
- whether we are delivering a cost-effective scheme that provides fair compensation in return for a fair levy.

These key performance measures cover our strategic intentions and extend to providing transparency in how we are developing our organisational health and capabilities and the success of our transformation efforts.

TABLE 1: KEY PERFORMANCE MEASURES – STRATEGIC INTENTIONS

	Key measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21
Injury prevention	Return on investment for 0 to 20-year injury prevention programmes.	We invest to keep New Zealanders safe from accidental injury by working with others to reduce the risk across a range of areas. We take a portfolio approach. This means that overall we expect our injury prevention programmes to deliver positive returns on investment.	$2.11:$1	$1.99:$1	$2.05:$1
Injury prevention	Return on investment for workplace injury prevention programmes.[3]		$1.63:$1	$1.23:$1	$1.30:$1
Injury prevention	Rate of serious injury (including fatal) for 0 to 20-year injury prevention programmes.	Our investment in changing the behaviours of New Zealanders should reduce the severity of injuries sustained in the settings targeted by our investments.	8.9	9.3	9.3
Injury prevention	Rate of serious injury (including fatal) for workplace injury prevention programmes.		0.35	0.16	0.22

Continued ...

3 *The total return on investment consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, plus the 10-year expected claims saved divided by the likely future cost of the interventions.*

	Key measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21
Customer outcomes and experience	Return to work within 10 weeks.	Research confirms that when people make rapid returns to independence or work after injury, their overall health and wellbeing is significantly improved.	66.8%	65.0%	62.5%
	Return to independence for those not in the workforce.		88.9%	89.1%	87.5%
	Growth rate of the Long-Term Claim Pool.[4]		+6.5%	12.6%	12.5%
	Public trust and confidence.	The way the public views ACC is a useful indicator of how effectively we have communicated the value that ACC delivers, and demonstrated this in our interactions with levy payers, clients, providers and stakeholders.	61%	65%	64%
	Client net trust score.	Improving customer experiences, while delivering services through a simplified business operating structure and enhanced technology platform, will increase the level of trust and confidence our customers have in ACC.	+24.0	+31.0	+26.0
	Client net trust score for Māori.		+25.0	+43.0	+23.0
	Provider net trust score.		-15.0	-14.0	-17.0
	Business net trust score.		-23.0	-1.0	-20.0
Financial sustainability	Change in average treatment cost per injury.	We need to manage rising health care costs that also affect future liabilities and levy rates. We focus on controllable costs, ensuring that all services are delivered cost effectively.	+5.7%	+6.4%	8.4%
	Average care hours per serious injury claim.		1,350	1,393	1,393
	Actuarial movement.[5]	This provides an indicator of the effectiveness of our management of the controllable factors driving the OCL	+1.56%	0.48%	within +/- 1.5%
	Investment performance after costs relative to benchmark.	The quality of our investment management can only be gauged by comparing our returns net of costs with that of a blended market average benchmark, which provides a comparison against the asset classes that we have invested in.	-0.82%	0.16%	0.15%

4 *In this context, 'long term' refers to clients who have received weekly compensation for more than 365 days.*

5 *Actuarial movement tells us that claim volumes, types and costs differ from what we expected.*

TABLE 2: KEY PERFORMANCE MEASURES – ORGANISATIONAL HEALTH AND CAPABILITY INTENTIONS

	Key measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21
People	Employee net promoter score.	Equipping our staff with the right tools and capabilities enables them to be high-performing employees, proud of their organisation.	-11	+21	+12
People	Total recordable injury frequency rate.[6]	We keep people safe, healthy and well, enabling them to arrive home in the same mental and physical condition that they were in when they left for work.	3.1	3.2	< 3.5
Information	The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix).	We deal with confidential and sensitive information for a large number of people and entities. Our customers expect us to protect this information and maintain our progress in reducing privacy breaches.	2	0	<5 category 3 & 4 breaches No category 5 breaches
Information technology	Overall operational system availability.	Our systems need to be available so that we can deliver the services our customers expect.	99.6%	99.9%	99.5%

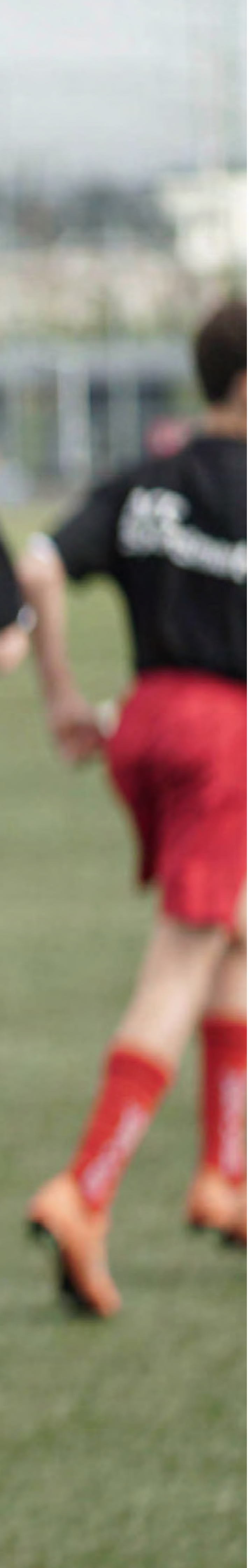
TABLE 3: KEY PERFORMANCE MEASURES – OTHER TRANSFORMATION MEASURES

	Key measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21
Transformation	Claims processed per full-time equivalent.	Improving the productivity of ACC drives improved customer satisfaction and contributes to safeguarding the Scheme into the future.	605	508	549
Transformation	Reduction in average weekly compensation days paid.	Reducing the number of productive days lost to injury attributable to ACC's management of cases helps our clients to return to work and/or independence more quickly.	3.2 days increase	4.9 days increase	7.0 days increase

These form part of a comprehensive measures set that is detailed in the following sections (including our targets for the next four years). This broader set allows us to track the financial and non-financial measures that represent the many aspects of the Scheme. For more information on the full set of measures we use to monitor our performance and manage our organisation, refer to our ***Statement of performance expectations by output*** and ***Other performance measures***.

6 *The total recordable injury frequency rate is the number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.*


ACC
SportSmart



What we will deliver in 2020/21

The Government's key priorities

The Government's key priorities for ACC are outlined in the annual letter of expectations from the Minister.

At a high level, the Government expects the Scheme to be client centric and to provide clients with the right services at the right time for successful rehabilitation and be efficient and effective in doing so. The Scheme will provide fair compensation in return for a fair levy. The Government also expects ACC to ensure clients receive the entitlements available to them in a timely and transparent manner.

ACC has an important contribution to make to improve the wellbeing of New Zealanders and their families. This includes helping people to have the capabilities to live lives of purpose, balance and meaning to them.

At a more detailed level, these priorities are represented by seven themes:

- Government priorities – ensure that ACC functions as a publicly administered and delivered social insurance scheme, distinct in character from a private insurance company.
- Whāia Te Tika – improving services and outcomes for Māori is an important area of focus. Progress should be monitored and performance measures included in the Service Agreement.
- Integrated Change Investment Portfolio – continue high levels of transparency including regular updates on upcoming key decisions and milestones, costs, benefits and risks. Consider how changes made to date can enable the Health Sector Strategy to achieve better and more sustainable client outcomes.
- Financial management – take a long-term approach to managing the funding ratios of the Scheme. This should include focus on improving performance and developing a more in-depth understanding of cost drivers.
- Policy collaboration – work collaboratively to identify changes that could be made to the Scheme to enable ACC to respond to the changing demographics and needs of New Zealanders in a sustainable way.
- Injury prevention – continue to work collaboratively with others to deliver injury prevention investments that reduce the incidence of injury, the impact injury has on the community and lower growth in overall Scheme cost.
- Communication – take a no surprises approach to communication, keeping the Minister for ACC informed of any significant events that could be considered contentious, attract wide public attention or affect ACC's financial position.

The Minister's specific expectations are documented in the annual letter of expectations, presented in ***Appendix 3 – Letters of expectations***. The Government also communicates key priorities for ACC as a Crown Financial Institution. These priorities are presented in the Minister of Finance's letter of expectations (***Appendix 3 – Letters of expectations***) and are summarised in ***Appendix 4 – Investment statement***.

We have carefully considered these priorities and they have informed our planned actions and initiatives for the 2020/21 year.

Delivering our strategic intentions in 2020/21

Our strategic intentions reflect the areas that need the most focus during the period of our Statement of Intent 2018-2022. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government's priorities for ACC. They are:

- injury prevention – increase the success of our injury prevention activities
- customers' outcomes and experience – improve our customers' outcomes and experiences
- financial sustainability – improve the financial sustainability of the Scheme.

Strategic intention: Increase the success of our injury prevention activities

It all starts before injury. Most injuries are preventable, and through our injury prevention investments we focus on activities and behaviours that contribute most to stopping injuries from occurring in the first place. Our success in injury prevention goes a very long way towards improving quality of life in New Zealand while ensuring the long-term sustainability of the Scheme.

It makes sense for us to be the champion for injury prevention but we know we cannot do it alone. Our network of partners helps us to design and deliver a set of well integrated injury prevention programmes. This spirit of partnership extends to communities across New Zealand, allowing us to deliver programmes to improve the safety of New Zealanders of all ages and across a wide range of settings.

In 2020/21 we expect to have invested $76 million in injury prevention programmes, a reduction on forecast for 2019/20 of $80 million.

We deliver our injury prevention intention by focusing on five priorities:

TABLE 4: INJURY PREVENTION DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
We use analytics to target our injury prevention programmes, and increase the impact of our efforts.	We will continue to develop the use of advanced analytics to help predict injury and draw insights to better target and focus interventions, maximising returns from investment.
We design for the client, creating sustained behaviour changes.	We will have continued to invest in injury prevention where we co-design and deliver programmes with our customers and partners. We will use the customer, not just the injury, as the basis for investment. Our investment in prevention will shift to understanding the customer cohorts who suffer injuries. We will focus on the root cause, be empathetic and apply a customer lens when designing and delivering interventions.
We increase prevention effectiveness by partnering with capable, like-minded organisations.	We will have continued to evolve our existing injury prevention partnerships while developing new partnerships where appropriate. Together with our partners, we will have designed and delivered initiatives in the areas that have the greatest impact on reducing injuries.
	We will have continued to evolve our injury prevention partnership with WorkSafe NZ to design and deliver initiatives that have the greatest impact on reducing injuries in the New Zealand workplace.
We extend our reach by working closely with communities.	We will have implemented a Māori investment portfolio to appropriately resource kaupapa Māori approaches to injury prevention that will help reduce the incidence and severity of injury for Māori.
	We will work with communities to develop and deploy effective injury prevention programmes to a cross section of the New Zealand population using a broad set of channels.
	ACC will continue to deliver an injury prevention grants and subsidies programme investing in businesses to stimulate the adoption of initiatives to reduce harm in New Zealand workplaces.
Our injury prevention interventions contribute to a reduction in the Outstanding Claims Liability (OCL).	We will apply an investment approach that balances benefits, costs and risks and, where appropriate, assess both the claim and social economic returns from our investment.

Strategic intention: Improve our customers' outcomes and experiences

Once somebody has sustained an injury, we know that person's health and wellbeing are significantly improved with a rapid return to independence. This improvement extends to their family and their community.

We need to deliver the right treatment and rehabilitation services at the right time. To support this, we will ensure that all our clients are connected with the right treatment and rehabilitation services from across the wider health sector. We can do this by being closely connected to our providers, and enabling a simple, seamless and effective delivery of treatment and rehabilitation services to our clients.

We are committed to ensuring that the delivery of our services reflects the diversity of our communities, so that all New Zealanders have the opportunity to access our services in ways that meet their needs.

We will continue the work to improve our customers' outcomes and experiences by focusing on four priorities:

TABLE 5: CUSTOMERS' OUTCOMES AND EXPERIENCES DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
We engage with our clients in ways that add the most value to their recovery and deliver the most appropriate client outcomes.	We will have rolled out and be embedding our new case management model. This will improve the customers experience and return to independence outcomes.
	ACC has committed to being part of the legislative Joint Venture to eliminate family and sexual violence within Aotearoa by 2040. We will be developing a programme spanning ACC working towards ensuring children, adults and whānau are supported and kept safe from harm.
	We will have a real-time feedback system to understand the experience of our customers at key interaction moments. This system enables us to respond quickly to customer feedback and suggestions.
	We will engage with New Zealanders in a way that is relevant and increases awareness of ACC's role and value and highlights the breadth of activity and our positive impact on New Zealanders' lives in the areas of injury prevention, care and recovery.
We actively make it easier for others to work with us.	ACC will be integrated with the Ministry for Business, Innovation and Employment's (MBIE) business customer registry. We will be synchronising primary business data from MBIE's Company Register in all our customer facing systems.
	We will deliver the initial enhancements to the Accredited Employer Programme to improve the worker experience of injury management and prevention services delivered through the Programme.
	We will be working collaboratively alongside MBIE and the Treasury to deliver the Government's Accident Compensation policy work programme priorities.
	We will have migrated all client payments from a legacy system, increasing consistency, accuracy and timeliness of payments.
We achieve improved experiences and outcomes for Māori.	Taking a kaupapa Māori approach, we will engage and partner with iwi and the Māori community to identify and co-design services to improve Māori outcomes and address disparities.
	ACC will take a human centred co-design approach to establish kaupapa Māori and culturally appropriate pathways and experiences for Māori with the most significant ongoing needs. This includes those seriously injured, those impacted by sexual abuse and assault, those with other high and complex needs requiring a range of services and supports, often over the long-term
	We will have delivered an evidenced-based cultural competency workforce development programme, enhancing our people's cultural literacy levels and lifting our ability to engage with all our customers.

Continued …

What we want to achieve	What we will have delivered by 30 June 2021
We adopt new ways of working with providers.	We will be starting to work towards removing legacy healthcare payment systems. This will create straight-through processing opportunities with an automated exceptions management process.
	We will have implemented our integrated escalated care pathways to improve experiences and outcomes for clients with non-acute knee, shoulder and lower-back injuries. These pathways will put clients at the centre of a team of interdisciplinary health professionals to help them navigate smoothly and quickly from injury to recovery.
	We will have enabled direct access to HTI services, meaning unnecessary MRIs and specialist appointments are reduced.

Strategic intention: Improve the financial sustainability of the Scheme

A strong financial platform allows us to provide the high-quality service our clients expect while simultaneously reducing the burden of the Scheme on all levy payers (including the Government). A consistent dual focus on client outcomes and financial performance helps to maintain the Scheme's financial position.

We can continue to improve the customer experience and outcomes only while we are increasing our financial sustainability and levy stability. The provision of high-quality rehabilitation and independence outcomes for our clients will lead to improved financial performance.

We must be mindful of the role we play in maximising intergenerational fairness. Our careful stewardship of the Scheme will reinforce the fully funded model, meaning that future generations of levy payers are not paying for injuries that happened in earlier years.

We will strengthen the financial sustainability of the Scheme by focusing on five priorities:

TABLE 6: FINANCIAL SUSTAINABILITY DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes.	We will continue to refine our performance management approach to ensure we manage the dual focus on the costs and outcomes of the services we provide while increasing our overall effectiveness.
	We will be working towards the delivery of a single integrated Enterprise Resource Planning system including financial management, procurement and human resource processes. This will enhance controls and processes for non-health expenditure processing, up-front approval and related payment activities.
We manage cost and liability growth.	We will continue to develop our understanding of which drivers of cost and volume changes are controllable, versus those that are outside our control. This will inform the actions we can take to improve customer and financial outcomes.
We apply the insurance approach when making investment decisions.	We will have continued to develop a deeper understanding of changes in injury causation and associated risk factors over the life courses of individuals. This will involve us thinking beyond the ACC client experience and use a range of factors (such as interactions with other agencies, changes in earning potential and other demographic factors) to support better prevention, treatment and rehabilitation interventions.
We maintain investment performance above benchmarks.	We will continue to manage our investments with the objective of obtaining the best possible balance of return and risk.
	We will continue to enhance the technology environment for our investments function to deliver fit-for-purpose, effective solutions. This will create an environment for making the best investment decisions.
Risk management is embedded across our organisation.	We will continue to increase maturity of the organisation's risk culture, designing risk processes to help the entity operate to the full extent of ACC's risk appetite statements in decision making and activity.

