PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

Partnering with New Zealand

Annual Report Pūrongo-a-tau 2018

Accident Compensation Corporation
Te Kaporeihana Āwhina Hunga Whara


Family

Your ACC

Our country's accident insurance scheme is unique. There is no other scheme in the world quite like it.

Whether you live here or are visiting from abroad, if you're injured, the cost of treatment, rehabilitation or compensation is covered.

We care about the wellbeing of everyone in New Zealand and through the levies you pay we provide support to those who need it.

We work closely with health providers to ensure that those who are injured receive the right treatment. We partner with organisations and community groups across the country to help prevent injuries happening, but we're here as a safety net if they do.

Our focus in the past 12 months has been on continuing to put the customer at the heart of everything we do. We've made a commitment to improve the way we support those who need us and we'll continue to be a responsible steward for a scheme that supports Kiwis in living, working and enjoying their lives.

We are proud to be part of the fabric of this country. And we're proud to partner with you to help improve quality of life for everyone in New Zealand.

ACC snapshot

1.98 million
new registered claims this year

208,069
new registered claims due to workplace accidents this year

79,648
new weekly compensation claims this year

25
branches across New Zealand

50%
of new claims for people not in the workforce

47%
of new claims submitted by women

26%
of new claims for adults aged over 55

19%
of new claims for children aged under 15

3,523
permanent and temporary staff

41
is the average age of our people

69%
of our workforce are women

14%
of our people indicated a disability via survey

83% European

10% Asian

12% Māori

6% Pasifika

7% Other

ethnicity profile of our people via survey[1]

A typical day for ACC means

14,112
hours of care provided to those New Zealanders who need it

5,644
new claims received

3,564
people visit a general practitioner after an accident

1,035
people are treated in an emergency department after an accident

100
people receive ACC-funded elective surgical procedures

6,705
New Zealanders with serious injuries are cared for

$40 billion
size of ACC's investment portfolio to cover the future costs of covered injuries to date

67%
of ACC's investment portfolio is invested in New Zealand

1 *Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.*

How your ACC is funded

Where the money comes from

Government
$1,178m
The Non-Earners' Account is for people not in the workforce, such as children and retirees

Employers
$745m
The Work Account is for injuries at work

Employees
$1,441m
The Earners' Account is for injuries outside work, eg at home or while playing sport

Motor vehicle owners and drivers
$436m
The Motor Vehicle Account is for all road-related injuries

Government and employees
$319m
The Treatment Injury Account is for injuries caused by medical treatment

Investment earnings
$3,567m
Income from our investments

How the money is used

Costs
$749m
Operating and other costs

Surplus
$28m
The surplus helps support the Scheme

Outstanding claims liability
$2,866m
Additional funds to cover the future costs of claims

Financial compensation and vocational rehabilitation
$1,483m
Payments for people who are injured and can't return to work, and helping people back into work

Injury prevention
$69m
Helpingthecommunity understand how to stay safe and healthy

Treatment and emergency travel
$1,751m
Includes visits to GPs, X-rays, surgery and associated travel

Care and support
$740m
Helping people back to independence, eg through having carers or home alterations

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

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Overview

Mai i te Minita

He whenua rongonui pai a Aotearoa mō te whakaaro auaha. Nā taua wairua auaha anō i whakatūria mai ai, i tīmataia mai ai hoki te kaupapa a Te Kaporeihana Āwhina Hunga Whara – 44 tau kua taha ake nei.

Kāore kau he whe nua anō kua whai kaupapa inihua pēnei te taipitopito, mō te hauata pokerehū, hara kore hoki, ka tuku āwhina mā ōna kainoho katoa, ōna manuhiri katoa hoki.

He ahurei tūturu a ACC – he taonga nō te motu. Tokomaha hoki ngā tāngata o Aotearoa-Niu Tireni pēnei i ahau i whānau mai nō muri mai i te tīmatatanga o te kaupapa nei, ā, kāore i te maumahara tētahi wā i mua i tōna whakatūnga.

He whakapapa taketake tō te ACC: he inihua ā-pāpori e tuku ana i ngā ratonga ārai whara, i ngā whakamātūtūtanga hoki, i te moni whakaea hoki ki te motu katoa. Nō tērā tau 31% ngā tāngata nō Aotearoa-Niu Tireni i whakauru ki ngā ratonga a ACC.

Hei whakatūturu i ngā tūmanako o ngā tāngata o Aotearoa-Niu Tireni, i tēnei tau i kōkiri whakamua tonu a ACC me tana mahi panoni – tāngata mai, tukanga mai, pārongo mai, hangarau mai hoki. Kei te hari koa te Kāwanatanga mō ngā mahi i te tau nei. Ko tō mātou aro kia eke panuku a ACC hei rōpū whakahaere e tino aro atu ana ki te kiritaki, arā, he tika, he pono, he ngāwari hoki te hāereere, he mārama hoki.

Mārakerake ana te kite mai a te hunga pakihi e utu nama ana, i ngā whakapainga mā te whakapuaki i tētahi kaupapa here hou me tētahi pūnaha whakahaeretanga utu hou – hei whakahou ake i tērā atu mea 15 tau te pakeke. He ngāwari ake mā ngā pakihi kia mahi tahi, kia whakauru hoki ki ACC, me te pēhea, āhea hoki rātou ka pīrangi.

Whātoro atu ana ēnei whakapainga o ACC ki te hunga whara whānui o te motu. Nā ACC tētahi aronga whakahaeretanga kēhi hou i whakamātau, me te tautoko ki ngā taputapu ā-Ipurangi hou. Kua hoahoaina tēnei kia whakaū ai ka tika tā ACC tuku ratonga i te wā tika, i runga i te āhuatanga tika ki ngā kaikerēme. Kei te tiro whakamua te Kāwanatanga ki te tukunga atu o tēnei aronga hei te tau e heke mai nei, ki te kite atu hoki i ngā whakapainga, me ngā wheako mō ngāi tāua .

Kei te āhukahuka ngā tāngata o Aotearoa-Niu Tireni i ngā whakapainga e mahi ana a ACC. Hei Minita, kei te hari koa ahau ki ā ACC ine i te ea o te kiritaki, e ahu atu ana ki te ara tika.

Ko tētahi wero nui mā ACC kia mau tonu te rere pai o te panoni i tētahi wā ka tino maha rawa ngā kerēme. Heoi anō, ka whakaaro ngā tāngata katoa o Aotearoa-Niu Tireni ka tika kia whiwhi ratonga tūmatanui he pai rawa atu te kounga, ā, ka whakataretare atu ahau ki tā ACC anga whakamua i roto i te mahi whakahoki tangata ki te mahi, ki te tū motuhake hoki.

He kaupapa nui te ārai whara mā te Kāwanatanga me ACC. I whakangao tonu atu te rōpū whakahaere i te $69 miriona mō te whānuitanga o ngā kaupapa ārai whara. Nā te mahi hourua me Work Safe Aotearoa, me ētahi atu rōpū whakahaere anō i whātoro atu ai a ACC ki te 650,000 tāngata, neke atu, o Aotearoa-Niu Tireni mā ngā kōrero tikanga haumaru, kaupapa haumaru hoki.

