

SERVICE & PURCHASE AGREEMENT 2013-16

BETWEEN

THE MINISTER FOR ACC

AND

THE ACCIDENT COMPENSATION CORPORATION

The image shows two handwritten signatures in blue ink. The signature on the left is for Hon Judith Collins, and the signature on the right is for Paula Rebstock. Both signatures are written over horizontal lines.

HON JUDITH COLLINS

PAULA REBSTOCK

MINISTER FOR ACC

ACC BOARD CHAIR

DATED 25th JUNE 2013

DATED 20 JUNE 2013

BACKGROUND

This Service and Purchase Agreement ("this Agreement") is between the Minister for ACC ("the Minister") and the Accident Compensation Corporation ("the Corporation" or "ACC").

This Agreement outlines the quality and quantity of services to be provided by the Corporation for the period 2013-2016 and meets the requirements of the Accident Compensation Act 2001, (Section 271). This Agreement also constitutes an Output Agreement for the purposes of the Crown Entities Act 2004, (Section 170).

SCOPE	ROLES AND RESPONSIBILITIES
<p>This Agreement outlines:</p> <ul style="list-style-type: none">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 the performance of ACC; andthe nature and frequency of reporting requirements against this Agreement. <p>This Agreement is aligned with and supports:</p> <ul style="list-style-type: none">the Minister's priorities as set out in the <i>2013-2014 Letter of Expectations</i> – attached as Appendix 2ACC's <i>Statement of Intent 2013-2016</i>.	<p>The Minister for ACC is the Minister responsible for both the Accident Compensation Scheme (the Scheme) and the Corporation. The Minister's roles and responsibilities in relation to the Corporation are to:</p> <ul style="list-style-type: none">make sure an effective board is in place to govern the Corporation;participate in setting the direction of the Corporation;monitor and review the Corporation's performance and results; andmanage risks on behalf of the Crown. <p>The Minister exercises this responsibility through their relationship with the ACC Board (the Board) and, in particular, the Board Chair. This Agreement supports that relationship.</p> <p>The Board is accountable to the Minister for the delivery of the services specified in this Agreement, to the quality and cost specified. ACC remains accountable for the delivery of all outputs including outputs that have been sub-contracted to a third party.</p>

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 relates to a three-year period from 1 July 2013 to 30 June 2016 in that it reflects the three-year span of ACC's *Statement of Intent 2013-2016*. An Agreement will be entered into on an annual basis, pursuant to section 271 of the Accident Compensation Act 2001. This Agreement revokes the Service Agreement for the period 1 July 2012 to 30 June 2015.

REPORTING APPROACH

ACC will provide quarterly reports on the Corporation's performance against this Agreement. The quarterly reports will include reporting against KPIs and matters set out in the Statement of Intent.

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 ACC's ongoing performance for the financial year 2013-2014.

Each quarterly report will include:

- commentary on ACC's performance against the performance targets, and progress in implementing key initiatives;
- where necessary, an explanation of performance trends, analysis of those trends, and proposed actions to improve performance;
- financial performance and commentary;
- an analysis of risks, critical issues, and opportunities arising from performance to date.

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

- analysis of causes
- strategies and plans to improve performance and meet the specified targets
- forecast performance for the remainder of the financial year, including an assessment of whether and when the performance target(s) will be met.

As necessary, the Corporation 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;
- an annual technical report supporting the Corporation's proposal for funding of the Non-Earners' Account for the following four subsequent financial years

TIMEFRAMES FOR THE QUARTERLY REPORT

The timeframes for quarterly reporting are.

Quarterly Performance reports	Timeframe
Quarter 1 Report	By 15 November 2013
Quarter 2 Report	By 14 February 2014
Quarter 3 Report	By 16 May 2014
Quarter 4 Report	By 15 August 2014

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 Chair, 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 the Corporation up to the amount authorised by Parliamentary Appropriations for 2013-2014. The Ministry of Business, Innovation and Employment (the Ministry, acting as the administering agency responsible for Vote: ACC) will action payments to the Corporation 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 schedules to this Agreement form part of this Agreement, as do any amendments to those schedules 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.

GOVERNMENT'S KEY PRIORITIES

The key Government priorities for ACC in 2013-14 are outlined in the Minister for ACC's and the Minister of Finance's letters of Expectations to the Corporation. These are:

- improved trust and confidence
- improved management and security of private information
- providing high-quality services for clients
- maintaining a focus on levy stability and financial sustainability
- implementing practical and cost-effective new injury prevention initiatives
- partnership with the Ministry of Business, Innovation and Employment (MBIE) to effect safer workplaces
- supporting the early resolution of disputes
- ensuring that ACC plays a full and active role in the wider government sector
- delivering against the expectations outlined for ACC's investment management function, namely continuing the focus on longer term returns, managing investment expenses, monitoring the use of derivatives, reviewing investment decisions, informing Ministers regarding key decisions and collaborating where possible to deliver efficiencies.