Building organisational health and capability in 2020/21

To deliver our outcomes and our strategic intentions successfully we need to have high-performing, diverse teams that are focused on all our different customers. These teams must be supported by a suite of modern, reliable and secure systems.

- People – maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes
- Information – improve the way we use, protect and share information
- Technology – support ACC business outcomes with modern, reliable and secure information technology.

Maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes

Our ability to deliver our strategic intentions depends on the culture and capabilities of our people.

Our leaders will have the capabilities and motivation to develop and nurture high-performing, customer-focused teams. Those leaders will make our environments, and those over which we have influence, injury free. In fact, we will demonstrate genuine workplace safety leadership as an example for all New Zealand organisations. We know that reflecting New Zealand's diversity in our own workforce is important. It allows us to listen, respond to and anticipate our customers' needs more effectively while also creating the right conditions for our people to be highly engaged and proud to be part of our organisation.

We will maintain a diverse, high-performing team by focusing on four people priorities:

TABLE 7: PEOPLE DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
Our workforce reflects New Zealand's diversity.	We will support ACC's Whāia Te Tika strategy through building the cultural capability of our people and increasing the representation of Māori employees within our workforce.
	We will implement talent sourcing strategies that increase the representation of employees with a disability at ACC and model this to other employers in New Zealand.
We have highly motivated, capable leaders.	We will increase the number of ready successors we have for our key senior roles and we will support new appointees to these roles to transition successfully.
We make our environments, and those we have influence over injury free.	We will continue to mature our Health, Safety and Wellbeing culture by progressing actions in our 2019-2021 Health, Safety and Wellbeing strategy.
Our people are capable and are proud to be part of ACC.	We will support our people to adopt new capabilities, technology and ways of working to deliver our key organisational initiatives.
	We will re-engage and re-energise our workforce with ACC's purpose, strategy and customer focus as we move from our transformation phase into our focus on ongoing performance and improvement.
	We will improve our ability to hire and on-board new people at ACC to improve efficiency for people managers and ensure new people at ACC have everything they need for a smooth start.
Our organisation design and our practices facilitate high performance now and into the future.	We will support ACC's move to increased organisational agility through effective change management, alignment of people processes, organisational design and workforce planning.
	We will continue to mature our ability to effectively manage the cumulative impact of change on our people across our portfolio of change activity.

TABLE 8: WORKFORCE PROFILE AND EQUAL OPPORTUNITIES

3,848 Permanent and temporary staff	**67%** of our workforce are women
57% of our Board members are women	**49%** of our Senior members (Tier 3 and 4) are women
40.6 is the average age of our people	**33%** of our Executive (Tier 1 and 2) are women
12% of our people indicated a disability via survey	**78%** European **12%** Māori **12%** Asian **7%** Pasifika **9%** Other Ethnicity profile of our people via survey[8]
15.9% median gender pay gap[7]	

What we will deliver in 2020/21

We are committed to being an equal employment opportunity (EEO) employer through our organisation-wide EEO good employer practices relating to the recruitment and selection, development and retention of all staff.

7 *This measure is based on the Ministry for Women's methodology.*
8 *Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.*

Improve the way we use, protect and share information

We collect and use personal, confidential and sensitive information from a large number of people and entities, including clients, providers and business customers. Our relationship with this information is complex – some information is compelled by law, some is volunteered, some comes directly from our customers and some comes to us through third parties. We use that information to make decisions about a person's individual circumstances and in some cases we need to share it with others. New Zealanders must have confidence that this information is collected appropriately, stored securely and accurately and only disclosed with appropriate authority, and that they can access it when they need it.

At the same time, our technology must empower our people by providing them with the tools to deliver positive outcomes for our clients. Part of this empowerment will come through improved data and analytics capabilities, enhancing our culture of data-driven decision-making to create a higher-performing, and more effective and efficient organisation.

We expect to achieve our intended information objectives through four priorities:

TABLE 9: INFORMATION DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
We enable safe and appropriate sharing of information.	We will have further protected our customers' information by rolling out important updates to our systems, and invested to ensure our systems have the capacity to meet predicted future demands
We are custodians of customer information.	We will have developed a Third Party Privacy Management model. This will contribute to improving privacy maturity amongst our provider network, helping us to better identify any areas of privacy risk and report as necessary
We enable the appropriate sharing of information across government.	We will have implemented an Approved Information Sharing Agreement between ACC and Inland Revenue. This will improve transparency and ensures the agreement meets the Office of the Privacy Commissioner's preferred framework.
We have an organisation-wide strength in analytics.	We will generate value from ACC's business analytics platform by applying new advanced analytics and anomaly detection capability to areas that generate the greatest return, with a focus on fraud waste and abuse detection and anticipating client needs to ensure services best support recovery outcomes.

Support ACC business outcomes with modern, reliable and secure information technology

ACC will continue to evolve as an organisation, requiring the development of new capabilities to respond to the challenge of offering our customers more choice with less effort when they interact with us.

In this changing environment, we need to ensure that our organisation, our clients and our providers are supported by reliable, safe and secure information technology. This technology needs to be flexible to allow us to adapt to changing needs quickly.

We will achieve our technology intentions by focusing on four priorities:

TABLE 10: TECHNOLOGY DELIVERY STATEMENTS

What we want to achieve	What we will have delivered by 30 June 2021
We maintain safe, secure and stable information technology.	We will have continued to maintain the stability and security of our information technology by implementing an appropriate maintenance programme and ensuring that our suite of technologies remains well integrated.
Our technology empowers our people.	We will have rolled out minor enhancements to our systems, allowing our operational teams to deliver services efficiently to our customers and improving our clients' experiences and outcomes.
Our technology enables our digital aspirations.	We will have continued to enhance our digital environment allowing us to: • automate manual tasks and processes to remove friction and improve the quality and timeliness of payments, data and services • increase the range of assisted and self-service options so that our customers can choose the best options to suit their needs • work collaboratively with our providers to ensure that our solutions integrate seamlessly with their ways of working.
We create and maintain an adaptive technology environment.	We will have continued to develop our adaptive technology environment by: • implementing a range of modern technologies, supporting ACC to better manage performance and customer service delivery • reducing legacy and customisation of our core systems to provide more flexibility and agility.

Whāia Te Tika

Whāia te whanuitanga me te hōhonutanga o te Mātauranga

Pursue the breadth and depth of knowledge

We recognise that the Treaty of Waitangi is a founding document of government in New Zealand, and established the country as a nation. We aim to support the Crown in its Treaty of Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

Whāia Te Tika, our ACC Māori strategy, aims to create better ACC experiences and outcomes for Māori, through Te Arotahi Kiritaki (strong customer focus), Kia Hiranga Te Mahi Ngatahi (partnering for excellence) and Whakawhanaketia (developing capability).

Ultimately ACC wants to see:

- Māori New Zealanders are injured less often
- Barriers to access and engagement for Māori are removed, reducing disparities
- Māori customers receive the right support delivered in the right way for them and their whanau
- We engage, understand and respond to needs, expectations, and aspirations of Māori when they engage with ACC and
- We partner with Māori health providers and other agencies to design and deliver products and services to meet Māori customer needs.

To deliver on these aspirations, we will focus on the following actions in 2020/21.

Te Arotahi Kiritaki – customer focus

Our actions seek to improve customer access, experience and outcomes

Taking a kaupapa Māori approach, we will engage and partner with iwi and the Māori community to identify and co-design services to improve Māori outcomes and address disparities

Kia Hiranga Te Mahi Ngatahi – partnering for excellence

Our actions focus on strategic engagement and partnering to improve outcomes

We will take a human centred co-design approach to establish kaupapa Māori and culturally appropriate pathways and experiences for Māori with the most significant ongoing needs. This includes those seriously injured, those impacted by sexual abuse and assault, those with other high and complex needs requiring a range of services and supports, often over the long-term

We will have implemented a Māori investment portfolio to appropriately resource kaupapa Māori approaches to injury prevention programmes that will help reduce the incidence and severity of injury for Māori.

Whakawhanaketia – developing capability

Our actions seek to improve cultural capability and how we deliver for Māori

To achieve this, we will deliver an evidenced-based cultural competency workforce development programme, enhancing our people's cultural literacy levels and lifting our ability to engage with all our customers. We will work to increase the representation of Māori employees within our workforce.

We will expand our external reporting on our progress towards delivering our Whāia Te Tika strategy through two measures included in our Service Agreement 2020/21:

- Client Net Trust Score for Māori
- Māori lodgement ratio

We will continue to develop other measures to support our understanding of progress in 2020/21.

Shaping our future

The Shaping Our Future strategy has transformed our organisation and the way we work with customers. It continues to be underpinned by six clear objectives:

- continue to improve customer trust and confidence in ACC
- improve the productivity of ACC
- reduce the number of productive days lost to injury
- empower and engage ACC's staff to deliver services more effectively
- enhance operational resilience to reduce exposure to operational failures such as privacy breaches
- improve levy collection.

The strategy is organisation-wide and it sets out what we need to do to become the ACC we want to be. It challenges us to question what we are doing today and how we could make it better for tomorrow.

In recent years, our Transformation Programme has been a key driver of real change under our Shaping Our Future strategy. The programme has managed a number of projects focused on improving our people systems and processes.

Our transformation capability is continuing to mature and, with a customer-focused operating model and culture in place, delivering service improvements is something we do every day. This means that we no longer need a dedicated programme. Instead, we have delivered our transformative initiatives on a project-by-project basis through an integrated portfolio.

Our integrated change portfolio approach

Since July 2018, the Integrated Change Investment Portfolio (ICIP) has been the primary mechanism to deliver our transformation. In 2020, we will be completing the roll out across the country of our new case management model. This will be a key milestone for our ICIP programme.

As part of this programme we have also delivered other significant improvements for our clients including automated claim lodgement, client payments and My ACC.

This sustained level of change has become normal to us and we now have the foundation to better manage operational performance and customer service delivery.

Moving to continuous delivery

Continuous Delivery provides us the platform to better manage operational performance and customer service delivery. It will bring many years of investment to life and gives us the opportunity to move from just delivering and managing through change, to lifting our performance because of changes we have made. It is about utilising and maximising our people and the new tools we have.

Environmental, Social and Governance

"The purpose of this Act is to enhance the public good and reinforce the social contract represented by the first accident compensation scheme by providing for a fair and sustainable scheme for managing personal injury that has, as it overriding goals, minimising both the overall incidence of injury in the community and the impact of injury on the community."

ACCIDENT COMPENSATION ACT 2001

Environmental, Social and Governance (ESG) issues have long been considered in the way we operate internally, how we design and deliver our services to customers and how we manage our investments.

We are now developing an Environmental, Social and Governance policy framework. This will recognise the public-good role of ACC and its legislation, and will build on ACC's long-standing Ethical Investment policy.

Environmental

We take our responsibilities regarding climate change, sustainability and ethical investment extremely seriously. We recognise the leadership role we must play by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste. Our performance plays a critical role in supporting and improving the wellbeing of New Zealand.

ACC's aim is to be proactive in leading New Zealand's commitment to net zero emissions by 2050, including supporting efforts to limit average temperature rise to less than 1.5°C above pre-industrial levels.

To achieve this aim, we will adopt a dual pathway approach:

- Corporate: ACC is aiming for a 60% reduction in emissions by 2025 from 2019 levels. We will also explore offsetting residual corporate emissions from 2021, subject to Board endorsement.
- Investments: ACC will align with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the investment team's global equity portfolio by at least 50% by 2030 compared to 2019 levels.

This position will remain under active review as we move towards net zero, and we may alter the ambition of the approach as we gather more evidence about the costs and opportunities. We may adjust the position to at least be consistent with the five-year emissions budgets that will be set by the Climate Change Commission.

This reflects a continuation of the efforts ACC has been making to address risks associated with climate change. We have already been decarbonising and reweighting the investment portfolio and made steady progress in reducing corporate emissions.

Carbon intensity in our global equities portfolio has fallen 19% over the past ten years. This reflects developments within companies we have invested in. Since late 2019, ACC has divested and excluded companies that generate more than 30 percent of their revenue from thermal coal. As a result, we have added 54 thermal coal stocks to our exclusion list.

In 2019, our carbon emissions from corporate fleet vehicles nearly halved compared to 2018. We also significantly reduced our business travel emissions through reducing activity, improved processes and commercial arrangements.

At a corporate level, we plan to increase the energy efficiency of all our leased buildings. In 2020/21 we will develop appropriate targets and introduce these targets in guidelines for our leased buildings.

We have an accelerated plan to replace our fleet vehicles with electric or hybrid vehicles.

We aim to continue to earn strong investment returns for levy payers in the future and reduce the cost New Zealanders pay for accident cover, while also meeting our responsibilities under the Zero Carbon Act.

Social

ACC is a no-fault scheme, covering everyone, including visitors, who is injured in an accident in New Zealand.

As a publicly administered and delivered social insurance scheme, the social value we deliver is an integral part of our business, being fundamental to our strategic intentions.

Through the delivery of our injury prevention programmes and the provision of compensation and treatment and rehabilitation services, we demonstrate the social nature and benefits of the Scheme delivered to New Zealanders. We measure and set targets for these key Scheme deliverables to assess our performance in delivering social value.

We are introducing a new fund within our investment portfolio, the Impact Fund. This Fund will align with the Scheme's role in health through a practical and targeted approach, while contributing to a balance of benefits, costs, and risks.

As an employer, we operate policies that meet the requirements of employment-related legislation that applies in New Zealand. These policies have been developed in line with our commitment to be an equal employment opportunity (EEO).

We have organisation-wide EEO good employer practices relating to the recruitment and selection, development and retention of all staff.

Governance

ACC's corporate governance is largely underpinned by legislation, which determines the structure of Board and Ministerial oversight. Within this legislated structure, ACC's governance framework includes ACC Executive and Board oversight, and risk management.

The NZX Corporate Governance Code promotes eight principles for good corporate governance. As a Crown Entity, ACC is not required to comply with these principles; however, we continue to develop best practice in our corporate governance.

Investments

We aim to conduct our investment activities in an ethical manner that avoids prejudice to New Zealand's reputation as a responsible member of the world community.

Our investment statement, included as ***Appendix 4 Investment Statement***, is a statement of our policies, standards, and procedures and includes a statement relating to ethical investment.

We will report on ESG performance and progress towards the development of our ESG policy framework in our Annual Report 2020.

Statement of performance expectations

Statement of performance expectations by output

This section sets out the outputs that we are funded to provide. Outputs are the actual products and services that ACC provides to its stakeholders.

The information includes:

- the link between our strategic intentions and outputs
- a brief explanation of what is intended to be achieved within each output
- an explanation of how performance under each output will be assessed. These measures evaluate our performance in terms of quality, cost and timeliness
- activity information – this is contextual or service demand information to provide greater context for our performance measures. Significant variations in demand can influence the achievement of our performance measures' targets.

We will report quarterly against a wide range of output performance measures to assess whether our activities are making a difference and the extent to which we are achieving our strategic intentions. Each measure has a target for each year from 2020/21 to 2023/24.

COVID-19 pandemic

The Service Agreement 2020/21 was developed and agreed based upon the best available information in accordance with legislative requirements and timelines, within a context of the COVID-19 pandemic.

The impact of COVID-19 on ACC and its customers is highly uncertain and pervasive. For example, ACC's performance is significantly impacted by the economy; including levy revenue, claim volumes, claim costs, rehabilitation outcomes, investment fund performance and the outstanding claims liability.

ACC was granted a three-month extension to develop this Service Agreement. This additional time has allowed ACC to consider actual experience and insights from the latest economic projections, and the impact on performance as a result of lockdown and transition between alert levels.

We have adjusted some performance targets to reflect these impacts. These include injury prevention measures, short and long-term rehabilitation, speed of cover decisions, average time to resolution for claims with reviews, treatment cost per claim growth, net trust scores and financial measures.