Kei te mihi atu hoki te Kāwanatanga ki ngā mahi i puta mai hei whakatutuki i te toenga o ngā tūtohunga kei te tārewa tonu nā Miriam Dean QC i tana arotake i te whakatau tautohetohe. Ko te mea whakarapa kē kāore i pai ake ngā arotakenga mahi i te tau nei, ā, kua whakaae atu te Poari o ACC ki te Kāwanatanga me whakapai ake.

Kei te kaha tonu te taumata ahumoni o ACC, ka whakakaha ake tonu i te pūmau ahumoni o te Kaupapa. Mā te kaha o tēnei e āhei ai a ACC kia tuku tonu i te moni whakaea, i ratonga kē atu hoki hei whakahokinga mō tētahi utu tika.

Hei kupu whakakapi, he nui taku mihi atu ki te Poari o ACC, ki tōna Kaihautū hoki, ko Kahurangi Paula Rebstock, mō ngā mahi i te tau nei. Ka mihi hoki ahau ki ngā kaimahi o ACC mō tō rātou ū tonu ki te whakapai ake i te toiora o ngā tāngata katoa o Aotearoa-Niu Tireni.

Nāku noa
Honore Iain Lees-Galloway
Te Minita mō Te Kaporeihana Āwhina Hunga Whara

From the Minister

New Zealand is a country with a well-deserved reputation for innovation and compassion. It was that same spirit that saw the creation and start of the ACC scheme 44 years ago.

No other country has a comprehensive no-fault accident insurance scheme, providing cover to all its citizens and visitors.

ACC is truly unique – a national taonga. Like many other Kiwis, I was born after the creation of the scheme and have lived my entire life knowing I can rely on its support.

ACC is part of the Kiwi DNA: a social insurance scheme that delivers prevention, rehabilitation and compensation services for an entire country. Last year 31% of New Zealanders accessed services from ACC.

To ensure it meets the expectations of New Zealanders, this year saw ACC press ahead with its work to transform its people, processes, information and technology. The Government is pleased with the progress made during the year toward a truly customer-centric organisation that is fair, transparent, easy to navigate and understand.

Business levy payers have seen improvements through the introduction of a new policy and levy management system – replacing one that was 15 years old. It is now easier for businesses to work with, and access ACC how and when they want.

ACC's improvements also extended to injured New Zealanders. ACC has trialled a new approach to case management, supported by new online tools. This is designed to ensure ACC delivers the right services at the right time, in the right way to claimants. The Government is looking forward to the wider roll out of this approach next year and seeing improved outcomes and experience for Kiwis.

New Zealanders are recognising the improvements ACC is making. As Minister, I'm pleased to see ACC's measures of customer satisfaction showing signs of definite improvement.

Maintaining the pace of transformation, through a period of record claim volumes, is a significant challenge for ACC. However, New Zealanders quite rightly expect to receive high quality public services and I remain confident ACC will continue to make progress on helping people return to work and enjoy their independence.

Preventing injuries is a top priority for the Government and ACC. The organisation invested $69 million in a range of injury prevention initiatives. In partnership with WorkSafe New Zealand and many other organisations, ACC reached more than 650,000 New Zealanders with its safety messages and initiatives.

The Government recognises the work that has been done to implement the remaining recommendations of the Miriam Dean QC review into dispute resolution. Work remains to be done, as reviews performance did not improve this year and the ACC Board has acknowledged to the Government that improvements must be made.

ACC continues to be in a strong financial position, reinforcing the financial stability of the Scheme. This strength will allow ACC to continue to provide fair compensation and other services in return for a fair levy.

Finally, I would like to thank ACC staff for their dedication to improving the wellbeing of all New Zealanders, and the ACC Board and its Chair, Dame Paula Rebstock, for its work this year at the helm of this high-performing organisation.

Hon Iain Lees-Galloway
Minister for ACC

Mai i te Poari

Ka tīmata hei ārai whara

Ki te whara te tangata i Aotearoa nei, ka whakaaro ka tika mā ACC rātou e tautoko kia ora ake ai, kia hoki atu ai anō rātou ki te mahi, ki te ao mārama hoki.

Heoi, ka tīmata tā ACC mahi nei i mua i te whara: he ārai whara i te tuatahi. I tēnei tau ka haere tonu tā mātou aro kia nui ake te whakangao hei ārai whara, hei whakaheke iho hoki i te kino o ngā whara ka puta. I whakapiki ake mātou i te pūtea whakangao ki tētahi taumata tiketike, ā, nā te āwhina mai a ētahi kaupapa mahi hourua i kaha ake ai tā mātou whātoro atu ki te tini tangata o Aotearoa-Niu Tireni. Kei te whakaputa hua tēnei – ka tutuki i a mātou tētahi hekenga pūtea ki te $1.72 mai i ia kotahi tara ka whakangaoa.

Te whakapai ake i te Kaupapa me te ratonga kiritaki

I te taha o tā mātou hāngai ki te ārai whara, ka kaha tā mātou rapu huarahi auaha hei whakapai ake i te wheako ACC mā ō mātou kiritaki katoa – ngā kiritaki, ngā kaiutu nama, ngā pakihi, ngā kaiwhakarato maimoatanga mā te rautaki Shaping our Future.

He nui tonu ngā hua i puta mai i te angitu o te tuatahi o ā mātou panoni hangarau nui mā te Juno, ko tā mātou pūnaha hou mō te kaupapa here me te whakahaere nama. I whakarewa hoki mātou i te kaupapa MyACC, he hononga ipurangi mahi takitahi hou mā ō mātou kiritaki pakihi, he ngāwari te whakamahi mā te waea pūkoro, iPapa rānei, rorohiko rānei. Mā tēnei e āhei ai ngā pakihi, te tangata takitahi hoki kia kaha ake te whakapau wā ki tōna ake pakihi, kia iti iho te wā ka pau ki te kōrero tahi me ACC.

Kei te mōhio tātou mā te pai o te tuku ratonga tika i te wā tika e angitu ai te whakamātūtūtanga. I tēnei tau ka whakamātauria e mātou tā mātou tauira hou mō te whakahaeretanga kēhi hei mahi i tērā. Ka aro ki ngā matea whaiaro o te kiritaki takitahi. He mea awhero ngā tohu moata, e rua e rua mā ngā kiritaki me ACC. Kei te hīkaka mātou ki te whakaaro kia horahia whānuitia tēnei ā tērā tau.

Hei wāhanga o tā mātou panoni kei te pīrangi mātou ki te hanga i tētahi tauira pono e iti iho ai te āta tirotiro a ACC i ngā whakatau haumanu.

Kei te aro atu tā mātou Rautaki Ratonga Hauora ki ngā kaiwhakarato hei tautoko i ngā kiritaki kia tere ake ai, kia kaha ake hoki ai te whakamātūtū i te whara. Tae atu rā hoki tēnei ki te whakamātau kaupapa e whakarato ana i te whakaurunga tere ake ki te whakaahua ā-hangarau, me te whakaheke i te takaroa kia whakamaimoatia ngā wharanga nape turi. He mea akiaki ngā hua mā ngā kiritaki, mā ngā kaiwhakarato, mā ACC hoki.

Kei te mahi tahi tonu mātou me te rāngai hauora tirotiro ai ka pēhea mātou ka whakarahi ake hei huarahi hou ki te motu whānui.