ACC will respond to the Minister's other expectations, including:

- Business Planning – consult with the Crown Ownership Monitoring Unit (COMU) and MBIE in setting strategic and operational priorities, performance measures and targets for the upcoming year.
- Communications – straightforward and simple, with no surprises, communication with the Minister for ACC supported by meetings at regular intervals
- Monitoring – establish and maintain a strong and collaborative relationship with COMU
- Actively supporting policy initiatives – ACC will continue to support the focus on funding policy.

The expectations outlined above will be delivered through ACC's six key strategic drivers the 2013-14 year.

- Increase injury prevention effectiveness (this includes working with MBIE to effect safer workplaces and working with the wider government sector)
- Improve the Public's trust and confidence in ACC
- Ensure the protection of personal information held by ACC
- Deliver continued good financial performance to ensure long-term sustainability of the scheme
- Improve the quality of customer outcomes and experience
- Improve ACC's culture and capability.

The tables on the following pages provide information, initiatives and measures for each of the six strategic drivers in the 2013-14 year.

Risks are assessed in the Statement of Intent 2013-2016.

Increase injury prevention effectiveness

The Goal

A primary purpose of establishing ACC was to undertake effective injury prevention thereby contributing to a sustainable and affordable Scheme. To deliver this ACC invests in injury prevention initiatives to deliver sustainable reductions in long-term injury rates in New Zealand. Effective national injury prevention activity requires working with key sector government agencies and making long-term commitment to injury prevention programmes.

Deliverables

The deliverables that will support this priority area are:

Deliver ACC's Injury Prevention Strategy - In 2013-14 the ACC Injury Prevention Strategy will deliver a strategic business plan, which clearly identifies and prioritises intervention activities for the next five years. Where required, this will be further strengthened through an evidence based research approach. ACC will work closely with its partners, to develop and deliver key interventions:

- deliver motorcycle safety training to 1,000 individuals
- deliver behaviour change programmes. This includes increasing the number of companies in the Fleet Saver programme to 2,000 and increasing the proportion of returning visitors to the *Practice* site to 30%.
- investigate, with partners, road engineering opportunities to reduce road injury rates
- deliver falls prevention programmes that focus on the working age population (20-64 years) and older adult population (65+ years) which will result in a 0.5% reduction in entitlement rates
- deliver programmes that reduce alcohol as a contributing factor to injury.
- an estimated 29% of women and 9% of men experience unwanted and distressing sexual contact in their lifetime with an estimated social cost to New Zealand of \$1.2 billion per year.
 - the development of initiatives to address the impact and incidence of family and sexual violence will commence with the creation of a strategically focused role charged with overseeing all family and sexual violence activity and co-ordinating all ACC functions in this area
 - In addition ACC will:
 - Fully implement the recommendations of the Independent Review of Sensitive Claims
 - Deliver a strategic response to wider family violence
 - Contribute to the independent review of the family and sexual violence sector being undertaken by the Minister of Social Development and use the recommendations to inform the programme
- build on priority sports injury prevention interventions
- develop injury prevention initiatives that reduce the number of recreational sporting injuries
- work collaboratively, and in partnership with, MBIE and the new Health and Safety Crown Agent to improve the health and safety environment within New Zealand businesses and to reduce workplace injuries
- engage in work injury mitigation programmes with identified high risk and high value customers, including those operating in Agriculture, Fishing, Forestry, Construction and Manufacturing
- work with partners to increase awareness and recognition of workplace health and safety issues amongst all those involved in the Canterbury Rebuild.

Delivery of a government wide action plan for Injury Prevention - A number of agencies in the government sector play a role in preventing injuries. The NZIPS goals of achieving a positive safety culture and creating safe environments provide a sound direction for New Zealand's collective injury prevention efforts.

In 2013-14 this initiative will deliver a detailed final action plan that will be submitted to Cabinet for approval, including descriptions of any additional structures needed to support it.

The Independent Taskforce on Workplace Health and Safety - ACC will continue working with MBIE to implement the Taskforce recommendations agreed by the Government that relate to ACC. ACC will aim to be an exemplar organisation in implementing the agreed recommendations.

Improve the Public's trust and confidence in ACC

The Goal

ACC delivers a wide range of accident compensation services and entitlements to injured New Zealanders and their carers and families, and the wider community. Accident compensation cover gives injured New Zealanders stability, and allows them to gain control of their lives by providing the foundation for them to recover their physical and social wellbeing after injury.

The Corporation is fully committed to rebuilding a high level of public trust and confidence in ACC as a public institution.