However, the uncertainty remains a challenge in setting a budget and annual performance targets, actual 2020/21 performance outcomes could vary significantly from these targets which are not revised during the year. Therefore, in addition to annual target setting, ACC regularly monitors actual performance, regularly re-forecasts future performance and aims to identify and understand notable trends and variances to expectations on a timely basis. The budget included reflects our Pre-election Economic and Fiscal Update 2020 and will be what ACC reports against for 2020/21.

Breakdown of budget against output classes

TABLE 11: 2020/21 BUDGET BY OUTPUT CLASS

($M)	Administration	2020/21 Budget Claims paid	Revenue
Output class			
Output class 1 – Injury prevention	76		
Output class 2 – Levy setting and collection	34		4,716
Output class 3 – Investment management	64		1,451
Output class 4 – Claims management	503	5,068	
Total	**677**	**5,068**	**6,167**
Other operating costs	87		
Total ACC	**764**	**5,068**	**6,167**

Other operating costs include indirect costs allocated to all four outputs by support business groups such as Finance, Talent, Information Technology and executive management.

Aligning our strategic intentions with the outputs

Our outputs are clearly related to our three externally focused strategic intentions.

TABLE 12: ALIGNMENT OF STRATEGIC INTENTIONS WITH OUTPUTS

Increase the success of our injury prevention activities	**Output 1** Injury prevention	By developing and delivering the ACC and cross-government injury prevention strategy
Improve our customers' outcomes and experiences	**Output 2** Levy setting and collection	By working closely with our business customers (largely employers and self-employed) to identify appropriate products, to invoice accurately and to collect levies.
	Output 4 Claims management	By working closely with our clients and their families to return them to independence as soon as possible, and by collaborating with our providers to achieve the most appropriate outcomes for our clients.
Improve the financial sustainability of the Scheme	**Output 1** Injury prevention	By only investing in a portfolio of injury prevention activities that will lead to a positive return on investment.
	Output 2 Levy setting and collection	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting the levies approved by Cabinet.
	Output 3 Investment management	By investing effectively in order to meet the future costs of claims from injuries already incurred.
	Output 4 Claims management	The costs associated with this output class have the largest bearing on overall Scheme financial performance. To achieve cost stability we must balance the quality, efficiency and effectiveness of services delivered to clients.

Output 1: Injury prevention

What is intended to be achieved?

ACC is one of a number of government agencies with a responsibility to reduce the incidence and severity of injury in New Zealand.

We can only undertake an injury prevention activity if it is likely to result in a cost-effective reduction in actual or projected levy rates or the Non-Earners' appropriation. This requirement means that we focus our efforts on injuries that affect the Scheme, such as high-cost and high-volume claims that affect claim costs, the Outstanding Claims Liability and levies.

We work with non-government organisations, community groups and other government agencies so that the activities and funding are effective. This coordination role is as important as directly funding injury prevention interventions.

We have revised our injury prevention measures and targets to reflect ACC's Injury Prevention Strategy. This demonstrates our intent to take a much longer-term view of injury prevention investment, while at the same time demonstrating how that investment is performing in terms of short-to-medium term claims reductions. We have also separated these measures to show more clearly the investment we make to support WorkSafe New Zealand to deliver workplace harm reduction programmes. These measures demonstrate the performance of the injury prevention investment portfolio and the positive benefits it is delivering to the Scheme in terms reducing injury claims, and their related costs and outstanding claims liability.

COVID-19 pandemic impacts

The impact of COVID-19 on ACC and its customers is uncertain and widespread. We will continue to work with our partners to deliver our injury prevention programmes, with some estimated delays. We have adjusted some performance targets to reflect these expected impacts.

TABLE 13: OUTPUT 1 PERFORMANCE MEASURES

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	2021/22	2022/23	2023/24
Key measure Return on investment for 0 to 20-year injury prevention programmes	We invest to keep New Zealanders safe from accidental injury by working with others to reduce the risk across a range of areas. We take a portfolio approach. This means that overall we expect our injury prevention programmes to deliver positive returns on investment.	$2.11:$1	$1.99:$1	$2.05:$1	$2.08:$1	$2.12:$1	$2.15:$1
Key measure Return on investment for workplace injury prevention programmes		$1.63:$1	$1.23:$1	$1.30:$1	$1.37:$1	$1.44:$1	$1.51:$1
Supporting measure Number of claims avoided through our injury prevention investments.		11,253	15,541	13,310	14,641	16,105	23,000
Key measure Rate of serious injury (including fatal) for 0 to 20-year injury prevention programmes	Our investment in changing the behaviours of New Zealanders should reduce the severity of injuries sustained in the settings targeted by our investments	8.9	9.3	9.3	9.1	8.9	8.7
Key measure Rate of serious injury (including fatal) for workplace injury prevention programmes		0.35	0.16	0.22	0.20	0.18	0.16

Output 2: Levy setting and collection

What is intended to be achieved?

The Scheme is managed through five Accounts, with each providing cover for a specific grouping of injuries.

In order for us to deliver services, we must collect revenue. Through our levy setting process we calculate our future revenue needs for each Account. We recommend levies that are sufficient to cover the costs of claims incurred in that year. The recommendations are consulted on with levy payers and provided to Cabinet for consideration.

COVID-19 pandemic impacts

The impact of COVID-19 on ACC and its customers is uncertain and widespread. ACC performance is significantly influenced by the economy. We have adjusted some performance targets to reflect these impacts.

TABLE 14: OUTPUT 2 PERFORMANCE MEASURES

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Actuarial movement.	This provides an indicator of the effectiveness of our management of the controllable factors driving the OCL.	+1.56%	0.48%	Within +/− 1.5%	Within +/− 1.5%	Within +/− 1.5%	Within +/− 1.5%
Supporting measure Ratio of this year's total levies to the total claims incurred for this year's accidents over time.	This provides an indicator of how well levies are matched to the costs incurred each year as a result of accidents, ensuring intergenerational fairness.	0.7	0.7	0.5 – 0.7	0.5 – 0.7	0.5 – 0.7	0.5 – 0.7

How we are funded

Figure 2 shows our 2020/21 forecasts for the number of funders, and the levy and appropriation revenue, and currently approved levy rates for each Account.

FIGURE 2: SOURCES OF ACCOUNT FUNDING

Cabinet sets levies at least every three years following public consultation and a recommendation from ACC

Appropriations are sought through the Budget process

	Work Account	Earners' Account	Motor Vehicle Account	Treatment Injury Account	Non-Earners' Account
	Work-related injuries	Non-work injuries to people in employment	Injuries on public roads involving a moving vehicle	Injuries that are caused by, or happen during treatment	Injuries not covered in other accounts to people not in employment
	Levied from employers and the self-employed	Levied from employees and the self-employed	Levied from registration fees and petrol charges	Levied from employees and self-employed plus appropriations	Funded through appropriations
2020/21	Number of employed and self-employed 2.17 million	Number of earners 2.53 million	Number of vehicles 3.98 million	Number of non-earners 2.45 million Number of earners 2.53 million	Number of non-earners 2.45 million
2020/21	Levy revenue $746 million	Levy revenue $1,682 million	Levy revenue $459 million	Government appropriation $228 million Levy revenue $74 million	Government appropriation $1,527 million
2020/21	$0.67 per $100 liable earnings	$1.21 per $100 liable earnings	$113.94 per motor vehicle		

Funding ratios

The financial sustainability of each Account is measured using funding ratios. These funding ratios are presented as a percentage and calculated by dividing total assets, less payables, accrued liabilities, provisions and unearned levy liability by the outstanding claims liability (including additional liability for work-related gradual process claims not yet made) excluding any risk margin. This differs from the GAAP ratio of assets to liabilities. The funding ratio for the Work Account excludes those claims, and equivalent assets, funded through the Accredited Employer Programme. This is calculated for the fully-funded portions of the Accounts only.

Funding ratios provide an indication of the funding adequacy of each Account in relation to the funding policy. Each Account operates independently and cannot cross-subsidise another.

The AC Act requires the government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was published in the New Zealand Gazette[9] on 8 July 2020 (Gazette No. 2020-go2045).

Statement of performance expectations

TABLE 15: ACCOUNT FUNDING RATIOS

As at 30 June (%)	Forecast 2019/20	Budget 2020/21	Funding policy target
Work Account			
Including gradual process claims incurred but not yet made	111.4%	109.2%	100.0%
Motor Vehicle Account	100.1%	98.1%	100.0%
Earners' Account	101.6%	95.9%	100.0%
Non-Earners' Account			
Fully funded portion	58.8%	58.1%	100.0%
Treatment Injury Account			
Earners' portion	145.0%	142.1%	100.0%
Non-Earners' fully funded portion	61.4%	59.5%	100.0%

The funding ratios in the levied Accounts are budgeted to decline in 2020/21. This generally reflects the Government decision to continue current levy rates until 31 March 2022 for Work and Earners' Accounts and 30 June 2022 for the Motor Vehicle Account and the cumulative shortfall in levies covering new year claims costs.

In the Non-Earners' and Treatment Injury Accounts the pre-2001 claims are funded on an annual pay-as-you-go basis. The lifetime costs of post-2001 claims are fully funded using central estimates. The funding policy for the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account is set by the Government.

Over the past ten years, levy rates in general have been falling. This was necessary to bring the over-funded accounts back towards their targeted levels. The significant deficits in 2018/19 and 2019/20, primarily from economic impacts, mean the funding ratios have fallen further than expected. As a result of these cumulative deficits, the total funding gap across the levied and Non-Earners' accounts is a $3.1 billion shortfall.

There is no ability to cross-subsidise any of the Accounts. ACC's financial statements are prepared on a going concern basis, reflecting the Government's on-going obligation to fund the Scheme and the long-term nature of its funding policy.

Output 3: Investment management

What is intended to be achieved?

The purpose of our investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash flow requirements and provide a partial offset against the risk of declines in interest rates.

We manage our investments with the objective of obtaining the best possible balance of return and risk. To this end, we:

- review strategic asset allocations to ensure that the benchmark asset allocations provide the best possible balance of risk and expected returns for our objectives
- actively manage our investment portfolios with the objective of obtaining better risk-adjusted returns from those portfolios than would be achieved from passive investment.

COVID-19 pandemic impacts

The impact of COVID-19 on the New Zealand economy and ACC is uncertain and widespread. ACC performance is significantly influenced by the economy; including investment returns. We have adjusted performance targets to reflect these impacts.

How we will know we have achieved this

TABLE 16: OUTPUT 3 PERFORMANCE MEASURES

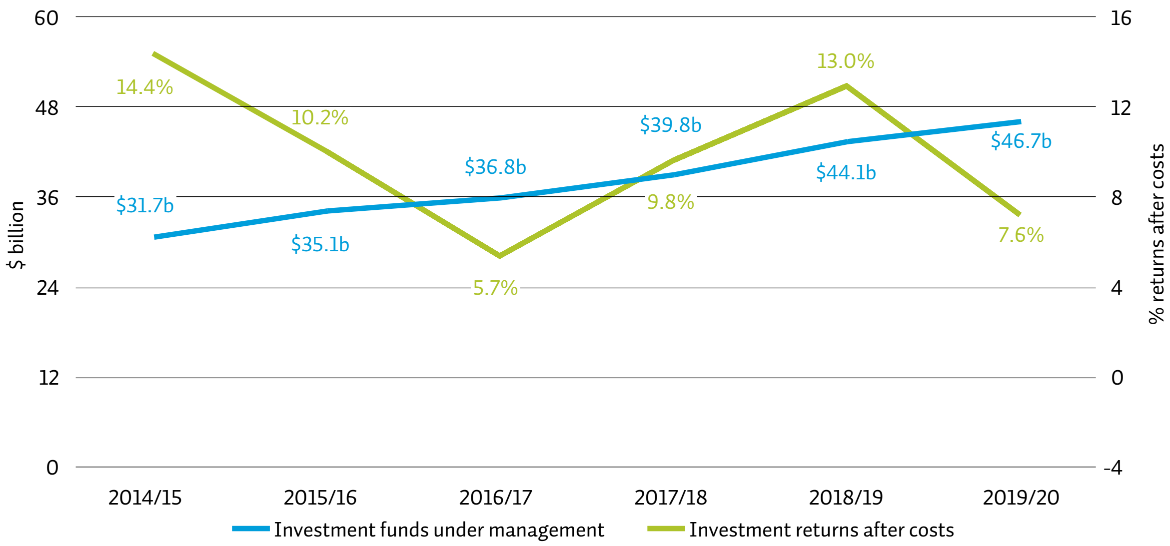
Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Investment performance after costs relative to benchmark.	The quality of our investment management can only be gauged by comparing our returns net of costs with that of a blended market average benchmark, which provides a comparison with the asset classes in which we have invested.	-0.82%	0.16%	0.15%	0.15%	0.15%	0.15%
Supporting measure Investment management costs as a proportion of total funds under management.	The efficiency of our investment management is measured by expressing total investment management costs as a proportion of the total funds under management.	0.12%	0.13%	0.15%	0.15%	0.15%	0.15%

Activity information

INVESTMENTS

ACC forecasts $46.7 billion of investment funds at the end of 2019/20 and is expected to return 7.6% after costs.

FIGURE 3: TOTAL INVESTMENT FUNDS AND INVESTMENT RETURNS



Statement of performance expectations

EXPECTATIONS AS A CROWN FINANCIAL INSTITUTION

The Government communicates key priorities for ACC as a Crown Financial Institution through the annual letter of expectations from the Minister of Finance. These priorities are presented in ***Appendix 3 – Letters of expectations*** and are summarised in ***Appendix 4 – Investment statement***.

Output 4: Claims management

What is intended to be achieved?

We help injured people covered by the Scheme to get the appropriate medical treatment, social and vocational rehabilitation services and compensation to enable a return to work, independence or everyday life.

We manage claims from the relatively minor, where clients only require primary health services (such as a one-off visit to a general practitioner), to claims from individuals who suffer serious injuries requiring lifelong services and support.

COVID-19 pandemic impacts

The future impact of COVID-19 on ACC and its customers is uncertain and widespread. ACC performance is significantly influenced by the economy; including claim volumes, claim costs and rehabilitation outcomes.

We have adjusted some performance targets to reflect these impacts including rehabilitation, speed of cover decisions, average time to resolution for claims with reviews, treatment cost per claim growth and net trust scores.

In 2020/21 we expect our rehabilitation performance will improve as the roll out of our new case management model is completed. We have countered this somewhat in our targets as the uncertainty about the ongoing effects of COVID-19 and its impact on the economy remains.