He tohu ēnei whakapainga katoa o tō mātou ū tonu kia whakatere ake, kia whakangāwari ake mā te tangata i roto i Aotearoa-Niu Tireni kia whakauru i ā mātou ratonga i runga i tāna e hiahia ai. He maha ake ā mātou kaupapa hiato hihiri hei ngā tau e haere mai ana, e aro atu ana ki te whakapai ake i ngā hua me ngā wheako o ō mātou kiritaki.

I tēnei tau ka whakaūngia e mātou tō mātou mau tonu ki a ngāi Māori mā tā mātou rautaki ko Whāia Te Tika – kia whai i te ara tika. Kua whakaritea e mātou tā mātou kaupapa matatau ahurea mā te hunga mahi, kua whakamahere kaupapa hononga ki a ngāi Māori kia whakamōhiotia ake rātou mō ACC me te whakauru ratonga i reira, ā, kua whakatinana i ētahi tukanga hei aroturuki i ā mātou mahi. I tēnei tau ka whakaūngia tā mātou aronga kanorau, whakauru hoki, tae atu ki ētahi kaupapa motuhake mā ngāi Māori.

Kua tīmata mātou ki te kite atu i ngā hua pai o aua whakapainga. I piki ake te mokori o ō mātou kiritaki, ā, tokomaha ake ngā kiritaki i whakamātūtūngia ahakoa kāore i tutuki ō mātou whāinga katoa.

Ko tētahi aronga o te kaporeihana ko te whakatau tautohetohe. Ahakoa ngā panoni i mahia e pā ana ki te tukanga whakatau tautohetohe, kāore i pai ake tā mātou mahi. Ka noho tonu tērā hei whāinga matua ā ngā tau 2018/19.

Ka pūmau tonu te Kaupapa

I tēnei tau, ka tū māro te kaupapa ahumoni, ahakoa te maha rawa atu o ngā kerēme hou, me te piki ake o ngā utu mō ngā ratonga whakamaimoa, whakamātūtū hoki. Ka mau tonu te whai rawa o ā mātou pūkete pūtea ki runga ake i te taumata heipū 100–110%.

Nā tō mātou tira whakangao pūtea i whakahoki mai ngā haumi pai ki te 9.89%, me kī, koinei te tau 23 kua eke ki taumata kei runga ake i tērā i whakapaetia ai. He whakatutukitanga pai rawa atu anō tēnei. Ka whakangao mātou kia iti iho ai ngā nama ka utua e te tangata i Aotearoa-Niu Tireni. Hui katoa $28 manomano te nui ake o te wāriu i tukuna nā taua kaupapa nei, ā, ka whakakahangia te pūmau pūtea o te Kaupapa, kia hua ai hoki ka āhei mātou ki te tuku tonu i te moni whakaea e tika ana mō tētahi nama tika.

Kāti rā, he mihi nui rawa atu ki a Scott Pickering rātou ko te tira tumu whakarae tae atu ki ngā kaimahi katoa o Te Kaporeihana Āwhina Hunga Whara mō ā rātou mahi, mau tonu hoki ki tā mātou tiro whakamua kia ahurei te hono atu ki tēnā tangata, ki tēnā tangata i Aotearoa-Niu Tireni, kia whakapai ake hoki i te kounga o te toiora mā te whakaheke i te tūponotanga, i te kino hoki o te pānga mai o te whara.

Nā
Kahurangi Paula Rebstock DNZM
Te Kaihautū o te Poari

Nā
Trevor Janes
Te Kaihautū Tuarua o te Poari

From the Board

It starts with prevention

When an accident happens, New Zealanders quite rightly expect ACC to be there to support them in their recovery and return to work and everyday life.

But ACC's role starts much earlier: preventing injuries occurring in the first place. This year saw a continuation of our approach to invest more to prevent injuries and reduce the severity of those injuries that do occur. We increased our injury prevention investment to a record $69 million and, with the help of a range of partners, extended our reach to more New Zealanders than ever. This is working – we achieved an estimated claims cost reduction of $1.72 for every dollar invested.

Improving the Scheme and customer service

Alongside our focus on preventing injuries, we have been working hard on innovative ways to improve the ACC experience for all our customers – clients, levy payers, businesses and treatment providers – through the Shaping Our Future strategy.

We've made significant progress successfully delivering the first of our major technology changes with Juno, our new policy and levy management system. We also launched MyACC, a new online self-service tool for our business customers, that is easy to use on a mobile phone, tablet or computer. This allows firms and individuals to spend more time on their own business and less time doing business with ACC.

We know that successful rehabilitation depends on delivering the right services at the right time. This year we trialled our new case management model designed to do just that. It focuses on the individual needs of a client. The early signs have been promising for both clients and ACC. We are excited at the prospect of rolling this out more widely next year.

As part of our transformation we want to create a model of trust that reduces ACC's scrutiny of clinical decisions.

Our Health Services Strategy is focused on working with providers to support clients to recover more quickly and effectively from injury. This includes trialling pilots providing quicker access to high-tech imaging and reducing treatment delays for anterior cruciate ligament injuries. Results have been encouraging for clients, providers and ACC.

We are continuing to work in partnership with the health sector to look at how we can scale these concepts into new ways of working nationally.

All these improvements signal our commitment to making it quicker and easier for New Zealanders to access our services, in ways that suit them best. We will have many more exciting initiatives in the coming years, focused on improving the outcomes and experiences of customers.

This year we reconfirmed our commitment to Māori through our Whāia Te Tika strategy – to pursue what is right. We have prepared our cultural competency workforce programme, planned active engagement with Māori to improve awareness of and access to ACC services, and implemented a series of measures to track our performance. Our diversity and inclusion approach was confirmed this year, and includes specific initiatives for Māori.

We are beginning to see the benefits of all these improvements. Our customer satisfaction rating for clients improved and, while we didn't achieve all our targets, we rehabilitated more clients than ever before.

One area of focus for the Corporation is the resolution of disputes. Despite changes we have made to the resolution process, our performance did not improve. This will remain a priority for us in 2018/19.

Continued Scheme stability

The Scheme maintained a strong financial position this year, despite a record number of new claims and continued upward pressure on the costs of our treatment and rehabilitation services. The solvency of our levied Accounts remained above the target range (100–110%). Our investment team delivered a return of 9.89%, performing above its benchmark for the 23rd year in a row. This is another impressive achievement. We invest so that New Zealanders pay less in levies. Overall the Scheme delivered a surplus of $28 million, reinforcing the financial stability of the Scheme and ensuring that we can continue to provide fair compensation in return for a fair levy.

Finally the Board would like to thank Scott Pickering, the Executive team and all of ACC's people for their effort and dedication to our vision of creating a unique partnership with every New Zealander, and improving their quality of life by minimising the incidence and impact of injury.

Dame Paula Rebstock DNZM
Board Chair

Trevor Janes
Deputy Chair

Mai i te Tumu Whakarae

He tuku whakapainga mā ngā tāngata o Aotearoa-Niu Tireni

Koinei te tau i tohua ai he tau anga whakamua i roto i tā mātou panonitanga mō te angitu o te whakarato i tā mātou kaupapa here hou, ki te pūnaha utu hou o Juno. Nō te 5 o Poutūterangi i whakarewaina te pūnaha, arā, ko tāna he whakahaere pārongo kaupapa here, hei whakahou ake i tētahi pūnaha ka here i tō mātou āhei ki te mahi i ngā whakapainga ratonga kiritaki.