Deliverables

The delivery of all ACC's planned activity will contribute to improving the public's trust and confidence in ACC, particularly through quality care and focussing on the needs of the customer. This priority area aims to ensure that injured New Zealanders have access to high-quality services and entitlements for the duration of their need. The Scheme is important to preserving the Kiwi way of life and the management and delivery of it must meet the needs of New Zealanders

The deliverables that will support this priority area are:

- ACC's processes, systems and internal culture enable optimal delivery of services to New Zealanders
- all New Zealanders are able to interact with ACC in a beneficial way
- ACC has a trusted digital option for every customer
- personal information held by ACC is treated appropriately
- the Scheme is in a sound financial position to provide services to which New Zealanders are entitled.

Ensure the protection of personal information held by ACC

The Goal

As part of rebuilding the public's trust and confidence and improving rehabilitation outcomes, ACC must demonstrate an improvement in its ability to manage the personal information it holds on behalf of New Zealanders.

Deliverables

The deliverables for ensuring the protection of personal information are part of the 'Our ACC' project and are separated into three areas: short-term interventions or initiatives that can be completed within the existing operating framework, either as changes to the way things are done now or as additions to existing systems and processes within a six- to nine-month timeframe; medium-term initiatives within the existing operating framework with a six- to 24-month horizon; and longer-term strategic changes as part of a wider transformational programme for the organisation.

'Our ACC' will:

- achieve all recommendations identified in the Privacy Report
- define and implement the required privacy governance, assurance, policy and strategy
- identify, define and implement tactical or, where appropriate, strategic resolutions to any issues identified
- enhance tools, processes and capabilities to support privacy and security collaboration.

Deliver continued good financial performance

The Goal

In recent years ACC has increased Scheme solvency whilst operating through an economic recession. As a result, the organisation is now well on track to achieve full funding ahead of the 2019 target. However, during this time external reviews, stakeholder feedback and public perception have indicated that there is room for improvement in how ACC delivers its services.

ACC must ensure that the scheme is in a financial position to provide services to which New Zealanders are entitled. The delivery of high-quality services to clients and levy payers are critical to the Scheme's success, as financial sustainability can only be achieved through quality outcomes. Further, ongoing technology changes and improvements to service standards across all industries are seeing steady rises in customer expectations. As such, this focus on quality will continue to be important to the Scheme's long-term sustainability.

Scheme solvency is measured as the ratio of net assets to the outstanding claims liability in each of ACC's five accounts. Solvency provides an indication of funding adequacy. Each Account is funded separately and has its own full funding target. The Work, Earners' and Motor Vehicle Accounts are required to be fully funded by 2019. This goal needs to be achieved while maintaining stability across levy rates.

Deliverables

The deliverables that will support this strategic driver are:

- continuing to deliver good financial performance and ensuring that the scheme is available for all New Zealanders
- Cabinet has requested a review of the funding policy for the ACC Accounts which is being led by MBIE with support from ACC and is expected to be undertaken during the year. ACC's funding approach will come out of this review

Improve the quality of customer outcomes and experience

The Goal

This priority aims to ensure that people with injuries covered by the Scheme receive the rehabilitation they need to return to as full a role in society as possible. It also directly contributes to Scheme sustainability by ensuring that clients receive the high-quality services to which they are entitled.

Effective rehabilitation is in the best interests of clients as well as the whole New Zealand economy. International evidence confirms that when clients make a rapid return to independence, their overall health and wellbeing is significantly improved and the adverse social and economic impacts of their injuries on their families, communities and New Zealand are greatly reduced.

To deliver effective rehabilitation, the services delivered to injured New Zealanders must be of the highest possible quality. This also applies to the services that are delivered on behalf of ACC through providers and others in the health sector.

Providing quality rehabilitation requires ACC to become more focused on the customer experience and the delivery of enhancements to how ACC works with injured people, treatment and rehabilitation providers and employers. This means meeting its legislative responsibilities while ensuring a sense of collective responsibility between ACC, providers, employers and communities.

Deliverables

The deliverables aligned to this priority area are:

Client Service Optimisation - the client service optimisation (CSO) project was formed to investigate options for adopting a functional, transformational claims management model to introduce changes to core claims management practices and processes. These changes will reflect international best practice and standardise core processes, with the objective of delivering a consistent, high standard of service to improve the client experience and client rehabilitation outcomes. A more client-centric and streamlined claims management model has been developed to improve the client experience, and will be implemented in two stages.

- a refinement of the predictive model currently in use, the development of further models, and the rollout of all models across the entire branch network
- further enhancements of the pilot model before rolling the CSO approach and processes across the branch network

Quality Management Systems - ACC's injured clients expect quality services from ACC. Work is underway in 2013-14 within the Claims Management group to develop as a core function of this business group a quality management system. The aim of this system is to utilise international best practice standards to ensure the delivery of service quality.