How we will know we have achieved this

TABLE 17: OUTPUT 4 PERFORMANCE MEASURES

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Return to work within 10 weeks.	Research confirms that when people make rapid returns to independence or work after injury, their overall health and wellbeing is significantly improved. These measures evaluate how effectively we are supporting our clients to return to work or independence, and whether their returns are sustained.	66.8%	65.0%	62.5%	66.6%	67.8%	69.0%
Supporting measure Return to work within nine months.		92.4%	91.0%	90.0%	92.0%	92.8%	93.9%
Supporting measure Durable return to work.		73%	71%	1% higher than Australia (last year)	1% higher than Australia	1% higher than Australia (last year)	1% higher than Australia
Supporting measure Weekly compensation days paid reduction.		3.2 days increase[10] [100.6 days]	4.9 days increase [102.2 days]	7.0 days increase [104.4 days]	4.2 days increase [101.6 days]	0.5 days increase [97.9 days]	3.7 days reduction [93.7 days]
Key measure Return to independence for those not in the workforce.		88.9%	89.1%	87.5%	88.5%	88.5%	88.5%

Continued …

10 *A decrease for this measure would reflect a reduction in weekly compensation days paid compared to the benchmark of March 2015. The increases presented reflect the fact that weekly compensation days paid have increased not reduced. Longer term targets are for a reduction.*

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	2021/22	2022/23	2023/24
Key measure Public trust and confidence.	The way the public views ACC is a useful indicator of how effectively we have communicated the value that ACC delivers, and demonstrated this in our interactions with levy payers, clients, providers and stakeholders.	61%	65%	64%	66%	68%	71%
Key measure Client net trust score.	If we get the experiences and outcomes right, our clients will trust us and have confidence in our abilities. Increased trust in turn leads to more proactive engagement with rehabilitation pathways.	+24.0	+31.0	+26.0	+29.0	+32.0	+35.0
Supporting measure Speed of cover decisions: non-complicated claims.		New measure	0.6 days	<1.0 days	<0.9 days	<0.8 days	<0.7 days
Supporting measure Speed of cover decisions: complicated claims.		New measure	59.7 days	<75.0 days	<72.5 days	<70.0 days	<70 days
Supporting measure Reviews as a percentage of decline decisions.		7.1%	8.2%	8.9%	≤7.5%	≤7.5%	≤7.5%
Supporting measure Average time to resolution for claims with reviews.		87 days	93 days	≤95 days	≤92 days	≤90 days	≤88 days
Supporting measure Proportion of ACC reviews upheld (in favour of ACC).		82.4%	87.2%	85.0%	≥85.0%	≥85.0%	≥85.0%
Supporting measure ACC focused on the best possible outcomes for clients given their situations		77%	77%	77%	78%	79%	80%
Key measure Client net trust score for Māori		+25.0	+43.0	+23.0	+27.0	+31.0	+35.0
Supporting measure Māori lodgement ratio[11]		0.83	0.81	1% increase on previous year			
Key measure Provider net trust score.	Successful partnering through simplified business operating structures and enhanced technology platforms will increase the trust and confidence our providers have in us. Our providers are our partners in each and every rehabilitation journey, and a trusted relationship ensures we work together to achieve the best possible outcomes.	-15.0	-14.0	-17.0	-13.0	-9.0	-5.0
Key measure Business net trust score.	Simpler business operating structures and enhanced technology platforms will make it easier for business customers to work with us. We rely on businesses not just to pay levies, but to enhance health and safety in the workplace and support employee rehabilitation following injury. Increased trust results in greater partnership in working for these outcomes.	-23.0	-1.0	-20.0	-13.0	-9.0	-5.0

Continued …

11 *Additional information is included in our **Whāia Te Tika** section.*

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Growth rate of the Long-Term Claim Pool.[12]	Getting clients back to independence is positive for them and can make a significant difference to the long-term costs of the Scheme.	+6.5%	12.6%	+12.5%	+6.5%	+3.5%	+2.0%
Supporting measure Long-Term Claim Pool returns to independence.		3,662	3,593	2,000	4,170	4,255	4,330
Supporting measure Rate of long-term clients in part-time work.		11.8%	9.3%	8.5%	12.0%	12.0%	12.0%
Key measure Change in average treatment cost.	Managing costs means we are effectively countering inflationary pressures while delivering effective services to our clients.	5.7%	6.4%	8.4%	-7.5%	5.6%	3.2%
Supporting measure Administration costs per active claim.		$2,629	$2,875	$2,805	$2,663	$2,663	$2,660
Supporting measure Percentage of total expenditure paid directly to clients, or for services to clients.		86.6%	86.1%	87.9%	88.3%	88.3%	88.45%
Supporting measure Claims processed per full-time equivalent		605	508	549	574	583	591
Key measure Average care hours per serious injury claim.		1,350	1,393	1,393	1,360	1,360	1,360

Activity information

CLAIMS ACTIVITY

Our analysis has demonstrated a strong correlation between claim volume growth and four key drivers.:

- **population** – as the population increases, the number of claims increases (assuming the rate of injury stays constant)
- **GDP** – an increase in the rate of GDP growth will increase the rate of new claim growth
- **unemployment** – as unemployment goes up claim numbers tend to reduce
- **distance driven** – motor vehicle claim volumes increase as the total distance travelled increases.

This analysis was further supported in 2019 when an independent review identified the level of macroeconomic activity in New Zealand as a key driver of weekly compensation claims growth in an upswing period, driven by changes in the growing employed workforce.

We have a model to forecast claim volumes in order to ensure that we can respond to the anticipated demand for our services. In our quarterly claim volume forecast updates we continue to monitor any key economic changes that impact these forecasts.

12 *In this context, 'long term' refers to clients who have received weekly compensation for more than 365 days*

We have updated our assumptions for claims volumes based on estimates of the impact of the COVID-19 lockdown on the New Zealand economy and the drivers of our claim volumes. If actual claim volumes differ significantly from our forecast claim volumes, our ability to achieve performance targets successfully may be affected.

FIGURE 4: TOTAL NEW REGISTERED CLAIMS VS. RATE OF NEW CLAIM GROWTH, BY YEAR (ACTUAL, FORECAST)

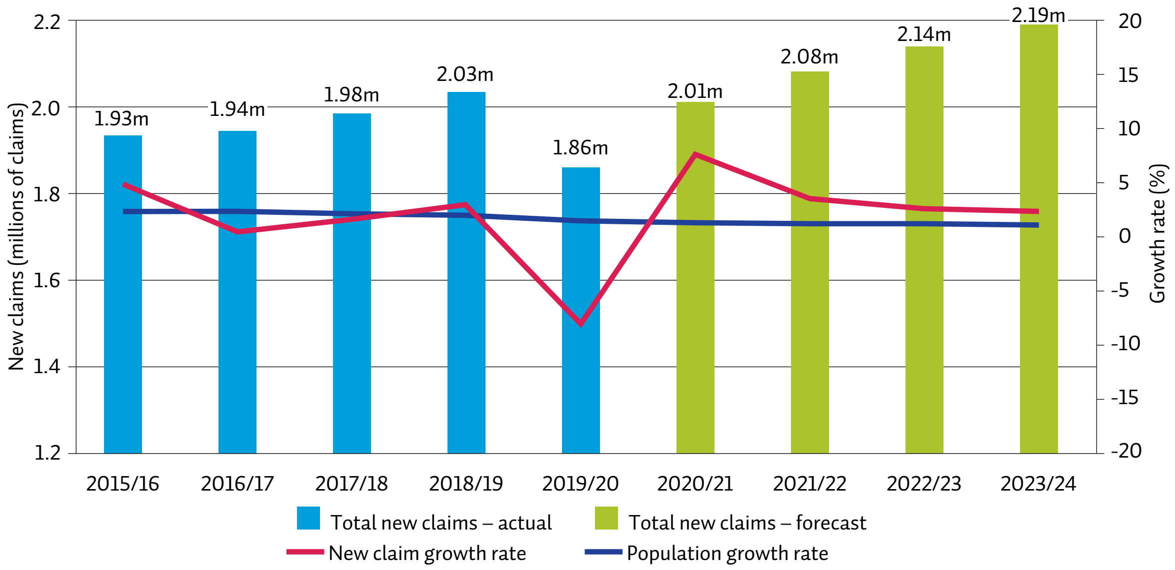
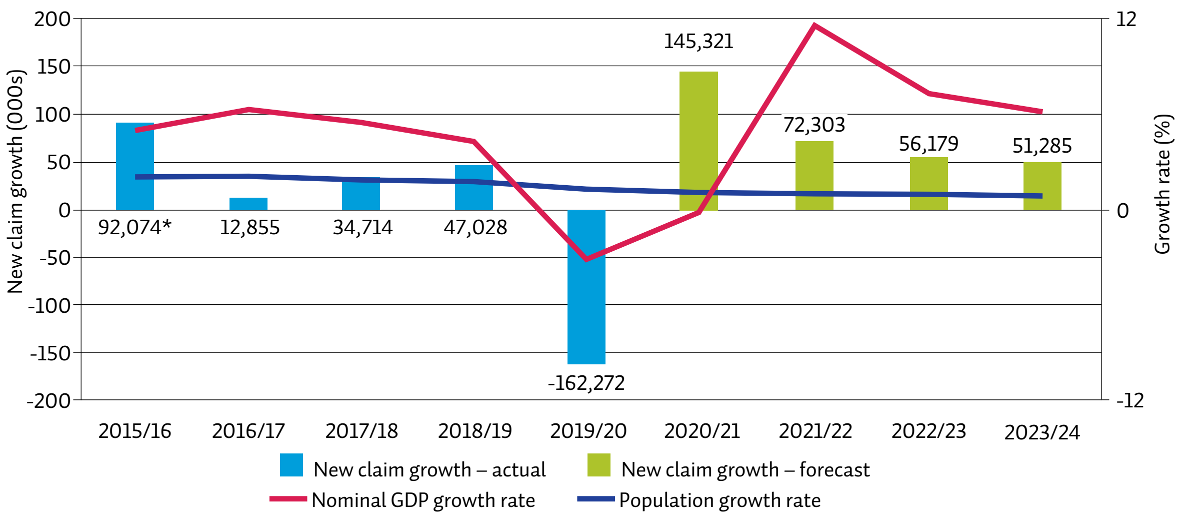


FIGURE 5: TOTAL NEW REGISTERED CLAIM GROWTH RATE VS. SELECTED CLAIM DRIVER RATES, BY YEAR (ACTUAL, FORECAST)



* *Legislative and policy changes also have an impact on claims volume growth. For example, the introduction by the Government of 24-hour free medical care for children aged 12 and under from 1 July 2015 increased claim volumes by approximately 15,000 in the second half of 2015/16 alone.*

Table 18 shows recent trends in the types of claim that we receive and accept. The Scheme is based on legislation and each claim is evaluated to determine whether it meets the requirements of the AC Act. We do not ration our services. Demand is determined by the number of covered injuries that occur and the types and amounts of services that those who have covered injuries are eligible to receive. Please note that historical claim activity values in the table below may differ from values presented in other reports. This is due to the timing of claim lodgements and claim decisions.

TABLE 18: HISTORICAL CLAIM VOLUMES, BY TYPE

Measure	Definition	2016/17	2017/18	2018/19	2019/20
Registered claims.	Total number of registered claims in the period.	1,943,598	1,978,336	2,025,364	1,863,092
Medical fees only claims.	Total number of medical fees only claims in the period.	1,667,816	1,668,347	1,730,562	1,540,260
Other entitlement claims.	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period.	116,002	129,575	138,589	134,095
Weekly compensation claims.	Total number of weekly compensation claims that receive payments in the period.	113,428	119,426	126,933	124,768
Long-term weekly compensation claims.	Number of clients receiving weekly compensation for more than one year as at 30 June.	12,691	13,333	14,201	15,993
New serious injury claims.	Total number of new serious injury claims in the period.	231	260	292	165
Fatal claims.	Total number of fatal claims in the period.	1,307	1,371	1,520	1,197

We enable clients to receive the appropriate entitlements under the Scheme while at the same time monitoring expenditure against budget for the key areas of the Scheme.

Claims costs are an area where we estimate continued impacts from COVID-19. More information on these are included in ***Financial information*** on page 50.

TABLE 19: EXPENDITURE FOR KEY CLAIMS COSTS

($M)	Actual 2018/19	Forecast 2019/20	2020/21 Budget
Weekly compensation	1,328	1,502	1,564
Medical treatment	833	846	956
Social rehabilitation	789	839	921
Public health acute services	514	555	578
Hospital treatment (elective surgery)	371	375	489

Other performance measures

This set of measures is used to demonstrate the extent to which we are achieving our organisational health and capability intentions, and the performance of our assets.

Our organisational health and capability performance measures

TABLE 20: PERFORMANCE MEASURES – MAINTAIN A DIVERSE, HIGH-PERFORMING WORKFORCE EMPOWERED TO DELIVER GREAT CUSTOMER EXPERIENCES AND OUTCOMES

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Employee net promoter score.	Equipping our staff with the right tools and capabilities enables them to be high-performing employees, proud of their organisation.	-11	+21	+12	+25	+28	+28
Supporting measure Proportion of ACC staff who identify as Māori.	We are committed to being an equal employment opportunity (EEO) employer through our organisation-wide EEO good employer practices relating to the recruitment and selection, development and retention of all staff. It is also important that our workforce reflects the community we serve.	12.0%	12.0%	12.0%	12.5%	13.0%	13.5%
Supporting measure Proportion of ACC staff who identify as having a disability.		14.0%	12.0%	14.0%	14.5%	15.0%	15.5%
Key Measure Total recordable injury frequency rate.	We keep people safe, healthy and well, enabling them to arrive home in the same mental and physical condition that they left for work.	3.1	3.2	<3.5	<3.5	<3.5	<3.5
Supporting measure Lost-time injury frequency rate.		0.9	1.0	<1.1	<1.1	<1.1	<1.1

TABLE 21: PERFORMANCE MEASURE – IMPROVE THE WAY WE USE, PROTECT AND SHARE INFORMATION

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix).	We deal with confidential and sensitive information for a large number of people and entities. Our customers expect us to protect this information and maintain our progress in reducing privacy breaches.	2	0	<5 category 3 and 4 breaches per year No category 5 privacy breaches			

TABLE 22: PERFORMANCE MEASURE – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
Key measure Overall operational system availability.	Our systems need to be available so that we can deliver the services our customers expect.	99.6%	99.9%	99.5%	99.5%	99.5%	99.5%

Asset performance measures

Cabinet Office Circular CO (19)6: Investment Management and Asset Performance in the State Services sets out expectations for agencies to report on investment performance.

In particular, it noted:

- Paragraph 75: Agencies must capture and use, in internal management and decision-making processes, relevant indicators of past and projected asset performance, such as asset utilisation, condition and fitness for purpose.
- Paragraph 76: Agencies must report on relevant asset performance indicators in their annual reports

To address this requirement, we selected the following asset performance measures aligned with our two largest asset portfolios: property; and information and communications technology (ICT).

TABLE 23: ASSET PERFORMANCE MEASURES

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
ICT Utilisation: Number of claim system transactions per minute.	Measuring the number of claim management transactions per minute is a good indicator of whether our system utilisation. The demand requirements of customers helps to inform our system investment levels.	New measure	90	>75	>85	>85	>85
ICT Condition: Percentage of key systems with a condition rating of Good or Excellent	This measure uses supportability as an indicator of the condition of our assets.	New measure	93.3%	>80%	>80%	>80%	>80%

Continued …

Measure	Rationale	Actual 2018/19	Forecast 2019/20	Target 2020/21	2021/22	2022/23	2023/24
ICT Condition: Number of critical faults for key ACC systems	This measure demonstrates the physical state of our critical ICT assets, representing asset integrity	1	1	<5	<5	<5	<5
ICT Functionality: Total operational ICT spend per full-time equivalent (FTE).	Measuring ICT cost per FTE demonstrates the efficiency of our ICT expenditure and the value for money achieved. It is able to be compared with that of peer groups to ensure that it is appropriate.	Updated measure	$22,207	<$28,200	<$28,200	<$28,200	<$28,200
ICT Availability: Percentage of time key applications and networks are available to perform required functions.	System availability and stability is crucial in the delivery of services to our customers.	99.6%	99.9%	99.5%	99.5%	99.5%	99.5%
Property Utilisation: Square metres (m2) of leased area per FTE.	This measure is applied across the entire leased property portfolio. Performance can be easily compared year on year and against the Government Property Group's guidelines.	16.2m^2	16.0m^2	12–16m^2 / FTE	12–16m^2 / FTE	12–16m^2 / FTE	12–16m^2 / FTE
Property Condition: Percentage of total leased area with a current code compliance certificate/building warrant of fitness.	This measure offers an independently assessed perspective of property condition. It is also easy to apply consistently to the entire leased property portfolio.	100%	100%	100%	100%	100%	100%
Property Functionality: Percentage of total leased area that meets or exceeds the ACC security standards.	We have ACC security standards in line with the WorkSafe Building Security Policy, October 2014 and regularly assess our total leased property portfolio against these standards.	100%	100%	100%	100%	100%	100%

Financial information

Forecast financial information

Introduction

The information below sets out the 2020/21 budgets for ACC, as prepared for the Pre-election Economic and Fiscal Update 2020. Comparative information is based on the forecast financial results for the year to 30 June 2020, prepared as at 31 March 2020. This budget will be what ACC reports against for 2020/21.