Atu i ētahi atu panoni hangarau e mahi nei mātau, kei te tuku pārongo te Juno e pā ana ki te utu, e āhei ai ngā kiritaki pakihi ki te whakauru mā tētahi rauemi whakarato whaiaro, arā, ko MyACC for Business.

Mā ēnei pūnaha hou e ngāwari ake ai mā ō mātou kiritaki pakihi kia rēhita ki ACC, kia whakahaere hoki i ā rātou pūkete, kia tiro ā-tuihono hoki, kia utu ā-tuihono hoki i ngā nama. Mā tēnei e āhei ai te hunga kiritaki ki te whakauru pārongo pūkete utu i ā rātou pūrere waea i ngā haora 24, i ngā rā e 7 o ia wiki.

I tēnei tau ka whakamātau hoki mātou i ngā wāhanga tuatahi o tētahi aronga hou mō te whakahaeretanga kēhi – he tuatahitanga te panoni pēnei i ngā tau 20. Mā tēnei aronga e whai wheako hāngai ake ō mātou kiritaki, whakaū ai ka whai maimoatanga tika, ka whai ratonga whakamātūtū hoki i te wā tika. Ko tō mātou whakaaro mā tēnei e whakarato whakapainga i roto i te mahi whakamātūtū hei ngā tau e kainamu nei.

Arā ētahi atu panoni rawe i mahi nei mātou tae atu ki te whakangao ki ētahi hongere matihiko mā ō mātou kiritaki, te whakarākei ake hoki i te āhua o tā mātou mahi tahi me ō mātou kaiwhakarato, te whakapai ake hoki i ngā putanga whakamātūtū kiritaki mā te atamai ki te whakamahi i te raraunga hei kōkiri i ngā mōhiotanga haumanu. Ka tukuna ērā i roto i te kōpae hou kātahi anō ka whakaaetia, arā, ko te Integrated Change Investment Portfolio, ka tuku painga nui ake, putanga kiritaki hoki, ari hoki i te katoa o te panonitanga.

Te haere whakamua tonu

Kei te whakahī katoa ahau mō te anga whakamua tonu a ACC i tēnei tau, arā, kia noho te kiritaki ki te manawa o tā mātou mahi. Kei te anga tonu mātou ki te aronga tika, ka mahi whakapainga i roto i te ratonga me te wheako e whiwhi ai ngā tāngata o Aotearoa-Niu Tireni i tā rātou Kaupapa.

I mōhiotia ka āhua uaua tēnei tau, arā, ko te whakapai ake i ngā mahi whakahaere o ia rā, o ia rā me te tuku i tētahi kaupapa panoni kotahi te wā i tēnei whakatipuranga.

He kaha tā mātou mahi i roto i ētahi wāhanga. I whakanui ake mātou i tā mātou whakangao ki roto i ngā kaupapa ārai whara mai i te $55 manomano ki te $69 manomano. Nā te mahi tahi me ngā hoa haere kōtui huri noa i Aotearoa-Niu Tireni i eke panuku ai tā mātou toro atu ki ngā tāngata o Aotearoa-Niu Tireni, arā, neke atu i te 650,000, mā te tuku kōrero mō te ārai whara. Nā ēnei hononga hoa haere kōtui i tutuki ai tētahi hekenga utu mō ngā kerēme i whakapaetia, arā, $1.72 mō ia kotahi tāra ka whakangaoa – ko te tihi o ā mātou mahi pēnei.

I tuku mātou i tētahi mahi tūmataiti pai ake i te taha o ō mātou hoa haere kōtui whakarato maimoatanga, whakamātūtū hoki. Nā mātou anō ā mātou whāinga uaua mō te tūmataiti i whakatau, ā, i tino tutuki rawa atu i a mātou ērā, me te kore takahitanga tūmataiti i ngā taumata 3, 4 rānei, 5 rānei.[1]

I eke panuku tō mātou paerewa whakaea kiritaki i tā mātou whāinga, me te whakaatu i ngā whakapainga o ngā ratonga e tuku atu ana mātou ki a rātou. Kei te kite mai ō mātou kiritaki pakihi i ngā panoni e mahi nei mātou me te piki haere o tō mātou whakapono, he tere ake i tō mātou i whakaaro ai.

Ngā wāhi aro / hāngai

He mihi whakahirahira kia whāki atu kāore i tutuki i a mātou ētahi whāinga i whakaritea ai e mātou mā mātou anō. Titiro whakamuri ana, he rangi tūhāhā rawa ētahi whāinga i whakaritea e mātou i roto i ngā kaupapa pērā i te whakamātūtūtanga, te poka kōwhiringa hoki, ngā arotakenga hoki.

Kua kite atu mātou kāore i ekengia ā mātou whāinga mō te mahi whakamātūtū. He tohu tērā o ngā

1 *Ka aromatawai mātou i tā mātou mahi tūmataiti, me kī mā te whakamahi i te anga a te āpiha tūmataiti matua o te Kāwanatanga (Government Chief Privacy Officer) ki te aromatawai i ngā pānga o ngā takahitanga tūmataiti ka inea ki tētahi inenga tauwhata rima.*

taupēhi e rua, arā, ko te whakahaere i te rahi o ngā kerēme maha rawa atu, ko te whakatere tonu hoki i te kaupapa panoni i awherotia. Kei te whai mātou i te whānuitanga o ngā mahinga tātai hei whakaea i te mahi ngoikore nei, hei whaiwhai whakapainga ākuanei, arā, hei te hauwhā tuatahi o te tau e haere mai nei.

Nā te tino panoni haere o ngā momo tukanga i kitea e mātou i whakaaweawe ai te āhua o ā mātou mahi poka kōwhiri – arā, torutoru noa iho ngā tukanga, he ngāwari noa, he iti noa hoki te utu. Mā tēnei e piki ake ai te utu o te tukanga māori, ā, tērā pea kāore e tutuki rawa ērā pokanga whīwhiwhi ka whakahaeretia. Mā te whakamahere kia roa ake te mahi tahi me ō mātou hoa whakarato e āwhina ai te whakaheke iho i te rahi haere o te poka kōwhiri ā tērā tau.

Ko tētahi wero anō ko te kōpututanga o ngā arotakenga whakatau whakaaro. Kua whai mātou i tētahi huarahi hei waihanga anō i ō mātou rōpū, hei whakapai ake i ō mātou hononga hoa haere kōtui ki ngā kaiwhakarato o waho. Arā ētahi tohu kei te whai kiko ā mātou mahi, ā, ko te hua, ki ō mātou whakaaro ka kaha ake te mahi ā tērā tau.

Hei kupu whakamutunga, ka mihi ahau ki ō mātou tāngata. I tēnei wā he kaha te panoni haere tonu i roto i ACC – me te piki haere o ngā nama kerēme – ka whakapau kaha tonu rātou, ka pūmau tonu hoki hei manaaki i ngā tāngata o Aotearoa-Niu Tireni. Ko rātou ngā tino kaitiaki o te kaupapa mō Aotearoa-Niu Tireni, ā, nōku te hōnore kia mahi i tō rātou taha.

Scott Pickering
Tumu Whakarae

From the Chief Executive

Delivering improvements for New Zealanders

This year marked a significant step in our transformation with the successful delivery of our new policy and levy system, Juno. The system – which manages policy information – went live on 5 March, replacing a 15-year-old system that was limiting our ability to make customer service improvements.