The key deliverable for 2013-14 is the implementation of a quality management system based on international best practice. This will include the:

- implementation of quality measures and key performance indicators to monitor the consistency of customers' experiences and to ensure service standards are met
- development of customer service standards with input from clients
- development of a Quality Policy
- delivery of end-to-end processes for the client rehabilitation journey documented with process ownership
- completion of gap analysis and a programme in place to provide ongoing measurement, analysis and improvement of end-to-end processes, systems and people capability.

Medical certification - The customer experience for clients begins at the initial presentation to their treatment providers. If these involve medical certification for time off work and they are managed well, by adopting best practice, clients will benefit from improved health and wellbeing and employers will benefit by predictable return to work durations and possible revised and alternative work arrangements. Current medical certification practices have been focused on certifying fitness for work or otherwise. It is critical that clinicians are clear on the important contribution that the workplace can make to effective rehabilitation.

Employer centric services - The Employer Centric Service (ECS) offers certain employers an assigned Case Manager to provide total claims management services (for work and non-work claims for their employees). The core functions of the service are:

- understanding the specific needs and drivers of the employer and their employees when developing injury management plans
- linking employer facing groups within ACC under the one service
- acting as a key contact for issues arising on claims and managing overall claim status reporting
- liaising with the injured workers and other stakeholders (e.g. unions, rehabilitation providers) in the "recover at work" process.
- The key deliverable for 2013-14 is to roll out this service nationally.

Improve ACC's culture and capability

The Goal

To support the achievement of the priorities and strategic goals, ACC also needs to focus on organisational culture, capability and capacity. Two areas of focus have been identified:

1. Organisational culture and capability
2. Supporting systems' capability.

Deliverables

Organisational Culture and Capability

A key focus for ACC is to improve the culture of the organisation. The culture change programme aims to assist in a culture shift from 'conform and comply' to one that is customer oriented, with a focus on excellence, integrity and people.

The culture change programme recognises the need to develop a 'one ACC' mindset where all groups within the organisation work together to support the organisation's strategic objectives.

The initiatives that will support this strategic driver are:

- **Cultural change programme** - The culture change programme is in the very early stages of development. Supporting a culture change will require concentrated efforts at improving leadership capabilities and behaviour, with customer centricity as a core value, as well as aligning ACC's systems, processes and frameworks to support the new culture standards. Outcomes are expected to include an organisational focus on excellent customer service, high levels of staff satisfaction and increased motivation, teamwork and cooperation.
- **People Capability:** It is recognised that there needs to be a centralised approach to development planning and funding to ensure that strategic capability development is based on organisational priorities, coupled with a substantial increase in the capability investment in staff.
The deliverables for 2013-14 include:
 - a case management qualification that will provide ACC case managers with access to a relevant educational pathway, with ongoing mechanisms for continued learning and support
 - a structured, planned approach to identifying talent and actively developing the leadership pipeline across ACC in accordance with desired leadership profiles
- **Staff Performance Management Framework:** the current performance management objective structures and supporting management framework lack the quality and clarity to drive organisational performance and the desired culture change. In 2013-14 a new Staff Performance Management Framework will be delivered.

Supporting Systems and Capability

A number of key initiatives have been developed to implement system and process improvements that will enhance the ability to deliver high-quality support and service to all stakeholders. These include automating and integrating a number of business processes, which will enable the introduction of a wider range of products and services for stakeholders.

ACC is working in collaboration with a number of government agencies (MBIE [the lead agency], Inland Revenue, the Ministry for Primary Industries, Statistics New Zealand, New Zealand Trade and Enterprise and the New Zealand Customs Service) as part of the Better Public Services Programme for Businesses to improve government interactions with businesses and individuals. The aim of Result Area 9 and ACC's aligned work programme is to provide New Zealand businesses with a one-stop online shop for all the government advice and support they need to run and grow their businesses, and under Result Area 10 allowing New Zealanders to complete their transactions with government easily in a digital environment.

- **Review of systems** – as part of ACC's transformational change programme ACC is reviewing core systems and implementing recommendations where appropriate, ensuring that the business model and underlying processes deliver quality services.
- **Digital Strategy:** this aims to deliver 'A trusted digital option for every customer'. The following are some of the initiatives in the work programme that will be progressed in 2013-14:
 - Client/Provider portal (includes eNotifications) – This initiative will deliver a secure client portal that will allow clients to securely access and manage basic information regarding their claims.
 - Claims Lodgement – This initiative will deliver a new platform for the electronic lodgement of claims to the 6 major patient management system vendors.
 - Certification of Work Capacity – This initiative will enhance the eCertifications platform to enable ACC to more effectively and efficiently manage the certification process.
 - website refresh and Digital Operating model delivered as part of the Our ACC target operating model.