COVID-19 pandemic

The Budget 2020/21 was set based upon the best available information in accordance with legislative requirements and timelines, within a context of the COVID-19 pandemic. The impact of COVID-19 on ACC and its customers is highly uncertain and pervasive. For example, ACC's performance is significantly impacted by the economy; including levy revenue, claim volumes, claim costs, rehabilitation outcomes, investment fund performance and the outstanding claims liability.

ACC was granted a three-month extension to develop this Service Agreement. This additional time has allowed ACC to consider actual experience and insights from the latest economic projections, and the impact on performance as a result of lockdown and transition between alert levels.

However the uncertainty remains a challenge in setting a budget and annual performance targets, actual 2020/21 performance could vary significantly from the Budget which is not revised during the year.

Therefore, in addition to the Budget, ACC regularly monitors actual performance, regularly re-forecasts future performance and aims to identify and understand notable trends and variances to expectations on a timely basis.

The Budget includes our responses to recent events to ensure we have a responsible and targeted operating plan for 2020/21.

Drivers of the Scheme's financial performance

We will continue to manage the organisation in a way that strikes the right balance between ensuring financial sustainability and delivering our functions in the manner of a publicly administered and delivered social insurance scheme, distinct in character from a private insurance company. This means we will deliver the services our customers expect while demonstrating responsible management of the Government's finances and a commitment to delivering the Government's priorities.

To achieve this important balance, we need to have a good understanding of the drivers of financial performance. This understanding allows us to:

- Forecast the drivers' potential impacts
- Manage the drivers where we have control and influence
- Manage the Scheme in a way that mitigates adverse impacts from drivers where we lack control or significant influence.

For the Scheme there are five main drivers of financial performance:

Claim volumes – growth in the number of new claims is driven by a range of factors outside our control: population growth, gross domestic product growth, the unemployment rate and the total vehicle distance travelled. However, we offset some of the claim volume growth through our injury prevention activities. Our relationships with providers are also important in ensuring that we are responsible for all the injuries covered by the Accident Compensation Act 2001 (AC Act) and that injuries are treated appropriately.

We actively monitor the way that treatment and rehabilitation costs change as our claim volumes change, allowing us to understand early cost.

COVID-19 and lockdown impacted claim volumes, we estimate new claims volumes will increase over the course of 2020/21 and will likely be on a par with 2018/19 volumes by the end of the year.

- **economic factors** – we employ active strategies to best match our assets and liabilities. As such, we tend to favour long-term investments with relatively certain income streams. Given the size of our balance sheet relative to our underlying costs, small movements in interest rates and investment earnings can have material impacts on the funding ratios of the Scheme.

  We estimate the economic uncertainty from COVID-19 will impact ACC's financial performance for 2020/21.

- **inflation** – inflation increases the costs of the services we provide. The way we contract for services with providers (such as elective services) mitigates the impacts of inflation on the costs of our services. The nature of the services we purchase exposes us to additional cost inflation that is specific to treatment and rehabilitation services. To make sure that our efforts have an impact, we constantly monitor our average treatment costs
- **service offerings** – we change the set of services we offer as new and improved services become available, and to support the rehabilitation of clients who have suffered injuries newly covered by the Scheme. We closely monitor the rehabilitation performance of the services we offer, ensuring the services focus on both client rehabilitation outcomes and financial sustainability. We test this dual focus by monitoring return-to-work rates and the average treatment cost per claim
- **legislative changes** – we engage closely with the Ministry of Business, Innovation and Employment and the Treasury to influence proposed changes and predict the impacts of those changes. Additions to the Scheme (such as continued growth in the provision of services for sensitive claims and improved road and air ambulance services) can increase both the number of claims we accept and our overall costs of providing treatment and rehabilitation services.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE BY ACCOUNT (BUDGET)

($M)	2020/21 budget Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	Total ACC	2019/20 forecast
Income							
Total net levy and other revenue	459	1,527	1,682	747	301	4,716	4,469
Interest, dividend and rental income	357	121	294	285	137	1,194	1,188
Total revenue	**816**	**1,648**	**1,976**	**1,032**	**438**	**5,910**	**5,657**
Expenditure							
Claims paid	693	1,336	1,848	911	280	5,068	4,642
Expected increase in OCL	452	498	689	125	381	2,145	2,171
Net losses from other factors on the OCL	0	0	0	0	0	0	257
Movement in unexpired risk liability	20	0	12	(31)	0	1	108
Total claims costs	**1,165**	**1,834**	**2,549**	**1,005**	**661**	**7,214**	**7,178**
Injury prevention costs	10	16	11	28	10	75	102
Enterprise change costs	10	16	29	27	5	87	101
Investment management costs	7	9	26	20	2	64	60
Operating costs	60	86	198	163	31	538	544
(Deficit) from insurance operations	**(436)**	**(313)**	**(837)**	**(211)**	**(271)**	**(2,068)**	**(2,328)**
Net gains on investments	62	67	84	18	26	257	2,256
Net (losses) from changes in discount and inflation rates on OCL	0	0	0	0	0	0	(5,716)
Net (losses) from changes in discount and inflation rates on unexpired risk liability	0	0	0	0	0	0	(158)
Surplus / (deficit)	**(374)**	**(246)**	**(753)**	**(193)**	**(245)**	**(1,811)**	**(5,946)**
Total comprehensive revenue and expense for the year	**(374)**	**(246)**	**(753)**	**(193)**	**(245)**	**(1,811)**	**(5,946)**

STATEMENT OF CHANGES IN RESERVES (EQUITY) BY ACCOUNT (BUDGET)

	2020/21 budget						
($M)	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	Total ACC	2019/20 forecast
Total Account reserves							
Balance at the beginning of the year (deficit)	(2,241)	(9,225)	(1,952)	1,336	(3,877)	(15,959)	(10,013)
Total comprehensive revenue and expense for the year	(374)	(246)	(753)	(193)	(245)	(1,811)	(5,946)
Balance at the end of the year (deficit)	**(2,615)**	**(9,471)**	**(2,704)**	**1,143**	**(4,122)**	**(17,770)**	**(15,959)**

STATEMENT OF FINANCIAL POSITION (BUDGET)

As at 30 June ($M)	2019/20 forecast	2020/21 budget
Total reserves		
Assets		
Cash and cash equivalents	256	256
Cash pledged as collateral	34	0
Receivables	334	463
Accrued levy revenue	2,419	2,487
Investments	47,643	47,965
Derivative financial instruments	906	0
Property, plant and equipment and intangible assets	173	152
Total assets	**51,765**	**51,323**
Less liabilities		
Cash collateral received	641	0
Payables and accrued liabilities	1,890	1,862
Derivative financial instruments	176	0
Provisions	72	2
Unearned levy liability	2,012	2,150
Unearned risk liability	1,470	1,471
Outstanding claims liability	61,463	63,608
Total liabilities	**67,724**	**69,093**
Net assets (liabilities)	**(15,959)**	**(17,770)**

STATEMENT OF CASH FLOWS (BUDGET)

($M)	2019/20 forecast	2020/21 budget
Cash flows from operating activities		
Cash was provided from:		
Levy revenue	4,432	4,678
Investment income	1,237	1,226
Other revenue	2	1
	5,671	**5,905**
Cash was applied to:		
Payments to suppliers, employees and injured persons	5,247	5,892
Goods and services tax (net)	10	12
	5,257	**5,904**
Net cash movement from operating activities	**414**	**1**
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of investments	77,924	79,708
Proceeds from sale of property, plant and equipment and intangible assets	0	0
	77,924	**79,708**
Cash was applied to:		
Payments for investments	78,115	79,680
Payment for property, plant and equipment and intangible assets	53	29
	78,168	**79,709**
Net cash movement from investing activities	**(244)**	**(1)**
Net (decrease) increase in cash and cash equivalents	**170**	**0**
Cash and equivalents – opening balance	**86**	**256**
Cash and equivalents – closing balance	**256**	**256**

1. Financial Reporting

A) REPORTING AND FUNDING BY ACCOUNT

The Accident Compensation Corporation Scheme (as required through the Accident Compensation Act 2001 (AC Act)) comprises five separate Accounts being the Motor Vehicle, Non-Earners', Earners', Work, and Treatment Injury Accounts. Each Account receives individual funding and is maintained for a separate purpose.

Under the AC Act unless otherwise provided by that Act, funds held in an Account can only be used to meet costs incurred in the same Account. This means that cross-subsidisation between separate Accounts is not permitted. The Accident Compensation Corporation (ACC) therefore manages and separately reports on the performance and funding ratios of each Account.

Sections 166A and 166B of the AC Act requires the Government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 8 July 2020 (Gazette No. 2020-go2045).

The funding policy for the Non-Earners' Account and the non-earners' portion of the Treatment Injury Account is set by the Government (SEC-17-MIN-0028). The lifetime cost of post-2001 claims are fully funded using central estimates. The risk margin, that allows for the relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

The risk margin included in the Outstanding Claims Liability (OCL) for each levied Account, which allows for the relative uncertainty in liability estimates, is not funded.

The ACC Board recommends sustainable levies to meet the funding policy of the Motor Vehicle, Earners' and Work Accounts, but final levy rates are set by the Government.

The Non-Earners' Account is funded by the Government. The Treatment Injury Account is funded through levies from the Earners' and Non-Earners' Accounts on the basis of whether the treatment injury claims are from earners or non-earners.

B) REPORTING ENTITY

The Accident Compensation Corporation (ACC) is designated as a Crown Agent under the Crown Entities Act 2004.

ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand. ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

C) BASIS OF PREPARATION

The forecast financial statements of ACC have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The forecast financial statements comply with Tier 1 PBE accounting standards and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

The forecast financial statements are prepared on a historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars ($M) unless otherwise stated.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted in preparing the forecast financial statements. The budget figures are unaudited.

2. Critical accounting judgements, estimates and assumptions

A) OUTSTANDING CLAIMS LIABILITY (OCL)

PBE IFRS 4 *Insurance Contracts* requires an outstanding claims liability to be recognised and to be measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate. The OCL is to be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

The OCL consists of expected future payments associated with:

- claims reported and accepted as at the valuation date that remain unsettled as at the valuation date
- claims incurred but not reported to, or accepted by, ACC as at the valuation date
- closed claims that are expected, on the basis of actuarial projections, to be reopened after the valuation date
- the costs of managing reported but unsettled, reopened, and incurred but not yet reported claims.

The OCL is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time.

Future payments associated with gradual process claims that have not yet been reported are not included in the OCL. ACC's major exposure to gradual process claims or latent claims is in respect of hearing loss and asbestos-related injuries.

Section 37 of the AC Act states that a person is considered injured when:

- they first report the incapacity, or
- they first receive medical treatment for the incapacity.

The AC Act effectively defines gradual process claims as being consistent with the 'claims made' policies issued by general insurance entities. That is, clients are covered for specified contract periods, regardless of when the event occurred giving rise to the claim. Under 'claims made' policies, an insurer only has liability for reported claims.

B) LEVY REVENUE

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

Earner levies of shareholder-employees and the self-employed are also invoiced directly. Earner levies of employee earners are collected within the PAYE system and are paid to ACC by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts are estimated by using their respective expected liable earnings and average levy rate.

The Government has made the decision to continue current levy rates until 31 March 2022 for Work and Earners' Accounts and 30 June 2022 for the Motor Vehicle Account.

Appropriations for the Non-Earners' Account are included in levy revenue based on the Government approved levels from Budget 2020.

C) GOING CONCERN ASSUMPTION

These financial statements are prepared on a going concern basis, reflecting the Government's ongoing obligation to fund the Scheme and the long-term nature of its funding policy pursuant to sections 166A and B of the Accident Compensation Act.

The Board has considered a combination of circumstances and their likelihood which could create uncertainty over the going concern assumption. We are particularly mindful that in the circumstances when interest rates continue to fall to historically low levels, the Outstanding Claims Liability increases to historically high levels requiring increased funding to meet the future costs of current claims, and the likelihood of funding deficits increases. ACC has a statutory obligation to operate the scheme whilst the Government has the obligation to fund the scheme through levies and appropriations so that ACC is able to properly operate. The regulatory scheme contemplates periods when funding of some Accounts will be inadequate and catch-up funding will occur at a later stage. In the circumstances where the Crown has elected for a period to not fund the deficit in the Crown funded accounts (Non-Earners' Account and Non-Earners' portion of the Treatment Injury Account), and or not approve the levy changes recommended to the Crown by the Board, a financial deficit results. Were this to continue for some years an increasing significant financial deficit would accumulate, as seen in the 2018/2019 and these 2019/20 Financial Statements.

Going forward over the next 12 months we expect that the difficult economic environment arising from Covid19 may result in an increase in the financial deficit of the organisation, increasing the gap between ACC's liability for the future costs of current claims and the investments we hold to meet that liability. ACC levy recommendations to meet the Funding Policy have been declined in full or in part by the Government in recent years, as have Government appropriations to the non-levied accounts. Where this position continues and combined with further decreasing interest rates, it is possible that as well as an increasing large financial deficit in the next 12 months, ACC may not have sufficient revenue to meet the costs of claims and operating the scheme. ACC has a statutory obligation to pay those costs and operate the scheme, and in that situation the organisation would have no choice but to sell investments that have been made in previous years from levies which have been reserved to meet the future costs of prior year and current claims yet to be settled. Further sell down of reserved investments does not meet the intergenerational principles that underpin the full funding requirement in the ACC Act and future levy payers will then have to meet those costs of current claimants settled in future periods. Further drawdowns from reserves would therefore only be done in exigent circumstances such as the inability to pay debts as they fall due arising from prolonged underfunding.

D) INVESTMENT ASSETS

ACC holds investment assets to generate investment income that matches the expected future cash flows arising from insurance liabilities. All assets held in the investment portfolios are designated as 'assets backing insurance liabilities'. All investment assets, other than service concession arrangements, are designated as financial assets recognised at fair value through surplus or deficit. The service concession arrangement is carried at cost less accumulated amortisation.

Fair value for investment assets is determined as follows:

- Listed shares and unit trusts are valued at the quoted prices on established markets.
- Non-listed equity investments (private equity and venture capital) are valued at fair value, as determined using the most appropriate valuation technique. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with a particular investment.
- Unlisted unit trust investments are valued based on the exit price (the value ACC would receive if the units were sold).
- Bonds and other fixed interest investments are valued using quoted yield curves.

- For investments with no active markets or quotable inputs, fair value is determined using the most appropriate valuation technique. These techniques include reference to substantially similar investments with quotable prices, discounted cash flow analysis and option pricing models that incorporate as much supportable market data as possible and keeping judgemental inputs to a minimum
- Investment properties are revalued by independent registered property valuers.

E) UNEXPIRED RISK LIABILITY

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows relating to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account. Gradual process claims are excluded from the liability adequacy test.

If levies are insufficient to cover the expected future claims plus a risk margin, then they are deemed to be deficient. The entire deficiency is recognised immediately in surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability.

F) INVESTMENT INCOME

Investment revenue consists of, and is recognised on the following basis:

- dividends on equity securities are recorded as revenue on the ex-dividend date (date security starts trading without the value of its next dividend payment)
- interest income is recognised as it accrues
- investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of an investment asset and are calculated as the difference between the proceeds received and their carrying value. Unrealised gains (losses) represent the difference between the carrying value of the investment assets and their fair value at year end.

3. Financial risks / COVID-19 pandemic

As the forecasts are projecting future events, there are risks that the actual results may materially differ from forecasts.

There are a number of assumptions and estimates about the impact of COVID-19 used in the development of this Budget that remain highly uncertain. This includes the impact of economic factors (for example, wage and cost inflation, and interest rates) on future claim payments, investment income and the OCL.

The nature, timing and magnitude of expenditure related to planned organisation change projects is decided through our structured prioritisation process. It is important to note that these expenses are estimates only and are subject to the completion of detailed designs and implementation plans.

ACC's performance management framework is designed to identify and monitor risks to the Budget and Forecast on a timely basis and to allow management the opportunity to respond appropriately.

4. Levy revenue (including appropriations)

All levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that have commenced prior to balance date is accrued if not yet invoiced. The accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

LEVIES

Approved aggregate levy rates (GST exclusive) and funding bases as detailed below have been used to prepare the budget.