Alongside other technology changes we are making, Juno provides levy-related information that business customers can access directly through a new online self-service tool, MyACC for Business.

These new systems make it easy for our business customers to register with ACC, manage their accounts, and view and pay invoices online. It allows customers to access levy account information 24/7 from their mobile devices.

This year we also have been trialling the first stages of a new approach to case management – the first such change in 20 years. This approach will see our clients receiving a more tailored experience, ensuring they receive the right treatment and rehabilitation services at the right time. We expect this to deliver improvements in rehabilitation performance in coming years.

Other exciting changes we have been working on include investing in digital channels for our customers, refining the way we partner with our providers, and improving client rehabilitation outcomes through the smart use of data to drive clinical insights. These will be delivered within the newly approved Integrated Change Investment Portfolio that will provide greater benefits, customer outcomes and visibility across all transformational change.

Steady progress

Overall I am proud of the progress ACC has made this year, putting the customer at the heart of what we do. We continue to head in the right direction, making improvements in the service and experience that New Zealanders receive from their Scheme.

This year was always going to be challenging, balancing improving day-to-day operational performance with the delivery of a once-in-a-generation transformation programme.

In some areas we performed strongly. We increased our investment in injury prevention programmes from $55 million to $69 million. Working with partners throughout New Zealand we reached a record number of Kiwis – more than 650,000 – with our injury prevention messages. These partnerships achieved an estimated claims cost reduction of $1.72 for every dollar we invested – our highest ever.

Together with our treatment and rehabilitation provider partners, we delivered an improved privacy performance. We set ourselves challenging privacy targets and we outperformed, recording no category 3, 4 or 5 privacy breaches[1].

Our customer satisfaction rating for clients beat our target, demonstrating the improvements in services that we are providing to them. Our business clients also recognised the changes that we are making, with our measure of net trust improving much faster than anticipated.

Areas of focus

It's important to acknowledge that we didn't meet some of the targets we set for ourselves. In hindsight, this was partly due to bold objectives we set in areas such as rehabilitation, elective surgery and reviews.

We recognise that our rehabilitation performance did not hit our targets. This reflected the twin pressures of managing record claim volumes while maintaining the momentum of an ambitious transformation programme. We have taken a range of tactical actions to address this underperformance and expect improvements as early as the first quarter of next year.

Our elective surgery performance was influenced by a relatively sharp change in the type of procedures we are seeing – fewer simple, relatively inexpensive procedures. This drives the average procedure cost up and those more complex surgeries that do go ahead are often less likely to be completely successful. Planned extensions to our collaborative

1 *We assess our privacy performance, in part, by using the Government Chief Privacy Officer's framework for assessing the impacts of privacy breaches against a five-point scale.*

partnerships with providers will help to reduce the rate of elective surgery cost growth and improve the rate of rehabilitation success following elective surgery next year.

We were also challenged by a backlog of decision reviews. We have taken steps to restructure our internal teams and improve our partnerships with external providers. There are signs that our efforts are making a difference, and, as a result, we expect a much stronger performance next year.

Finally, I would like to thank our people. During a time of comprehensive ongoing change within ACC – and increasing claim numbers – they continue to show phenomenal care and dedication to the people of New Zealand. They are true guardians of New Zealand's scheme and it's an honour to work with them.

Scott Pickering
Chief Executive

Our strategic framework

The Accident Compensation Corporation (ACC) is the Crown entity set up under the Accident Compensation Act 2001 (the AC Act) to deliver New Zealand's accident insurance scheme (the Scheme).

The purpose of the Scheme is to deliver injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand, including overseas visitors. Under the Scheme, individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident insurance cover and compensation.

Our strategic direction reflects the Government's priorities for ACC as well as how we contribute to the long-term Government outcomes for New Zealand.

The next page summarises our strategic framework and provides a guide for where to find descriptions of our performance in this document.

STRATEGIC FRAMEWORK, DOCUMENT NAVIGATION

Long term (Enduring)		Medium term (Four years)	Near 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. • **42 initiatives during 2017/18** • **19 key measures**	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. • **64 performance measures for 2017/18**
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 reduction 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.	**Privacy** Improve the way we protect our customers' personal information.	**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.
		Financial sustainability and governance Maintain the financial sustainability and governance of the Scheme.	**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.
		People Our people are engaged and feel empowered to make decisions so that we deliver a consistently great customer experience.	
		Information technology ACC is powered by current, reliable and secure information technology.	

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

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

Information about how we contributed to our vision and achieved our outcomes is presented in the ***From the Minister*** and ***From the Board*** sections.

Information about how we advanced our intentions is presented in the ***From the Chief Executive*** and ***Our performance this year*** sections.

Information about our output and our performance relative to targets is presented in the ***Statement of performance and financial statements*** section.

Whāia Te Tika

We know from ACC data that Māori are more likely to sustain serious life changing injuries, but less likely to access ACC services. We know that there are disparities, and barriers for some Māori, and that some services are difficult for Māori to access and foreign to their lived experience and values.

We have a clear commitment to do better.

Whāia Te Tika is our strategy to pursue what is right for Māori and deliver on our aspirations. It will help us to transform how we engage with Māori customers (regardless of whether they are business customers, providers or clients) and improve outcomes for Māori when they are injured. The essence of Whāia Te Tika is best reflected by our aspirations:

Ngā Hua Tautika – Māori customers achieve improved outcomes

Ngā Wheako Tautika – Māori customers have improved experiences with ACC

Mātauranga Māori – Māori is a source of innovation and creativity at ACC.

Bringing Whāia Te Tika to life

Strategy and aspiration must be backed up with action, and that action needs to be focused.

During the year, our actions centred on three short-term objectives:

- Whakawhanaketia te kaha – developing capability
- Kia hiranga te mahi ngātahi – partnering for excellence
- Te arotahi kiritaki – customer focus.

Developing our capability to deliver

It is critical that we have the capabilities to deliver the Whāia Te Tika strategy.

An important milestone was the creation of our Wellington marae – Te Whare Manaaki. We partnered with tangata whenua (Te Āti Awa) to create a space that enables both our people and visitors to unite and participate in the tikanga and kawa unique to Māori and their cultural identity.

We also actively supported our people to complete Māori language and culture courses, and we created a competitive edge with our waiata competition held during Māori Language Week.

We are committed to increasing the effectiveness of our engagement with Māori. To support this, we created new cross-organisational roles in our communications team. These people are focused on effective communication with Māori through strategic partnerships, marae-based initiatives, social media and other channels.

This year also saw the reintroduction of regional Māori staff hui. Last held in 2008, the kaupapa of the hui were to:

- enable our Māori staff to engage in whakawhanaungatanga (meeting and building relationships)
- discuss how to bring to life Whāia Te Tika and the ACC Māori strategy
- explore the issue of Māori access to ACC's services.

These initiatives all help to integrate Māori cultural practices throughout ACC. In turn, our people will be better prepared to deliver an appropriate focus to all our Māori customers.

Partnering for excellence

We know that we need to partner with others to achieve our aspirations.