PART 2: ACCOUNTABILITY MEASURES AND TARGETS FOR 2013-14

Table 1: Increase injury prevention effectiveness

Measure	Results		Target		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Reduce the number of new Motor Vehicle entitlement claims. against the forecast	New measure	-169	-84	-120	-172
Reduce the number of new Work entitlement claims against the forecast rate.	New measure	-517	-205	-464	-470
Public – reduce the number of new entitlement claims against forecast in home and community falls	New measure	-238	-187	-286	-486
Public – reduce the number of new entitlement claims against forecast in priority sports areas (Rugby, Rugby League, Netball and Football).	New measure	+35	-73	-112	-152

Table 2: Improve the public's trust and confidence in ACC

Measure	Results		Targets		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Trust and confidence Improve the percentage of surveyed New Zealander's who have trust and confidence in ACC.	49%	47%	50%	55%	60%
Number of reviews lodged with Disputes Resolution Services Limited (DRSL) Reduce the number of reviews lodged with DRSL and increase the number of reviews that are settled without the need for a formal review on an annual basis. The target is a 10% annual reduction from the year end baseline.	New measure	5,911 (forecast 8,000 at year end)	<7,200	<6,480	<5,830
Ease of doing business with ACC Improve the percentage of surveyed levy payers who find it easy to do business with ACC.	New measure	43%	50%	55%	60%

Table 3: Ensuring the Protection of personal information held by ACC

Measure	Results		Targets		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Privacy breaches Reduce the number of privacy breaches caused by ACC by 50% annually. The target is a three-month rolling average of the number of breaches reported by ACC per month.	90 per month (New measure)	55 per month	23 per month	12 per month	6 per month
Personal Information Index Improvement in the management and security of personal information as measured by the combination of breach numbers and maturity of privacy management.	New measure	72.9	90	97.5	98

Table 4: Deliver continued good financial performance

Measure	Results		Targets		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Achieve returns from insurance operations to reach full funding Maintain the current level of return from insurance operations. This measures ACC's performance towards full-funding by calculating income less expenditure including the expected change in the outstanding claims liability.	\$3,577M	\$1,877M	\$1,847M	\$2,110M	\$2,100M
Achieve above benchmark returns from investments A measure of ACC's investment performance by comparing ACC's performance with the industry standard. This is measured as a percentage above the blended market average benchmark.	0.27% (above benchmark)	1.18% (above benchmark)	0.5% (above benchmark)	0.5% (above benchmark)	0.5% (above benchmark)
Scheme Solvency¹ A measure of the assets available to each Account as a percentage of that Account's liability	74.7%	86.1%	95.1%	102.3%	109.2%

¹ The solvency targeted in out years will be subject to the yet to be completed funding policy review

Table 5: Improve the quality of customer outcomes and experience

Measure	Results		Targets		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Client satisfaction Improvement in the percentage of surveyed clients satisfied with ACC's service experience.	70%	66%	68%	70%	72%
NSIS client goals attainment Increase in the percentage of NSIS client goals attained as achieved or exceeded.	66%	69%	71%	73%	75%
Improved return-to-work/independence performance Reduction in the average duration of weekly compensation days paid in the first 365 days.	85.7 days	84.7 days	84.6 days	84.3 days	84.0 days
Durable return-to-work indicator Maintain ACC's durable return-to-work rate above the Australian average return-to-work rate.	80%	Annual result available July 2013	1% above Australian average	1% above Australian average	1% above Australian average
Percentage of weekly compensation clients who return to work after treatment and rehabilitation Improvement in the percentage of weekly compensation clients who return to work after treatment and rehabilitation (either with the same or different employer).	New measure	84.3%	84.0%	85.0%	86.0%
Supporting the rehabilitation of long-term compensation clients² Maintain a focus on the rehabilitation of long-term clients by monitoring the net number returned to independence.	-1,009	-68	No change	+188	+337

Supporting output measures	2013-14 Target	Definition
70-day rehabilitation rate Maintain the percentage of clients receiving weekly compensation entitlements who have been rehabilitated within 70 days.	70.5%	Maintain the percentage of clients receiving weekly compensation entitlements who have been rehabilitated within 70 days.
273-day rehabilitation rate Maintain the percentage of clients receiving weekly compensation entitlements who have been rehabilitated within 273 days.	93.9%	Maintain percentage of clients receiving weekly compensation entitlements who have been rehabilitated within 273 days.