TABLE 24: BUDGET LEVY RATES BY LEVY YEAR

Account	2019/20	2020/21
Motor Vehicle	$113.94 per vehicle through licensing fees and petrol levies	$113.94 per vehicle through licensing fees and petrol levies
Earners'	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings
Work	$0.67 per $100 liable earnings	$0.67 per $100 liable earnings

The $4,716 million levy revenue for 2020/21 is $247 million higher than forecast for 2019/20. The budget for levy revenue incorporates:

- maintaining levy rates for 2021/22 levy year following Cabinet decision in July 2020.
- Non-earners' Account appropriation, including the non-earners' portion of the Treatment Injury Account, which has increased in 2020/21 by $287 million to $1,755 million.
- GDP and unemployment assumptions for 2020/21 which have high uncertainty.
- Motor Vehicle Account revenue is expected to increase in 2020/21 compared to the suppressed income forecast in 2019/20 from lower petrol income received over COVID-19 lockdown.

Non-Earners' Account appropriation

The Minister purchases from ACC outputs consistent with the provisions of the AC Act in respect of non-earners (other than motor vehicle injury). This includes the funding requirements of the Treatment Injury Account in respect of treatment injuries to non-earners. This funding is appropriated within Vote Labour Market.

TABLE 25: BUDGET NON-EARNERS' ACCOUNT OUTPUT EXPENSES

($M)	2020/21 budget	Relevant ACC activity	Relevant ACC output class
Case management and supporting services.	$262m	Setting, invoicing and collecting levies – the Vote Labour Market appropriation process.	2 Levy setting and collection
		Management of investment assets.	3 Investment management
		Lodgement of new claims and making cover decisions. The costs of determining, processing, paying and monitoring payments to treatment and service providers and clients. Also includes the cost to ACC of managing claims with the goal of returning clients to independence.	4 Claims management
		Development and delivery of programmes to reduce the incidence and severity of injury.	1 Injury prevention
Sexual abuse assessment and treatment.	$8m	Payments to providers for sexual abuse and treatment services, and associated training and accreditation services, for victims of sexual abuse or assault.	4 Claims management
Rehabilitation entitlements and services.	$1,014m	Payments to providers for services including social rehabilitation, medical treatment, and vocational rehabilitation.	4 Claims management
Public heath acute services.	$381m	Funding via the Ministry of Health to provide services to injured people in hospitals during the acute phase of their treatment.	4 Claims management
Compensation entitlements.	$91m	Direct payments of entitlements to clients including weekly compensation, independence allowances and lump sum payments.	4 Claims management
Total	**$1,755m**		

5. Investment income

Investment income is calculated using forecast returns based on a methodology that provides an estimate of ACC's median returns. The projected changes in rates from year to year reflect market expectations about the returns expected in each of the next 20 years.

Investment income in the 2020/21 year has been calculated by Account. The projected rate of return range in 2020/21 is 2.66% to 4.07% per annum, depending on the Account.

TABLE 26: BUDGET INVESTMENT INCOME

($M)	2019/20 forecast	2020/21 budget
Operational cash portfolio	**256**	**256**
Investments	47,766	47,965
Receivables (including unsettled transactions, dividend and interest receivables)	242	242
Payables (unsettled transactions)	(1,592)	(1,592)
Investments reserves portfolio	**46,416**	**46,615**

6. Claims paid

TABLE 27: BUDGET CLAIMS PAID

($M)	2019/20 forecast	2020/21 budget	% change
Rehabilitation (including treatment) costs			
Medical treatment	846	956	13.0%
Elective surgery	375	489	30.4%
Public health acute services	555	578	4.1%
Other treatment	191	224	17.3%
Vocational rehabilitation	95	92	(3.4%)
Social rehabilitation	839	921	9.8%
Total rehabilitation (including treatment)	**2,901**	**3,260**	**12.4%**
Compensation costs			
Income maintenance	1,502	1,564	4.1%
Other compensation and benefits	193	195	1.0%
Total compensation	**1,695**	**1,759**	**3.8%**
Miscellaneous costs	46	49	8.9%
Total cash cost of claims paid	**4,642**	**5,068**	**9.2%**

Total claims costs are budgeted to increase by 9.2%.

The growth in medical treatment costs from 2019/20 forecast to 2020/21 budget is due to the sharp reduction in claim volumes and costs in lockdown. This suppresses the 2019/20 forecast.

The increase from 2019/20 forecast to 2020/21 budget is inflated due to the estimated shift of costs from 2019/20, in particular for elective surgery, where these services are to proceeding now that COVID-19 restrictions are lifted. In addition to the cost shift, there was a significant fall in claims costs in 2019/20 due to the impact of the national lockdown which restricted access to services and suppressed the volume of new claims during this period.

The 9.8% cost growth in social rehabilitation is also due to the impact of the lockdown on the 2019/20 forecast. The forecast was reduced to acknowledge that some care services would not proceed, as would a number of capital related services. While the growth in claims has reduced due to the expected economic downturn, a number of social rehabilitation services are still forecasted to grow strongly, including training for independence, residential support services and the Serious Injury living my life service.

Vocational rehabilitation is expected to decrease in 2020/21 due to the strong reduction in new weekly compensation claims and the expected benefits from the roll out of the Next Generation Case Management.

Claims costs are derived from the expectation of new registered and new weekly compensation claims growth, expected rehabilitation duration performance, Labour Cost Index and average weekly earnings assumptions.

Whilst the general high-level growth factors are applied during budgeting, we consider other factors that impact individual services which are reflected in their budgets. This includes the consideration of the impact COVID-19 could have on service utilisation.

7. Increase in outstanding claims liability (OCL)

The OCL is the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate. The OCL is discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligation.

The liability is forecast to increase from $53,319 million to $61,463 million during 2019/20, an increase of $8,144 million. This reflects the preliminary 30 June 2020 valuation, and economic assumptions as at 30 June 2020.

TABLE 28: BUDGET MOVEMENT IN THE OCL

OCL ($M)	2019/20 forecast	2020/21 budget
Outstanding claims opening balance at 1 July	53,319	61,463
Expected increase in OCL	2,179	2,145
Effect of model recalibration	(8)	0
Net losses from other factors on OCL	257	0
Net impact from changes in discount and inflation rates on OCL	5,716	0
Outstanding claims closing balance at 30 June	**61,463**	**63,608**

8. Increase in unexpired risk liability

At each balance date, ACC assess whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows related to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account. If levies are insufficient to cover the expected future claims plus a risk margin, then they are deemed to be deficient. The entire deficiency is recognised immediately in surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

TABLE 29: BUDGET MOVEMENT IN UNEXPIRED RISK LIABILITY

($M)	2019/20 forecast	2020/21 budget
Opening balance at 1 July	1,204	1,470
Movement in unexpired risk liability	108	1
Net (losses) from changes in discount and inflation rates on unexpected risk liability	158	0
Closing balance at 30 June	**1,470**	**1,471**

9. Capital expenditure

TABLE 30: BUDGET CAPITAL EXPENDITURE

($M)	2019/20 forecast	2020/21 budget
Property, plant and equipment		
Maintenance – IT	4	2
Property	4	6
Motor vehicles, equipment	1	2
Total	**9**	**10**
Intangible assets		
Change initiatives	41	17
Maintenance – IT	3	2
Total	**44**	**19**
Total capital expenditure	**53**	**29**

The proposed 2020/21 capital expenditure of $29 million is lower than the forecast for 2019/20. This is mainly due to the completion of significant investment programmes in the current financial year. Maintenance-IT is the IT infrastructure expenditure in maintaining and implementing minor enhancements to existing core applications. Property spend is the necessary annual spend to ensure that our property is fit for purpose.

10. Summary of other important assumptions

Our financial statements are underpinned by a range of assumptions. In addition to those noted earlier in this section, we adopt a range of forecasts for those indices that drive aspects of our financial performance.

TABLE 31: IMPORTANT ASSUMPTIONS

	Indices (year to June)				
Index	**2020**	**2021**	**2022**	**2023**	**2024**
Claim volume growth	-12.60%	-1.80%	3.80%	3.50%	2.80%
Entitlements claim growth	-4.80%	-7.50%	3.40%	6.10%	4.00%
Population growth	1.30%	1.10%	1.00%	1.00%	0.90%
Consumer price index	0.83%	0.83%	1.18%	1.43%	1.43%
Labour cost index	1.03%	1.03%	1.38%	1.63%	1.63%
Average weekly earnings	2.72%	2.72%	2.72%	2.72%	2.72%

Appendices

Appendix 1 – Alignment of the Service Agreement

How the Service Agreement aligns with our other accountability documents

We have three key accountability documents:

STATEMENT OF INTENT
Covers a four-year period and outlines our medium-term strategic intentions

SERVICE AGREEMENT
Annual agreement with the Minister for ACC setting out the services we will deliver and the expected performance standards

ANNUAL REPORT
Annual report that enables stakeholders to compare our actual performance with expected performance

Purpose of the Statement of Intent

Our Statement of Intent summarises our strategic intentions for the next four years. It includes our medium-term outcomes, our vision, our areas of focus and how we assess our performance overall using a public value measurement approach. Our Statement of Intent also summarises how we maintain our organisational health: our people, our systems and our risk management framework. Our Statement of Intent 2018-2022 can be found at **www.acc.co.nz**

Purpose of the Service Agreement

The Service Agreement (the Agreement) is between the Minister for ACC (the Minister) and the Accident Compensation Corporation (ACC).

The Agreement outlines for the forthcoming year:

- what we will have delivered by 30 June 2021 to demonstrate progress against our strategic intentions
- the quality and quantity of services to be provided by ACC
- the expected cost of delivering those services
- the performance measures, targets and related information necessary for the Minister to assess our performance
- the nature and frequency of the reporting requirements against the Agreement
- how we will deliver our outputs: injury prevention, levy setting and collection, investment management, and claims management.

The Agreement outlines the initiatives and outcomes that ACC will deliver. It does not impose corresponding obligations on the Minister.

Purpose of our Annual Report

Our Annual Report provides information on our progress relative to our strategic intentions (as per our Statement of Intent) and reports on our progress during the year. The Annual Report also provides a summary of our actual results against all the performance measures included in this Agreement. Our Annual Reports can be found at **www.acc.co.nz**

Appendix 2 – Conditions of the Service Agreement

Roles and responsibilities

The Minister for ACC is the Minister responsible for both the Accident Compensation Scheme (the Scheme) and the Accident Compensation Corporation (ACC). The Minister's roles and responsibilities are to:

- make sure an effective board is in place to govern ACC
- participate in setting the direction of ACC
- monitor and review ACC's performance and results
- manage risks on behalf of the Crown.

The Minister exercises this responsibility through the relationship with the ACC Board (the Board) and, in particular, the Board Chair. This Service Agreement (Agreement) supports that relationship.

The Board is accountable to the Minister for the delivery of the services specified in this Agreement, to the quality and costs specified. ACC remains accountable for the delivery of all outputs, including outputs that have been subcontracted to third parties.

Parties

This Agreement is between the Minister and ACC. Under section 25 of the Crown Entities Act 2004 the Board is responsible for all decisions relating to the operation of ACC. Under section 49 of that Act the Board also has a statutory duty to ensure that ACC acts in a manner consistent with this Agreement.

Term

This Agreement, entered into pursuant to section 271 of the Accident Compensation Act 2001 (AC Act), relates to a one-year period from 1 July 2020 to 30 June 2021. This Agreement revokes the Service Agreement for the period 1 July 2019 to 30 June 2020.

ACC's functions and duties

ACC provides accident insurance cover for all New Zealanders and visitors to New Zealand. We receive approximately two million claims per year.

Our core services are:

- injury prevention – we have a key role in promoting a reduction in the incidence and severity of personal injury. The injury prevention programmes are expected to be cost-effective and to lead to a reduction in levy rates
- rehabilitation – we aim to restore an injured person's independence to the maximum extent practicable. Specific provisions in the AC Act prescribe the entitlements that clients can access
- compensation – the Scheme provides financial compensation to clients for losses owing to personal injury.

The costs of services for each injury are assigned to the Motor Vehicle, Work, Earners', Non-Earners' or Treatment Injury Account depending on who was injured and/or where the injury occurred. The injury prevention costs are also assigned to the relevant Accounts. There is no cross-subsidisation between the Accounts.

ACC complies with procedures, conditions, restrictions and other provisions in the performance of its duties in relation to the management of each Account as set out in the AC Act. ACC is governed in accordance with the provisions of the Crown Entities Act 2004, the State Sector Act 1988, the Public Finance Act 1989 and the Health and Safety at Work Act 2015.

Amendments to this Agreement

This Agreement may be amended with the consent of the Minister and the Board if at any time during its term the work or environment of ACC is materially altered and the contents of this Agreement are no longer appropriate.

Any changes must be signed by the Minister and the Board, and attached to this Agreement. Both parties will hold copies of the original and any amendments to this Agreement.

Payment

The Minister, on behalf of the Crown, will pay ACC up to the amount authorised by Parliamentary Appropriations for 2020/21. The Ministry of Business, Innovation and Employment (the Ministry, acting as the administering agency responsible for Vote Labour Market) will action payments to ACC in accordance with the Public Finance Act 1989. Payments will be made monthly by direct credit from the Ministry to ACC, coinciding with the Ministry's receipt of funding from the Treasury.

Interpretation

The appendices to this Agreement form part of this Agreement, as do any amendments to those appendices signed by the Minister and the Board.

The parties agree to discuss and seek to resolve any differences of opinion between them under the Agreement, or any matter not covered by this Agreement relating to the supply of outputs.

Quarterly reporting

ACC will provide quarterly reports on its performance against this Agreement. Quarterly reports are to be read in conjunction with this Agreement and the reports of any preceding quarters to provide a context for the reporting of ongoing performance for the financial year 2020/21.

Each quarterly report will include commentary on performance against the performance targets, progress in implementing key initiatives and, where necessary, an explanation of performance trends, an analysis of those trends, and proposed actions to improve performance. It will also include commentary on our financial performance and an analysis of risks, critical issues, and opportunities arising from our performance to date.

Where our performance does not meet targets, we will provide further information that may include:

- an analysis of causes
- strategies and plans to improve performance and meet the specified targets
- an outlook for full year performance against targets.

As necessary ACC will provide the Minister with:

- any proposals to amend this Agreement due to changed circumstances
- timely advice of any risks that may create a significant exposure for the Crown
- a cost pressure submission supporting our proposal for funding of the Non-Earners' Account for the following four financial years.

The timeframes for quarterly reporting are:

TABLE 32: QUARTERLY REPORTING SCHEDULE

Quarterly performance report	Timeframe
Quarter 1 report	By 2 November 2020
Quarter 2 report	By 1 February 2021
Quarter 3 report	By 30 April 2021
Quarter 4 report	By 31 July 2021

Our quarterly reports to the Minister will be published on ACC's website.

Appendix 3 – Letters of expectations

Hon Iain Lees-Galloway

MP for Palmerston North
Minister for Workplace Relations and Safety
Minister of Immigration
Minister for ACC
Deputy Leader of the House

6 DEC 2019

Dame Paula Rebstock
Chair
Accident Compensation Corporation
PO Box 242
WELLINGTON 6410

Tēnā koe Dame Paula

ANNUAL LETTER OF EXPECTATIONS

Thank you, the Board and all Accident Compensation Corporation (ACC) staff for your work over the last year. This letter sets out my expectations for the year ahead.

You will already have received a letter from the Ministers of Finance and State Services that sets out expectations for all statutory Crown entities. You will also receive a separate letter from the Minister of Finance that sets out expectations for all Crown Financial Institutions and includes specific expectations regarding ACC's investment function.

Government priorities

Our Government's plan is for a modern New Zealand we can all be proud of including an economy that is growing and working for all of us. We are focused on improving the wellbeing of New Zealanders and their families. Although there are many definitions of wellbeing, we see it as people having the capabilities to live lives of purpose, balance and meaning to them.