This year we significantly increased the range and depth of our partnerships. A great example is our community partnership with Waikato-Tainui. This is an iwi partnership that we have confirmed through a memorandum of understanding. It saw us participate in regular community events including Poukai, Regatta, Koroneihana, Tainui Games, Kahui Rangatahi and Kahui Kaumātua. We also attended the Koroneihana of Kingi Tuheitia, giving us the opportunity to promote the 'It's Not OK' campaign and 'more than just a game' messages.

We also partnered with others through sponsorships. We sponsored the Te ORA (Te Ohu Rata o Aotearoa) conference for Māori medical practitioners. Most people come to ACC through third-party service providers (such as general practitioners), and this sponsorship allowed us to further strengthen our links with this important group of professionals. We also sponsored the iWahine Māori Women's Leadership Conference. The theme of the conference, Te Hā o Hine-ahu-one, created a platform for us to focus on the role and status of mātauranga Māori as a source of innovation and creativity.

The TupuToa internship programme is a different type of partnership, providing intern placements for Māori and Pasifika students and pathways into the corporate world.

Of course, we don't have a monopoly on good ideas. Our people worked across the public sector to contribute to more effective Crown - Māori outcomes, and to learn from what others are doing well. We were active participants in the Equity Hub, and collaborated with organisations including the Ministry of Business, Innovation and Employment (MBIE), the Ministry of Social Development, Te Puni Kōkiri, the Social Investment Agency and Statistic New Zealand. These collaborative sector partnerships help us to be more effective and expose us to exciting new ideas.

Our investments team explored partnership opportunities with Māori. The team worked with several iwi and Māori entities to explore and pursue joint investment and development opportunities where interests and investment objectives of both parties were matched.

Customer focus

At its heart, Whāia Te Tika is about making a difference to customer outcomes.

INJURY PREVENTION

This year, we worked to evolve our injury prevention approach for Māori. This new approach is orientated around the cultural intervention models and community relationships currently led by key local Māori authorities. Our early trials have been explored in Tairāwhiti.

We also partnered with Iron Māori in the 10th year of its signature event in Napier. Our involvement helped to further strengthen the event and further evolve our knowledge and insight into reaching Māori whānau with important messages about preparation and safety around sporting activities.

TREATMENT AND REHABILITATION

This year also saw a focus on improving our treatment and rehabilitation services.

iMoko is an innovative digital technology. It delivers 'virtual' services that will specifically increase timely access to care, treatment and support for rangatahi Māori (and others) through pre-school and school-based environments. Our association with iMoko also helps to build our knowledge of virtual, digital care and the potential role this might have in our future purchasing of health services.

We piloted the delivery of a whānau ora model of service provision (within our Home and Community Support Services) to determine the impacts on Māori clients living with disability and their ability to participate actively in their communities. We also explored opportunities to engage with the experience, skills and connections of whānau ora provider collectives to improve treatment and recovery outcomes for Māori (and others) suffering from injury. This is particularly important for those clients requiring care across multiple services.

EXPERIENCE DESIGN

This year we made important improvements in how we design our customers' experiences and report on the impacts we are making.

Our customer-centred design team refreshed its experience design methods. For the first time, those methods now embed both kaupapa Māori and person-centred design principles.

We applied a similar approach to refining our health services strategy, to ensure it reflects and supports our objectives of improving Māori access, utilisation, experience and outcomes under the Scheme.

For some time, our customer feedback research has been able to provide insights about Māori customers' awareness, perceptions and experiences of ACC. This year we supplemented these insights with a quarterly Whāia Te Tika dashboard to report on Māori claim rates, access, outcomes and ACC workforce representation.

We also refined the way our customer advisory panels were brought together and run. Meetings are now run in accordance with our Whāia Te Tika principles and the panels (sexual violence, older people, serious injury) include members who represent the interests of Māori customers.

This experience encouraged us to push further, and next year will see the introduction of a Māori Customer Advisory Panel with representatives being called from Māori clients, businesses, health service providers, iwi and other Māori organisations.

Our performance this year

Injury prevention

Key measure[1]	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
The portfolio of injury prevention investments will have an assessed positive return on investment.	$1.63:$1	$1.70:$1	$1.72:$1	✓
Total direct reach for planned injury prevention programmes.	528,628	375,000	677,235	✓
Total investment across all injury prevention programmes.	$55m	$71.6m	$69.4m	✗

Making a difference

We make investments where our research shows that we can have an impact on the number of claims, the severity of injuries and the costs of those injuries. During 2017/18 we invested a record $69 million.

This investment achieved record results.

We delivered our highest-ever return on our injury prevention investment, and our messages directly reached more than 650,000 New Zealanders. While we didn't invest quite as much as we anticipated, our planned programmes cost a little less than we expected.

Our injury prevention challenge is to continue to find new and effective ways to reach all New Zealanders. We know that the best way we can spread our influence is by partnering with organisations that are part of the everyday lives of New Zealanders – and that's exactly what we did during the year.

Collaboration with the health care sector

Our partnerships in the health care sector allow us to target an increasing number of prevention initiatives. Many of these partnerships are focused on specific causes of injury. This year, for example, we partnered with the sector to implement a programme to prevent injuries to foetuses from exposure to antiepileptic medication, and to develop and implement national Guiding Principles for Pressure Injury Prevention and Management. This is particularly important for our seriously injured clients (such as those with spinal cord and traumatic brain injuries).

Another focus for us was health care acquired infections. We partnered with providers, professional organisations and consumer representatives to implement effective prevention initiatives and introduce a national infections surveillance platform.

Targeting sexual and family violence

Violence is an unfortunate driver of injuries in New Zealand, and it indelibly affects those involved. Reducing violence in New Zealand will bring benefits to individuals, families and communities.

In response, we established a national Pasifika injury prevention action plan to achieve meaningful and relevant change for Pasifika young people in New Zealand – the first of its kind in New Zealand. We also formalised our partnership with Le Va to deliver the national Pasifika Spearhead service. This focuses on the primary prevention of family violence, sexual violence and suicidal behaviour among young Pasifika people in and Pasifika communities.

Mates and Dates is our secondary schools initiative to promote respectful relationships between people and an understanding of the behaviours that underpin violence. We extended the reach of the programme to underserved regions and broadened the programme's coverage with materials to prevent suicidal behaviours. This is a good example of how our programmes are designed to adapt quickly to changes in what young people are seeing and hearing.

1 *Key measures for our strategic intentions were noted in the Service Agreement 2017/18, Assessing our performance, pages 8–9*

Keeping New Zealanders safe on the road

This year we enabled our Ride Forever programme for motorcyclists to expand its reach into regions where crash statistics are high and training uptake is low. The programme also allowed motorcyclists from around the country to hear from international experts, who shared their experience and knowledge at the Shiny Side Up motorbike festival, which toured four regions in the third quarter.

Improving workplace safety

We have invested to improve workplace safety for several years, and this continued to be a focus for us. Our workplace investments all support the Joint Harm Reduction Action Plan with WorkSafe New Zealand.

Our partnership with the forestry industry continued through Safetree, a programme that develops resources for all parts of the sector to help improve industry safety. We also collaborated with the Forest Industry Safety Council – a great example of an industry taking ownership for improving safety from within.

This year we extended our workplace influence to shearing. Through a co-design process with the sector, we developed a new programme to improve the shearing industry's safety practices.