² In 2013-14 ACC will aim to maintain the number of long-term compensation clients at current levels. The projected increase of long-term clients in the out-years reflects both the increasing number of new clients and the increasing complexity of the nature of the injuries of existing long-term clients

Table 6: Capability and Capacity

Measure	Results		Targets		
	2011-12	2012-13 As at 31 March 2013	2013-14	2014-15	2015-16
Staff turnover Turnover of permanent staff	13.8%	12.51%	≤15%	≤15%	≤15%
High achiever turnover Turnover of high performers	7.5%	6.85%	<10%	<10%	<10%
Staff engagement The ratio of engaged to actively disengaged staff	6.25:1	Survey held in May 2013	6.25:1	6.5:1	7.0:1
Overall operational system availability and performance Total working hours where systems are available, as a percentage of agreed service levels	New measure	New measure	99.50%	99.50%	99.50%

Table 7: Claims forecasts (quantity of services to be provided by ACC)

The table below show the recent trend in volume and type of claims received by ACC. The Scheme is entitlement based, which means that each claim is evaluated to determine whether it meets the requirements of the Act. ACC does not have the ability to ration its services, as demand is determined by the number of covered injuries that occur and whether those who are injured seek treatment. These quantity measures are therefore provided for information only.

Claim type	2011-12 Actual	2012-13 Forecast	2013-14 Forecast
Registered claims Total number of registered claims in the period, by lodgement date	1,685,296	1,735,855	1,787,931
Medical fees only claims Total number of medical fees only claims in the period, by lodgement date	1,357,187	1,388,684	1,430,344
Other entitlement claims Total number of other entitlement claims (all entitlement claims excluding weekly compensation) that receive a payment in the period	94,200	94,318	96,204
Weekly compensation claims Total number of weekly compensation claims that receive a payment in the period	82,253	83,402	85,070

APPENDIX 1: SUMMARY OF FINANCIAL INFORMATION

The following table provides a summary of ACC's financial information for the 2013-14 year. Full financial information is included in ACC's *Statement of Intent 2013-2016*.

Income statement

For the year ending 30 June 2014 to 2017 (\$million)	2014	2015	2016
Levy Revenue ³	4,614	4,772	4,908
Other income	1	1	1
Total levy and other income	4,615	4,773	4,909
Investment credit	1,274	1,437	1,621
Less investment costs	64	69	75
Net investment income	1,210	1,368	1,546
Claims paid	2,881	3,012	3,160
Change in unexpired risk liability	11	(12)	(16)
Change in outstanding claims liability	593	523	683
Total claims costs	3,485	3,523	3,827
Injury prevention costs	40	50	60
Operating costs	399	404	414
Depreciation and amortisation	54	54	54
(Deficit)/surplus	1,847	2,110	2,100

Statement of financial position

As at 30 June 2014 to 2017 (\$million)	2014	2015	2016
Total Reserves (Deficit)	(1,434)	676	2,776
Assets			
Investments	28,100	30,694	33,506
Other assets	4,262	4,356	4,378
Total assets	32,362	35,050	37,884
Liabilities			
Claims liability	29,082	29,605	30,288
Other liabilities	4,714	4,769	4,820
Total liabilities	33,796	34,374	35,108
Net Assets (Liabilities)	(1,434)	676	2,776

Solvency⁴

As at 30 June 2014 to 2017	2014	2015	2016
Motor Vehicle Account	94.0%	104.2%	114.3%
Non-earners Account	49.0%	52.3%	55.5%
Earners' Account	125.9%	132.2%	137.4%
Treatment Injury Account	69.4%	73.6%	77.6%
Work Account	128.5%	138.3%	148.1%
ACC	95.1%	102.3%	109.2%

³ This excludes any adjustments concerning recent budget announcements

⁴ The solvency targeted in out years will be subject to the yet to be completed funding policy review

APPENDIX 2: LETTER OF EXPECTATIONS 2013-2014



Office of Hon Judith Collins

Minister of Justice
Minister Responsible for the Law Commission
Minister for ACC
Minister for Ethnic Affairs

12 MAR 2013

Paula Rebstock
Chair
ACC Board
PO Box 242
WELLINGTON 6410

Dear Paula

2013/14 ANNUAL LETTER OF EXPECTATIONS

I am writing to convey my expectations of the Accident Compensation Corporation (ACC/the Corporation) as it begins planning for the next financial year and its 2013/14 Statement of Intent (SOI). This letter confirms and builds on the expectations set out in similar communications last year and in the existing Service and Purchase Agreement for 2012-2015.

As we both know ACC is a very large insurer, a very large fund manager, and a major player in the health sector. This presents its own unique challenges, and because of its size and importance, ACC can have a material impact on all the areas in which it is involved, on levy payers, and on the lives and well-being of New Zealanders.

I understand that ACC has started on a wide-ranging change programme to implement the Privacy Commissioner's recommendations on privacy and security of information, to help provide New Zealanders with the high quality services they should expect, and hence improve public trust and confidence in the Scheme and the Corporation. I expect to see further progress in these areas, with substantial and visible achievements on regaining trust and confidence, and continuing movement towards a positive culture embedded across the Corporation.