ACC has a valuable contribution to make on these priorities. ACC plays an important role in the health and welfare system and I expect ACC to work with agencies across the sector to deliver on our priorities. This includes supporting our Government's response to the Welfare Overhaul, the Inquiry into Mental Health and Addiction and the final Health and Disability System Review report. ACC is an integral part of the social sector and I expect it to be a good partner across the state sector and be cognisant of the effect that ACC decisions can have on the wider system.

I expect ACC to function as a publically administered and delivered social insurance scheme distinct in character from a private insurance company. This means that the scheme should be claimant-centric, provide claimants the right services at the right time for successful rehabilitation and is efficient and effective in doing so. It is my expectation that the scheme provides fair compensation in return for a fair levy. I expect claimants to receive what they are entitled to in a timely and transparent manner.

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Whāia Te Tika

Improving services and outcomes for Māori is another important area of focus. It is good to see the development of Whāia Te Tika, ACC's Māori strategy, and initiatives in progress that should improve outcomes for Māori. I expect ACC to include performance measures in the next Service Agreement that will allow progress to be monitored.

I would also like you to keep the Associate Minister for ACC and I updated throughout the year on how Whāia Te Tika initiatives are progressing and the outcomes they are achieving.

Integrated Change Investment Portfolio (ICIP)

I acknowledge the progress you have made towards delivering *Shaping Our Future* and recognise there is still a way to go to realise the benefits and performance improvements. Regular Cabinet reporting has increased transparency of the progress you have made and this should continue. You should continue to keep me, the Ministry of Business, Innovation and Employment (MBIE) and Treasury well informed on key decisions, milestones, costs, benefits and risks as well as ACC's use of a continuous delivery approach.

The rollout of Next Generation Case Management (NGCM) will no doubt be challenging and a visible change for clients. I expect you to support your staff through this change to enable them to improve client experience and outcomes.

I would like to see how ACC's system upgrades, better use of data and NGCM enable the Health Sector Strategy to achieve better and more sustainable outcomes for your clients.

Financial management and performance

Economic factors have primarily driven the last financial year's deficit. I support ACC taking a long-term approach to managing solvency of the Scheme. The funding policy review has been a good example of ACC working with MBIE and Treasury to ensure the Scheme is fair and sustainable. I expect this to continue as recommendations from the review are implemented.

ACC should continue to focus on improving performance in key areas including rehabilitation performance, customer experience and public trust and confidence. I expect ACC to work with MBIE and Treasury on understanding the problems and opportunities better and report to me with operational and policy responses. I would like to receive regular updates on progress throughout the year.

ACC should also continue to develop a more in-depth understanding of price and volume cost drivers. In particular, I expect to see greater focus on the drivers that ACC can influence and target to manage claim cost growth.

Policy

I expect ACC to work with MBIE and Treasury on Ministerial priorities.

I understand that there may be policy and legislative barriers to managing claims and procuring health services that are cost effective and deliver quality, evidence based services. I expect you to work with MBIE to identify changes that could be made to the Scheme to enable ACC to respond to the changing demographics and needs of New Zealanders in a sustainable way.

Injury prevention

The challenge remains for injury prevention to reduce further the incidence of injury, the impact injury has on the community, and to materially lower growth in overall Scheme cost. I expect you to continue to build on the partnerships developed and to show leadership in initiatives such as the joint venture to prevent and reduce family and sexual violence and Road to Zero.

I look forward to progress on the Harm Reduction Action Plan. I expect joint updates, with Worksafe and MBIE, throughout the year showing how available levers are being used to achieve the Plan.

Communication

I expect ACC to deliver on its performance targets. Robust explanations and information should be provided where targets are not likely to be met.

I continue to expect a "no surprises" communication approach. Please inform me of any significant events, positive or negative, that could be considered contentious, attract wide public attention and/or affect the financial position of ACC.

I also expect the ongoing commitment of ACC to work constructively with advisors from my office, MBIE, and the Treasury.

Thank you in advance for your work in the coming year.

Ngā mihi nui

Hon Iain Lees-Galloway
Minister for ACC

Hon Grant Robertson

MP for Wellington Central

Minister of Finance
Minister for Sport and Recreation

Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

24 OCT 2019

Dame Paula Rebstock
Chair
Accident Compensation Corporation
PO Box 242
WELLINGTON 6410

Dear Dame Paula

ANNUAL LETTER OF EXPECTATIONS

I'd like to thank you, as well as the rest of the Board and staff for all of your work in the last year. I'd like to build on your good work by conveying my expectations of the investments function of the Accident Compensation Corporation (ACC) as it executes its business planning process for the forthcoming year. I note that you will also be receiving a Letter of Expectations relating to ACC's insurance function from the Minister for ACC. Any general expectations contained in that letter should also be applied to the investments function, where relevant.

Expectations for All Crown Financial Institutions

Fit for purpose

The ability of all Crown Financial Institutions (CFIs) to deliver on their legislated purpose is a key consideration for Ministers in this Government.

I recognise that investment returns may vary from year to year, and it is my expectation that the Board, acting as the Crown's agent, will continue to focus on the appropriate balance of risk and return to assure the Fund's investment performance is able to meet its policy objectives and obligations.

Should investment performance impact your institution's ability to meet its intended purpose I expect the Board to inform me, and my officials at the Treasury in a timely manner, including any remedial action the Board will take. Such information should include a detailed explanation of risks, financial or otherwise, which may have an impact on the Crown's fiscal position or cause a prejudicial impact on New Zealand's reputation.

Crown Risk

The nature of your mandate is to accept risk, but the Crown must have a good understanding of the potential fiscal implications to the Crown's consolidated balance sheet. To better understand such risks and implications it is my expectation that your

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organisation will proactively work with the Treasury to help develop a framework that will aid the Government in its consideration of such scenarios, and in so doing, making the New Zealand economy more resilient to future financial shocks.

Where derivative instruments or leverage are employed in your organisation I expect that their use is aligned with your entity's purpose. When such instruments are employed, CFIs should be mindful of their fiduciary responsibilities and statutory duties.

Where derivatives or leverage are employed I expect that the appropriate level of knowledge, skill, transparency and controls are in place throughout your organisation to ensure that negative financial or reputational outcomes do not impact the Crown.

Partnership

Your organisation, along with other CFIs, is an important asset on the Crown's balance sheet – this importance, in aggregate, will increase over time.

For the Crown to be effective there needs to be a collaborative approach across all of Government (including CFIs and other Crown Entities). Your institution can play a part in delivering positive outcomes for New Zealanders through active and constructive engagement. This type of engagement, led by the Board, should permeate throughout your organisation, helping all concerned be more efficient in the use of scarce resources.

The CFI's collaboration on the social media engagement initiative following the 2019 Christchurch terrorist attack is a good example of the behaviour I expect; responsible investing is an important area to this Government and one where I believe further partnership could be beneficial.

A successful partnership should be built on openness and trust. It is my expectation that this policy will continue in the shape of the existing 'no surprises' policy, and I encourage your institution to maintain a policy of transparency in its; operations, expenses and communications across all of Government.

Citizenship

This Government is committed to acting as a responsible citizen. In your role in the investment community you can play an important part by: adopting, sharing and promoting investment policies and practices with other areas of Government that are not only consistent with your mandate, but help lift New Zealand's reputational standing as a responsible investor in the international community. To achieve this, it is my expectation that CFIs maintain robust ethical investment policies which are reviewed regularly, and reflect best practice standards both here in New Zealand and internationally.

The New Zealand public rightly take an active interest in the ethical nature of ACC's investments and so I expect you to adopt the highest standards of responsible investing given this increased public scrutiny.

As CFIs with domestic investments you have a unique role in the future of New Zealand. While investments are undertaken with regard to purpose and investment mandates, there is a wider arc of responsibility. CFIs must be seen as 'good citizens' in their home markets; and be cognisant of second order effects in their investment activities.

It should be the goal of all CFIs in fulfilling their mandates to give consideration to the part they can play in New Zealand's financial market landscape - helping make the economy more productive and sustainable for all New Zealanders.

Expectations Specific to ACC

Investments Oversight: To the extent that matters arise with regard to ACC's investments function, I expect you to engage with me and / or the Treasury in the first instance, with information copied to the Minister for ACC.

I understand that a Governance review of ACC's Investment Committee was executed in 2019. While this is an appropriate activity for the Board to undertake, my expectation is that the Board should communicate with my Office when reviews such as this take place. This enables sharing of terms of reference, where appropriate, to provide the opportunity for comment.

Openness and transparency are the building blocks of an effective working relationship. I expect that you build this relationship with my Officials at the Treasury to ensure the Crown is well placed to support the Board as required, and to ensure there is an ongoing open and constructive dialogue.

As part of this constructive dialogue, I expect improved signalling over the potential implications for the scheme, and impacts on risk profile for the Board's investment strategy, due to movements in economic factors. This is particularly important in the current low interest rate environment. I expect ACC to constantly monitor and review its investment portfolio to ensure it remains fit for purpose in the environment in which it operates.

If you have any questions or require further clarification on any of my expectations, please contact Emily Howe at the Treasury on 04 890 7446 in the first instance.

Yours sincerely

Hon Grant Robertson
Minister of Finance

cc: John Healy
Chief Financial Officer
Accident Compensation Corporation
PO Box 242
WELLINGTON 6140

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Appendix 4 – Investment statement

The Government's expectations

The Government's expectations for ACC's investment function are outlined in the letter of expectations to ACC from the Minister of Finance. The expectations for all Crown Financial Institutions are represented by four themes:

Fit for purpose:

- performance: focus on appropriate balance of risk and return to assure performance can meet policy objectives and obligations. Inform Minister of Finance and the Treasury of details of remediation where investment performance could impact ACC's ability to meet its intended purpose.

Crown Risk:

- risk profile: proactively work with the Treasury to help develop a framework to aid the Government in consideration of risk and implication scenarios.
- complex products and activities: be mindful of fiduciary responsibilities and statutory duties where derivative instruments are employed.

Partnership:

- collaborative approach: actively and constructively engage with across all of Government to deliver positive outcomes for New Zealanders. Help all concerned be more efficient in the use of scarce resources.
- no-surprises policy: maintain a policy of transparency in operations, expenses and communications across all of Government.

Citizenship:

- ethical investment: maintain robust ethical investment policies which are reviewed regularly and reflect best practice both in New Zealand and internationally. Adopt the highest standards of responsible investing.
- good citizens: be seen as 'good citizens' in home markets and be cognisant of second order effect in investment activities. Consider the part ACC plays in New Zealand's financial landscape. Help make the economy more productive and sustainable for all New Zealanders.

There are also expectations specific to ACC:

- Investments oversight: engage with the Minister of Finance or Treasury as matters arise. Discuss communication requirements with the Treasury to ensure there is an effective line of sight.
- Transparency: ongoing and constructive dialogue with the Treasury to signal potential implications for the Scheme and impacts on risk profile for the Board's investment strategy due to movements in economic factors. Constant monitoring and review of investment portfolio to ensure it remains fit for purpose in the environment in which it operates.

Investment context

The money we need to provide our services comes from levies on people's earnings, businesses' payrolls, petrol and fees from vehicle licensing, and the Government. The money is collected into one of the five ACC Accounts, with each Account covering a specific group of injuries.

Until 1999 the ACC operated on a 'pay-as-you-go' basis, collecting only enough levies each year to cover the cost of claims for that particular year. In 1999 the Government decided to change the Scheme to a fully funded way of operating. That means we should now collect enough money during each levy year to fund all the future costs of any injuries that occur in that year.

Some people who are injured need ACC's help for 30 years or more, so significant reserves must be built up to fund these future costs. This money is invested and earns returns that help to pay the costs of claims. In order to reduce the risk that future levy payers may have to pay significantly higher levies to help fund the cost of injuries that have occurred in the past, we aim to protect ACC against the risk that investment returns could be lower than this by building an investment portfolio that is both likely to increase in value if real interest rates decline and unlikely to decline significantly in any one year.

Purpose

ACC's investment portfolio aims to meet the future costs of claims as a result of injuries that have already occurred without the need for any catch-up contributions from future levy payers. ACC is currently less than fully-funded in some Accounts; this means there is a significant risk that catch-up contributions will be required in the future. To the extent that catch-up contributions may be required, we aim to reduce the impact that these may have on levy rates and on the contribution that the Government is required to make to the Scheme. We tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash flow requirements and also tend to provide an offset against the risk of declines in interest rates. Interest rate declines mean that we need to put aside more money in the present to fund every dollar of future claim costs. Accordingly, if not offset by strong investment returns, a decline in interest rates may create a need for levy increases.

Governance

The ACC Board Investment Committee is responsible for ensuring the development of, and approving, our investment strategy, policies and guidelines, and for approving the appointment of any fund manager or investment consultant. The Investment Committee reports to the full Board on a regular basis.

The Committee consists of four members of ACC's Board plus three external appointees and has full authority to make decisions for ACC in relation to investments. The Investment Committee makes high-level decisions on investment policy, whilst delegating most individual investment decisions to our in-house investment team or to external fund managers.

In delegating investment decisions to internal investment staff, the Investment Committee ensures that investment decisions are made in a manner consistent with our objectives. These include:

- specifying investment benchmarks that are to be used to measure investment performance
- specifying how we should measure and take account of risk when measuring investment performance
- setting various limits and controls governing the scale and nature of the investment decisions that we may make
- ensuring there is clear accountability for the various aspects of investment performance
- making sure we have a strong control environment to ensure the limits and controls are enforced and conflicts of interest are minimised.

Key decisions our Board's Investment Committee does not delegate include the:

- approval of asset allocation benchmarks and establishing the default allocation between investment markets for each of ACC's Accounts
- approval of policy documents, discussing how we will approach various aspects of our investment operation (such as how we set the strategic asset allocation and the approach that we will take to managing a particular investment portfolio)
- approval of changes to our Investment Guidelines, which specify limits to, and controls of, all aspects of the investment operation
- appointment of external fund managers or custodians
- approval of any investment transactions that fall outside the limits and controls specified in the Investment Guidelines.

Over the course of 2020/21, the ACC Board Investment Committee is reviewing these investment decision delegations. Any proposed significant changes will be communicated to the Minister.

Risk management

We manage risk through our Investment Guidelines, and these risks are reported to the Investment Committee. Our Investment Guidelines limit how much risk we can take by placing constraints on how ACC's investments may be managed. We employ a number of rules to govern the types of investment we can make, the way in which we invest and the ways in which we measure and manage performance. ACC measures investment risks from a number of perspectives, and various risk metrics are reported to the Investment Committee.

We use credit limits, exposure limits and market risk limits to manage the risks of dealing with market counterparties, trading in and across various asset classes and sectors, and the size and amount of leverage across our investments.

The ACC Investments Code of Conduct governs how our investment staff must manage any personal investments and any offers of gifts or hospitality. These rules include reporting and approval requirements.

Ethical investment policy

We have an ethical investment policy that requires us to consider the ethical implications of our investments as well as our fiduciary responsibilities.

We seek to avoid investing in entities involved in activities that would be considered unethical by a substantial majority of the New Zealand public. We use New Zealand law and international conventions such as the United Nations Global Compact and the United Nations Principles for Responsible Investment (UN PRI) as a reflection of the principles widely held by the New Zealand public. We also aim to avoid investing in entities that exhibit corporate behaviour that seriously breaches ethical/responsible investing standards.

The ACC Board provides overall guidance as to the types of activity that are considered unethical. In providing guidance for ACC's day-to-day investing, the ACC Board Investment Committee has highlighted activities that should be part of ACC Investments ethical considerations: tobacco companies, cannabis companies, those involved with the development and/or production of anti-personnel mines, cluster munitions, nuclear explosive devices, automatic or semi-automatic guns for civilian use, the hunting or processing of whales and companies who generate more than 30% of their revenue from thermal coal.

We note that distinguishing between companies in legitimate businesses and those acting unethically is inherently subjective. By way of example, we believe that investing in supermarket companies that derive only a small proportion of their income from the sale of tobacco products may not go against our ethical considerations and that a substantial majority of the New Zealand public would not view this as unethical investing. We seek to address any subjectivity that may arise in an open and transparent manner, to the extent commercially possible, by utilising a number of sources and processes.