Promoting safer communities

Our partnership with Plunket, the organisation with the largest reach of any provider to children under five and their families, evolved to increasingly focus on injury prevention. Our ongoing partnership with St John allowed the organisation to extend the reach of its schools programme and, importantly, align the programme with the New Zealand school curriculum.

We also continued to invest in preventing older adult falls through joint collaborations with district health boards and community groups. These leverage the existing health sector and community infrastructure to deliver programmes directly to older New Zealanders.

Staying safe on the field and the court

Our sport-related programmes, such as RugbySmart, continued during 2017/18 and we also extended our reach through new partnerships. Our partnership with Basketball New Zealand will see our SportSmart Warm Up programme and concussion awareness information become important tools for senior basketball coaches in the 2018 season. We also invested in a new partnership with Netball New Zealand, increasing the reach of the NetballSmart programme to its 145,000 members.

Exploring new channels to connect with New Zealanders

In collaboration with the Ministry of Health, we continued to support iMoko. This initiative tests new ways of delivering injury prevention messages to 'harder to reach' communities through technology.

We also need to take advantage of the opportunities that social media presents for connecting with New Zealanders. In 2017/18 ACC joined forces with New Zealand's first free and private neighbourhood website, ***neighbourly.co.nz***. This offers a new channel through which to deliver injury prevention initiatives.

2017/18 INJURY PREVENTION ACHIEVEMENTS

Objective	What we set out to deliver	Result
We understand which areas will have the most impact on reducing the severity and incidence of injury for New Zealanders and this is where we focus our activity	We will have designed and delivered new initiatives in the seven areas that have the greatest impact on our claims liability. This represents our continued commitment to applying an investment approach to our injury prevention initiatives.	Achieved
	We will have developed more partnerships that are reducing the incidence and severity of injuries, as well as delivering a positive return on our injury prevention investment.	Achieved
	We will have made clear to New Zealanders what ACC's role in patient safety is, how ACC is working with providers to reduce treatment injuries and what impact we are making together.	Achieved
We use our partner's expertise and reach to deliver and design effective injury prevention interventions.	Together with WorkSafe New Zealand, we will have implemented the agreed Harm Reduction Action Plan that outlines all workplace injury prevention programmes that will be delivered by the two agencies (either jointly or separately). The Plan aims to achieve positive health and safety outcomes, and support the Government's target of reducing serious injuries and fatalities in the workplace by at least 25% by 2020.	Partially achieved. Progress made
Injury prevention interventions are assessed to ensure they contribute to an overall reduction in the outstanding claims liability (OCL).	We will have continued to take a systematic, portfolio approach to the identification, selection and assessment of our injury prevention interventions. We will have stopped interventions where they are failing to deliver the expected benefits.	Achieved

Customer outcomes and experience

Key measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Return to work within 10 weeks.	68.4%	69.0%	67.4%	✗
Return to work within nine months.	93.1%	93.2%	92.9%	✗
Return to independence for those not in the workforce.	85.8%	86.0%	86.7%	✓
Net movement in the number of clients receiving weekly compensation for more than one year.	+401	+518	+642	✗
Public trust and confidence.	62%	65%	61%	✗

Despite our investment in injury prevention, accidents do happen. Once we have accepted a claim, our role is to get the injured person back to work or independence as soon as possible.

A challenging year

This year we managed another increase in claim volumes, driven by a combination of factors: New Zealand's economic growth, higher levels of employment and greater distances travelled. New claims rose 2% to nearly two million – our highest recorded to date.

Our customer outcomes and experience performance did not hit all our ambitious targets. Although we returned our highest-ever number of clients to work within the first 10 weeks of receiving their weekly compensation, we did not achieve our overall return-to-work targets.

Our performance reflected the challenges of record new claims while maintaining the momentum of our Transformation Programme.

Our return-to-independence result was strong, exceeding the target and reflecting our continued investment in enabling independence teams focused on assisting our clients.

The net increase in the number of clients receiving weekly compensation for more than one year (known as the long-term claim pool) was greater than we had planned. This was due in part to an increased number of clients with sensitive claims, which in turn reflects improved access to services for this client group.

Public trust and confidence can be a highly volatile measure of performance. While we hit our target in the last quarter of the year (65%), the overall result was dragged down by our December (59%) and March (56%) quarterly results. Despite missing the target, we are confident that underlying trust and confidence is improving – the recent improvement is mirrored in other net trust score results.

Investing to improve the customer experience

Within this environment, we have been investing to improve the experience for our customers and the outcomes we can achieve together.

A critical initiative for this year was our next-generation case management. This new, modern approach – our first significant change to case management in 20 years – is designed to better focus our resources and efforts on where they can have the greatest influence and impact on client rehabilitation outcomes.

The first phase of this change was a limited rollout in September 2017, to test that we had the right approach. The second phase saw the launch of MyACC for clients – an online portal for injured New Zealanders to check their details, explore the range of support services they can request from ACC and see information about their weekly compensation.

Making life a little easier for businesses large and small

Our new policy and levy management system, Juno, successfully went live in March 2018. This allowed us to reduce the invoice period from five and a half months (2016) to two months in 2017. It means businesses get greater certainty of their levy obligations earlier.

We also introduced MyACC for Business, enabling our business customers to view invoices, update their business and contact details, and see their transaction history. This service is available to them on any device at any time, and around 8,000 users have now registered. It also introduced options for payment plans, reducing the number of paper forms that customers need to fill out.

To support MyACC we trialled a chatbot, an automated query response system for clients. This online service is designed to help resolve business customers' questions, which often come about through the annual invoicing period.

These improvements in 2017/18 helped us to deliver a more consistent customer experience and improvements in our relationships with business customers. In fact, our business customer net trust score improved from -35 in 2016/17 to -16 this financial year.

Partnering with our providers

This year saw changes in the way we partner with our health service providers. One of the key changes was an improvement in the way we share performance information with our providers. We released dashboards to more than 12,500 providers, enabling them to self-assess their own performance relative to their peers. We also increased our focus on outlier performance so that we can quickly identify unexpected provider performance.

Partnering with providers drives improved outcomes for our clients. This year saw:

- the co-design of two new clinical pathways (knees and shoulders) as initial proofs of concept
- the continuation of our district health board patient safety initiatives, such as multidisciplinary operating room simulation training and pressure injury prevention services
- the introduction of modern, application program interface (API)-based technical platforms to enable providers to integrate more easily with our services and create efficiencies for ACC, providers and the software vendors that support the sector.

This spirit of collaboration shows in our provider net trust score. Net trust scores are calculated by subtracting the percentage of people scoring ACC from 0–6 out of 10 from the percentage scoring ACC 9–10. Negative results represent there are more ACC detractors than promoters. Our performance steadily improved through the year to the current level of -11. Our most striking improvements were with the general practitioner sector (-25 to -11) and the rehabilitation sector (-24 to -4).