At the same time, it is also important that the Board continues its focus on financial sustainability and levy stability, building on the improvements that have been made in rehabilitation outcomes as a result of the new service delivery model introduced by the Corporation in 2009.

The Board has a critical stewardship role ensuring that the Scheme is affordable for future generations and that key organisational risks are managed effectively. Preventing injuries is also a key part in ensuring this and the Board should continue to develop effective strategies and plans aimed at effective injury prevention.

As I have already noted, Ministers see ACC is an integral part of the broader government sector whilst also recognising that the Corporation (and its Board) has its own legislative backing and mandates. ACC is well placed to support the Better Public Services programme and, through its interaction with the Health Sector, to drive

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1

Private Bag 18041, Parliament Buildings, Wellington 6162, New Zealand. Telephone 64 4 817 6806 Facsimile 64 4 817 6506

continuing improvements in health outcomes for New Zealanders. It is also well placed to take a positive and active role in all-of-government initiatives,

Ministers intend to focus on funding policy over the coming year, and I will be in contact as decisions are taken.

The Board's focus for 2013/14

Improve public trust and confidence

The Board should strive to achieve a marked improvement in the public's perception of the Corporation, to be measured by reference to an improvement in independent survey results. I recognise that this is a challenging task, given the length of time it can take for changes to be reflected in perceptions.

I understand the Corporation now better understands the different dimensions of trust and confidence and has used this work to implement new strategies. This should remain a strong internal priority. ACC should look to embed these new strategies and the Code of Conduct into 'business as usual', while being mindful that it cooperates with, and learns from, its public sector partners as part of the Better Public Services initiatives. This will require ongoing communication with other entities to learn best practice and for the Corporation to update its strategies as necessary. Of course, it is more than likely this will be a two-way conversation - its public service partners can learn from ACC in the areas where it has substantial core competencies.

Improve management and security of private information

This is directly related to improving the public's perception of the Corporation and I expect the Board to remain committed to a zero tolerance target for privacy and information security breaches. The Board has previously committed to implementing all the recommendations from the recent Independent Review of ACC's Privacy and Security of Information and I look forward to receiving regular reports on the Corporation's progress towards meeting this commitment.

I am aware that some of the Corporation's operating systems require maintenance, upgrade and/or replacement. No doubt the Board will take this seriously, given the importance of these systems and the problems that have become evident elsewhere in the public sector. As part of this I would encourage the Board to investigate whether to commission an independent review of aspects of your IT systems..

Provide high quality services for clients

The Government has made the Better Public Services one of its top priorities for this term of government. The programme has three objectives:

- setting clear priorities
- delivering high quality services, and
- reducing waste.

ACC is ideally placed to support this program and, in particular, I expect the Board to demonstrate that, even under tight fiscal conditions, clients will receive high quality

COMMERCIAL-IN-CONFIDENCE



2

services to help them recover from the consequences of injury. The SOI should include specific measurable outcomes to track the Corporation's progress.

Maintain a focus on financial sustainability and levy stability

The Government is committed to rebuilding ACC's long-term sustainability, and as you will be aware this influenced the decision to keep levies unchanged for the period 2013/14. Financial stability requires the Board to carefully manage all controllable costs to ensure all expenditure is necessary and cost-effective.

The continuing impact of health cost inflation is imposing a burden on ACC. I encourage the Board to creatively explore approaches to managing this issue. This could involve working more closely with the wider health sector to ensure appropriate incentives are in place to better align the interests of claimants, medical providers and levy payers.

It remains important that ACC does not prioritise financial sustainability ahead of providing high quality services to claimants and levy payers. On the contrary, financial stability can only be delivered in the middle and long term through the provision of quality service to claimants and levy payers. The two outcomes are not mutually exclusive.

The Minister of Finance will write to you separately outlining his priorities and expectations in relation to the Corporation's investment function.

Other policy initiatives

I expect the Corporation to robustly implement any other Government initiatives that arise over the year. This should involve close collaboration with my lead policy advisor, the Ministry of Business, Innovation and Employment (MBIE) and my monitoring advisor (the Crown Ownership Monitoring Unit (COMU) within the Treasury) as necessary.

In particular, I would like the Board to work closely with MBIE on any recommendations from the Independent Taskforce on Workplace Health and Safety agreed by Government that relate to the Corporation. Successful implementation will require positive collaboration with the workplace regulator and other agencies as appropriate.

Implement practical and cost-effective new injury prevention initiatives

As you will be aware, injury prevention is part of ACC's core business. I look forward to receiving progress reports on the Board's new injury prevention strategy and expect the Board to seek and implement new, evidence-based injury prevention initiatives in a cost-effective manner, in collaboration with MBIE. The Corporation should look for innovative ways to meet any rising fiscal pressures in this area.