We aim to continue to earn strong investment returns for levy payers in the future and reduce the cost New Zealanders pay for accident cover, while also meeting our responsibilities under new and emerging legislation Zero Carbon Act. For further information, refer to ***Environmental, Social and Governance.***

UN Principles for Responsible Investment

ACC became a signatory to the UN PRI in March 2008. These principles provide investors with a framework to incorporate environmental, social and governance issues into their investment decision-making and ownership practices. As a signatory we are committed to adopting and implementing the principles where consistent with our fiduciary responsibilities.

Management strategy

For our internal funds management operation, we aim for continued investment success by employing the best investment professionals that we can and encouraging them to manage ACC's investment portfolios in an environment that:

- emphasises individual accountability, but also encourages individuals to work together as a team
- encourages open discussion and debate, without requiring team members to buy in to an artificial 'consensus'
- encourages our investment professionals to think about risk as well as long-run returns, and more generally to align their behaviours to ACC's objectives

- empowers our investment professionals to make decisions that could add real value for ACC, whilst recognising that some misjudgement is inevitable.

Our Investment team is focused on ensuring that ACC's infrastructure, processes and controls are fit for purpose, and that our strategy delivers outcomes aligned to our vision. We will:

- build trust and empower all staff to show curiosity and innovation
- where appropriate, reduce manual touch points with automated, scalable and standardised processes
- embed sustainable and mature frameworks with ownership of risks and independent oversight
- deliver an effective and efficient control environment to provide accurate and timely information.

Our investment objective

We manage our investments with the objective of obtaining the best possible balance of return and risk. To this end, we:

- continue to review strategic asset allocations to ensure that the benchmark asset allocations provide the best possible balance of risk and expected returns for our objectives
- actively manage our investment portfolios with the objective of obtaining better risk-adjusted returns from those portfolios than would be achieved from passive investment.

Investment strategy

We do not currently anticipate that our next review of strategic asset allocation will result in any significant changes to our overall allocation between investment markets.

We intend to continue actively managing all of our investment portfolios. The majority of our investments are actively managed by our own investment staff. Changes in the proportion of funds managed internally versus externally would most likely be affected by any decisions to change the allocation of funds between Australasia and global markets, as ACC manages most of its Australasian funds internally, and uses external fund managers for the majority of its global investments.

We intend to increase selectively the resourcing of the investment team during 2020/21. In particular, we expect to increase resources in ethical investment, fixed interest, NZ equities and asset allocation.

We intend to limit our investment costs, as much as possible, as a percentage of the portfolio value to a level comparable to that we achieve in 2019/20.

Measuring performance

Our investment performance should ultimately be evaluated by looking at the extent to which ACC's investments have achieved the objectives of enhancing returns and reducing risk, and how performance compares with global investment markets' performance.

Like most institutional investors, we split our investment decision-making into layers. While it is important to evaluate our investment outcomes as a whole, it can also be valuable to consider the different layers of investment decision-making separately, as different aspects of investment decisions often need to be evaluated over different timeframes.

Inherently, most investment decisions involve a considerable degree of uncertainty and the outcomes of a few investment decisions in a short period of time could be regarded as being due more to luck than skill. But with enough time and enough distinct investment decisions to consider, we should expect that any unpredictable positive or negative results will average out. Therefore, investment performance over a longer timeframe is more likely to reflect mainly the quality of the investment decisions rather than the 'noise' of relatively unpredictable fluctuations in investment markets.

The highest layer of investment decision-making involves the setting and review of asset allocation benchmarks. The Board Investment Committee reviews the asset allocation benchmarks on both an annual and an interim basis. Setting these asset allocation benchmarks involves a trade-off between risk and expected long-term returns.

There are no near-term measures that can meaningfully be used to evaluate our performance in setting asset allocation benchmarks because:

- the trade-off between risk and return means that we cannot just look at either return or risk in isolation

- the focus on long-term returns, and the fact that we only have a few key asset classes to choose from, means that the returns from our asset allocation benchmarks are best measured over a relatively long period of time (at least five years)
- the impacts that our investment policy has on our financial risks need to be measured in the context of the relative scale of our investment assets compared with the Scheme's liabilities and income.

For these reasons, our performance in setting asset allocation benchmarks is best evaluated by studying performance over several years, rather than just assessing performance in relation to a single measure over any single year.

The lower layers of investment decision-making involve our investment team (and external fund managers) actively managing investment portfolios with the objective of achieving a better overall return/risk outcome for the Scheme than we could achieve through passively investing in each market according to the benchmark asset allocation weights. As the active management of our investment portfolios involves a large number of investment decisions, it is reasonable to expect that unpredictable positive and negative results will roughly cancel each other out in most years, such that we can expect the realised outcomes of our active management to reflect the quality of the underlying decision-making in periods of three or more years. As a consequence, our active management of investment portfolios can be measured in a meaningful way, particularly if considered in a timeframe of at least three years. We measure the performance of each portfolio against a relevant benchmark and measure our overall investment return against a composite benchmark.

Investment costs are not subject to much uncertainty, so it is meaningful to measure our performance on investment costs on a year-by-year basis. We measure our costs using a standard measure – the Management Expense Ratio – which includes all the investment costs that are not directly deducted from our reported investment returns.

Glossary

Glossary of terms

ACC Scheme
New Zealand's no-fault accident insurance scheme that provides cover to all New Zealanders and visitors to our country.

Accident Compensation Act 2001 (AC Act)
The major piece of legislation under which ACC is governed.

Business customer
A business that pays a levy under the Scheme.

Client
A person who makes a claim under the Scheme.

Consumer price index
A measure of the price change of goods and services purchased by private New Zealand households.

Crown entity
An organisation in which the Government has a controlling interest.

Customer
A client, provider or business customer.

Earners' Account
The Account for non-work injuries for people in employment that occur outside work (e.g. at home or playing sport), that are not Motor Vehicle or Treatment Injuries.

Entitlement claim
A claim that has received additional support such as weekly compensation or social or vocational rehabilitation for a covered injury, as well as any funded medical treatment required.

Full-time equivalent
The hours worked by one employee on a full-time basis, generally considered to be 35–40 hours per week.

Gradual process claims
Claims as a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm (e.g. hearing loss).

Labour cost index
A measure of the increased cost of salaries and wages paid to workers, commonly expressed as an annual percentage.

Levies
Amounts charged, separate from general taxation, and used to cover the cost of injuries caused by an accident within the Motor Vehicle, Earners' and Work Accounts.

Motor Vehicle Account
The Account for all road-related injuries.

Non-Earners' Account
The Account for injuries of people not in the workforce, such as children and retirees.

Outstanding claims liability (OCL)
An estimate of the present value of expected future payments on all existing ACC claims.

Pay-as-you-go basis
Funding the costs of injuries as the costs are incurred.

Provider
A person or organisation providing a treatment or rehabilitation service to a client (e.g. a GP or physiotherapist).

Return on investment
The return or benefit obtained from an investment over and above the original investment, commonly expressed as a percentage or ratio.

Risk margin

ACC has added a risk margin to the central estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

Shaping Our Future

Our overarching strategy to look at how we operate, from our technology to how we train our people, while putting the customer at the centre of everything we do.

Statement of Intent

A statutory document that covers a four-year period and outlines our medium-term strategic intentions.

Strategic intentions

The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2018-2022).

Superimposed inflation

Increase in costs over and above baseline inflation.

Transformation programme

A series of projects that were focused on improving our systems, processes and employee capabilities.

Treatment Injury Account

The Account for injuries arising during medical treatment.

Weekly compensation

Payments to a client who cannot work because of an injury, based on 80% of weekly income (capped) before the injury occurred.

Whāia Te Tika

Our strategy to pursue what is right for Māori and deliver on our aspirations.

Work Account

The Account for injuries that occur in the workplace.

Glossary of performance measures

ACC is focussed on the best possible outcomes for clients given their situations

A measure of the extent to which respondents agree that ACC has focussed on achieving the best possible outcome for them given their situation. Agreement is measured via a five-point scale (strongly agree to strongly disagree) with the reported score reflecting the percent that agree and strongly agree. Presented as a rolling four-quarter result.

Actuarial movement

The percentage growth in the OCL (balance at the start of the year) from actuarial gains or losses. Actuarial gains or losses arise from claim volumes, types and costs differing from expectations.

Average administration cost per active claim

The average administration cost per active entitlement claim. Administration costs exclude investment and injury prevention costs. Presented as a year-to-date measure.

Average care hours per serious injury claim

The average annual hours of attendant care, home help and childcare per serious injury claim. Presented as a rolling four-quarter result.

Average time to resolution for claims with reviews

The average time (in working days) for resolution of a review after being sent to a third-party resolution services provider. Presented as a rolling 12-month result.

Change in average treatment cost per injury

The percentage growth in the average cost of medical treatment and elective surgery per claim. Presented as a rolling 12-month result.

Claims processed per FTE

The average number of new claims registered per FTE. The number of new claims registered is 12-month rolling and FTE is a point in time.

Durable return to work

The percentage of clients in the Work Account who have returned to work and have remained at work.

Employee net promoter score

A measure of how likely our employees are to recommend ACC as a place to work. Respondents rate themselves on an 11-point scale, with 0 being 'not at all likely' and 10 being 'very likely'. The net promoter score is the proportion of 'promoter' respondents (score 9-10) less the proportion of 'detractor' respondents (score 0-6). Total scores can range from −100 to +100.

Funding ratio (solvency)

This was previously referred to as solvency. The funding ratio is presented as a percentage and calculated by dividing total assets, less payables, accrued liabilities, provisions and unearned levy liability by the outstanding claims liability (including additional liability for work-related gradual process claims not yet made) excluding any risk margin. The funding ratio for the Work Account excludes those claims, and equivalent assets, funded through the Accredited Employer Programme. This is calculated for the fully-funded portions of the Accounts only.

Growth rate of the Long-Term Claim Pool

The percentage growth in the number of Long-Term Claim Pool clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment management costs as a proportion of total funds under management

Investment costs excluding costs associated with trading as a percentage of average funds under management. Presented as a year-to-date result.

Investment performance after costs relative to benchmark

A measure of ACC's investment performance after costs compared with the industry standard. Measured as the percentage above the blended market average benchmark. Presented as a year-to-date result.

Long-Term Claim Pool returns to independence

The net number of Long-Term Claim Pool clients who have returned to independence (ceased receiving weekly compensation) in 12 months. A Long-Term Claim Pool client has received weekly compensation for more than 365 days. Presented as a rolling 12-month result.

Lost-time injury frequency rate

The number of lost-time incidents per million hours worked.

Māori lodgement ratio

The ratio between the claim lodgement rate per head of population for Māori, benchmarked against the claim lodgement rate for all New Zealand.

Net trust score

A measure of the extent to which respondents have trust and confidence in ACC on a 0-10 scale grouped into four categories (low trust and confidence, medium trust and confidence, high trust and confidence, and don't know/refused). The net trust score is the proportion of respondents with high trust and confidence (score 9-10) less the proportion of respondents with low trust and confidence (score 0-6). Overall scores can range from -100 to +100. Four groups of our customers are included; clients, Māori clients, providers and businesses.

Number of category 3, 4 and 5 privacy breaches and near misses

The year-to-date number of category 3, 4 and 5 privacy breaches and near misses. The category of a breach or near miss is determined using the Government Chief Privacy Officer's definition of a privacy breach.

Number of claims avoided through our injury prevention investments

The number of claims avoided in the areas where we have targeted injury prevention programmes. Presented as a year-to-date result.

Overall operational system availability

Percentage of time key applications and networks are available to perform required functions. Presented as a year-to-date result.

Percentage of total expenditure paid directly to clients or for services to clients

The proportion of expenditure (claims paid and administration costs) paid for clients (claims paid). Investment costs are excluded. Presented as a year-to-date result.

Proportion of ACC reviews upheld

The proportion of all review outcomes where the decision was in favour of ACC. Reviews in favour of ACC include all reviews dismissed at an external review hearing, as well as any reviews that have been withdrawn or settled. Presented as a rolling 12-month percentage.

Proportion of ACC staff who identify as having a disability

The proportion of FTEs who identify as having a disability, self-reported in a six-monthly survey. Presented as a point-in-time result.

Proportion of ACC staff who identify as Māori

The proportion of FTE who identify as Māori, self-reported in a six-monthly survey. Presented as a point-in-time result.

Public trust and confidence

The proportion of general public surveyed (who felt they had a reasonable understanding of ACC) who reported having full trust and confidence in ACC. Presented as a rolling four-quarter result.

Rate of long-term clients in part-time work

The proportion of Long-Term Claim Pool clients with part-time earnings (abated weekly compensation payments). In this context, Long-Term Claim Pool clients are those who have received weekly compensation for more than 365 days. This is a point-in-time measure.

Rate of serious injury

The number of new serious injury and fatal claims where we have injury prevention programmes as a proportion of the New Zealand population. Presented as a rolling 12-month result.

Ratio of this year's total levies to the total claims incurred for this year's accidents over time

A measure of the levy income received in a year and the investment income from those levies as a proportion of the cost of claims incurred in that year and the future estimate of those claims liability. Presented as a point-in-time result.

Reduction in weekly compensation days paid

The difference between the average number of weekly compensation days paid when a client exits the Scheme (rolling 12-month basis) relative to a benchmark average (March 2015) number of weekly compensation exit days. Claims with 29 to 365 days of weekly compensation are included. A negative number represents an increase in average weekly compensation days over the benchmark.

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlements) in 12 months. Presented as a rolling 12-month result.

Return to work within 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work within nine months (273 days)

The percentage of clients receiving weekly compensation, who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Reviews as a percentage of decline decisions

The number of client reviews lodged as a percentage of the number of cover and entitlement decline decisions, presented as a rolling 12-month result.

Speed of cover decisions

The average number of calendar days between the lodgement date and time, and date and time of first cover decision (accept or decline). Measured for non-complicated and complicated claims separately and presented as a rolling 12-month result.

The portfolio of injury prevention investments will have an assessed positive return on investment

The return on investment from our injury prevention investments in two areas: 0 to 20-year programmes and workplace programmes. This consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, and the 10-year expected claims saved divided by the likely future cost of the interventions. Presented as an evaluation of the costs and savings at a point in time.

Total recordable injury frequency rate

The number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.

Directory

Claims
0800 101 996
claims@acc.co.nz

Business
0800 222 776
business@acc.co.nz

Providers
0800 222 070
providerhelp@acc.co.nz

Our three main call centres are open Monday to Friday, 7am to 7pm

Claims	0800 101 996	claims@acc.co.nz
From overseas	+64 7 848 7400	claims @acc.co.nz
Sensitive Claims	0800 735 566	*sensitiveclaims@acc.co.nz* Sensitive claims PO Box 1426 Wellington 6140
Treatment injury centre	0800 735 566	Treatment injury centre PO Box 430 Dunedin 9054
Deaf services		*deaf@acc.co.nz*
Language and cultural services	0800 101 996	

Business	0800 222 776	business@acc.co.nz
Employers	0800 222 776 +64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Self-employed	0508 426 837 +64 7 859 8676	
Agents and advisors	0800 222 991 +64 7 859 8677	
Injury management	0800 101 996	*returntowork@acc.co.nz*
Collections and recoveries	0800 729 538 +64 4 805 4296	*collections@acc.co.nz* ACC Collections and Recoveries PO Box 3248 Wellington 6140

Providers	**0800 222 070**	**providerhelp@acc.co.nz**
		Northern Service Centre PO Box 90341 Auckland 1142

General questions	**04 816 7400**	***information@acc.co.nz***
		ACC PO Box 242 Wellington 6140
Statistics		***statistics@acc.co.nz***
Complaints and feedback	0800 650 222 +64 7 859 8560	***complaints@acc.co.nz*** Customer Resolution Freepost 264 PO Box 892 Hamilton 3240
Media		***media@acc.co.nz***

More contact information, including branch details, Official Information Act requests and reviews, is available at ***www.acc.co.nz/contact***


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