Partnership with MBIE to effect safer workplaces

The Government has set a goal to reduce workplace serious injuries and fatalities by 25% by 2020. The Safety Star Rating system is one initiative that would help to achieve this result and strengthen workplace safety. I expect that the Corporation will implement this and other relevant initiatives in a timely and effective way, and that this will be done in partnership with MBIE.

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3

Support early resolution of disputes

The Corporation should minimise the number of disputes proceeding to review and litigation. This will involve regularly reviewing the suitability of its process and chosen intervention measures. Early and effective engagement with clients will be an essential part of achieving this objective. The Corporation should continue to report on this priority, and I will monitor progress as per the measures outlined in our Service and Purchase agreement.

Ensure ACC plays a full and active role in the wider government sector

As I noted earlier, the Government has set a clear expectation for all public entities to improve the way they work together. The Corporation should look to align itself to work with other parties (e.g. in the Health Sector) to positively contribute to better outcomes for New Zealanders.

Other Expectations

Business planning

I expect you to consult MBIE and COMU as you set strategic and operational priorities, performance measures and targets for the upcoming year. The Corporation's business plan and supporting group plans should be provided to officials and myself to review the assumptions on which your SOI is based.

It is possible that the Board might consider initiatives that can be funded by reserves held by the Corporation in some accounts, but which would also require an appropriation for the necessary expenditure (e.g. in respect of the Non-Earners Account). Particularly given our tight fiscal position, I expect that if this were to be the case, ACC would engage with MBIE and the Treasury Policy Team well before decisions are taken.

Communications

Our communications should be straightforward and simple. There may be times when you need to make contact on short notice, and you should not hesitate to do so. I expect all priorities to be delivered through a "no surprises" approach. As such, you should inform me of any significant events or set of circumstances, whether positive or negative, that could be considered contentious, attract wide public attention and/or affect the financial position of the Corporation.

I am flexible about how often we meet, however, given my other commitments it would be wise for such meetings to be arranged as far ahead as possible. Ideally I would meet you at regular intervals; this is something to be arranged between my Office and yours.

Monitoring

As you are aware, the monitoring responsibilities for the Corporation have transferred from MBIE to COMU, effective 1 December 2012. While this means the respective leads for policy and for monitoring will reside within different agencies, I have been assured by both MBIE and COMU that this will not adversely impact the Corporation

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4

nor mean a duplication of any activities. These departments are aware I will be keeping a close eye on this area.

In undertaking its business I expect the ongoing commitment of the Corporation to work constructively and collaboratively with my advisors to achieve the Government's objectives, and to form a strong and collaborative relationship with COMU as ACC's monitor.

I look forward to working with the Corporation on delivering the Government's objectives, and I thank you in advance for your continued positive engagement.

Yours sincerely



Hon Judith Collins
Minister for ACC

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5

APPENDIX 3: PAYMENT SCHEDULE

Payment Date	09-Jul	06-Aug	10-Sep	08-Oct	12-Nov	10-Dec	14-Jan	11-Feb	11-Mar	08-Apr	13-May	10-Jun	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non-Earners Account													
Case Management and Supporting Services (GST excl)	8,906	8,906	8,906	8,906	8,906	8,906	8,906	8,906	8,906	8,906	8,906	8,907	106,873
Rehabilitation Entitlements and Services (GST excl)	42,255	42,255	42,255	42,255	42,255	42,255	42,255	42,255	42,255	42,255	42,255	42,255	507,060
Public Health Acute Services (GST excl)	23,848	23,848	23,848	23,848	23,848	23,848	23,848	23,848	23,848	23,848	23,848	23,844	286,172
Compensation Entitlements (GST n/a)	4,087	4,087	4,087	4,087	4,087	4,087	4,087	4,087	4,087	4,087	4,087	4,083	49,040
Treatment Injury Account													
Case Management and Supporting Services - Treatment Injuries for Non-Earners (GST excl)	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,392	16,726
Rehabilitation Entitlements and Services - Treatment Injuries for Non-Earners (GST excl)	10,776	10,776	10,776	10,776	10,776	10,776	10,776	10,776	10,776	10,776	10,776	10,772	129,308
Public Health Acute Services - Treatment Injuries for Non-Earners (GST Excl)	60	60	60	60	60	60	60	60	60	60	60	58	718
Compensation Entitlements - Treatment Injuries for Non-Earners (GST n/a)	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,393	16,727
GST Input Tax Cr Expense	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,084	157,029
Total Cash to ACC	105,806	105,806	105,806	105,806	105,806	105,806	105,806	105,806	105,806	105,806	105,806	105,788	1,269,653