2017/18 CUSTOMER OUTCOMES AND EXPERIENCE ACHIEVEMENTS

Objective	What we set out to deliver	Result
New Zealanders understand what we do and how we can help them.	Customers and ACC employees will see a clearer description of ACC and the services we provide. Messaging through a consistent ACC story in all our communications will provide greater insight for New Zealanders into the Scheme, the functions of the Corporation and the outcomes we are seeking. Alongside this we will have delivered a new **www.acc.co.nz** website that will be mobile friendly and easier for customers to use and understand.	Achieved
Customers receive the services they need, when they need them.	We will have improved the way we deliver services to Māori by better understanding and responding to their needs and expectations.	Achieved
	We will have worked to improve our case management approach to focus resources and effort where they can have the greatest impact and influence on client outcomes. We will be able to demonstrate clearly the gains and benefits achieved from this use of the investment approach.	Achieved
	We will have worked collaboratively with the Minister and other government agencies through the continued delivery of our Transformation Programme. We will have successfully delivered, or be well underway with, the Programme's 'modernisation' initiatives. These initiatives will have focused on simplifying systems and processes for clients and business customers, including: · a self-service option, simplified claims lodgement, streamlined weekly compensation payments, and a well equipped contact centre · further foundational capabilities including operational reporting, enterprise business rules, application program interface (API) strategy development, and enterprise knowledge base · key changes to improve employee experience and ACC outcomes such as a customer-centric claims system and off-site safety. We will have met the planned milestones, delivered the targeted initiatives and realised the expected benefits. This progress will have been reported in a clear and transparent style.	Partially achieved. Progress made
	We will have worked constructively with MBIE to update ACC regulations where required.	Achieved
	We will have improved our Official Information Act practices as set out in Commitment 2 of the Open Government Partnership National Action Plan 2016-2018.	Achieved
We empower providers to deliver the right care, at the right time, by building effective trust and partnerships.	We will have worked closely with providers to deliver an efficient, effective and affordable service for clients, helping them back to pre-injury life. We will have designed improved ways to purchase and support the delivery of high-quality, well integrated and cost-effective services that lead to better overall client experiences and outcomes.	Achieved
We take customer feedback seriously and improve services as a result.	We will have used our customer advocacy network to support our efforts to better understand and improve customer experiences.	Achieved
	We will have improved our processes and insights to deliver improved customer experiences.	Achieved
Partnering is the essence of what we do and how we engage with others.	We will have developed our approach for better aligning our investments to social outcomes, including how we measure whether desired outcomes are being achieved from those investments. We will have supported the further expansion of the use of the investment approach across the social sector to improve client outcomes, by working with and advising other agencies that are developing and using their own investment approaches.	Partially achieved. Progress made
	We will continue to support the Better Public Services Result Areas: · Result 9: Improving Businesses' Interactions with Government programme, including our commitment to recognising the New Zealand Business Number through our Transformation Programme by the end of 2017 · Result 10: New Zealanders can complete their transactions with government easily in a digital environment, including our plan to provide self-service options to our customers through the Transformation Programme.	Achieved

Privacy

Key measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix).	1	<5 per year No category 5 privacy breaches	0	✓

Managing the privacy of our customers

We handle nearly 90,000 pieces of information every working day. In every instance, our people aim to respect and protect that information as if it were theirs. To support them, we have processes and systems designed to minimise the possibility of privacy breaches and improve our privacy performance.

We assess our privacy performance, in part, by using the Government Chief Privacy Officer's framework for assessing the impacts of privacy breaches. We set ourselves a limit of fewer than five category 3 or 4 impact score breaches, and no category 5 breaches. To put these ratings into summary context:

- Level 3 – either the information is not sensitive/highly sensitive and the potential or actual harm to the individual(s) is more than minor, or the information is sensitive/highly sensitive and the potential or actual harm to the individual(s) is minor
- Level 4 – breach of sensitive or highly sensitive information, with serious potential or actual harm to the individual(s)
- Level 5 – breach of sensitive or highly sensitive information, with serious potential or actual harm to the individual(s). It is likely that more than one type of harm has occurred, and that harm is likely to be ongoing.

This year we had no breaches with category 3, 4 or 5 impact scores. This is a positive result, and an improvement on the one category 3 breach we reported in 2016/17.

We also closely monitor the number of privacy complaints that we receive. During 2017/18, we received 13 privacy complaints from the Office of the Privacy Commissioner. This is a similar level to that in 2016/17 (14 complaints) and significantly fewer than that in 2015/16 (31 complaints). Five of those complaints were dismissed, six were upheld and two are still under investigation.

We are committed to open government

Commitment 2 of the Open Government Partnership National Action Plan 2016–2018 includes actions to improve access to information on how to make an Official Information Act (OIA) request and to publish OIA statistics.

Our website upgrade in July 2017 greatly improved the visibility of how to make an OIA request, and simplified the process with an online form.

During the year we took steps to release information in areas of public interest, such as the Independent Review of Acclaim Otago's report into Accident Compensation Dispute Resolution. We also worked hard to make more of our data available, where it was appropriate to do so.

Our OIA practices have improved. We delivered 99.1% of OIA requests within the legislated timeframe (compared with 94.6% in 2016/17) – an improvement even more impressive because we saw a 79% increase in the volume of requests.

We also provided our OIA performance statistics to the State Services Commission (SSC) for publication. The latest SSC information (for the six months ended 31 December 2017) shows that ACC's compliance performance rate exceeded the average of all agencies.

2017/18 PRIVACY ACHIEVEMENTS

Objective	What we set out to deliver	Result
Our people respect and protect customer information as if it were their own.	We will have improved how we manage customer information by progressing the implementation of ACC's four-year Privacy Maturity Plan.	Achieved
Processes and systems are designed to minimise the possibility of privacy breaches occurring.	We will have continued to use a 'privacy by design' approach to drive improvement in the underlying design of ACC's processes and systems.	Achieved

Financial sustainability and governance

Key measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Return from insurance operations.	($1,203m)	($492m)	$26m	✓
Percentage of total expenditure paid directly to clients, or for services to clients.	85.8%	86.2%	85.9%	✗
Change in average treatment cost per injury.	3.4%	≤2.9%	3.3%	✗
Growth in average care hours' packages.	4.1%	≤2.2%	1.9%	✓
Investment performance after costs relative to benchmark.	1.35%	0.30%	-0.10%	✗

Strong financial performance to safeguard the Scheme

This year the Scheme recorded a surplus of $28 million, compared with a surplus of $602 million in 2016/17 and outperformed our budgeted $492 million deficit.

Why did we budget for a deficit? This is all to do with solvency. Solvency is an indicator of the extent to which ACC has sufficient funds to meet the future costs of the Scheme. Solvency is measured as the ratio of net assets to the OCL – a present-value estimate of the future cost of all the claims on ACC's books.

A key financial goal is to maintain our solvency levels within a target range of 100-110% over a 10-year period to limit levy rate volatility. When solvency levels for our levied Accounts are above the target range, we plan a deficit to return solvency levels gradually back to the target range.

The difference between our budgeted deficit and our actual surplus is primarily attributable to three key factors: levy revenue, investment returns and the movement in the OCL.

LEVY REVENUE

Levy-payer-sourced revenue fell by 3.7% to $2.76 billion. The full impact of the reduction in the Work Account levy rate from 0.80 cents to 0.72 cents effective from 1 April 2017 was realised in the 2017/18 financial year. The impact of the reduction in the Motor Vehicle Account levies from $130 in the 2016/17 financial year to $114 effective from 1 July 2017, including a reduction in the petrol levy rate from 6.9 cents per litre to 6.0 cents per litre was also realised.

The impact of these levy reductions was to reduce our levy income by $201 million. However, we also collected $95 million in additional income due to higher economic activity than expected because:

- more people were in the workforce than we expected
- there was an increase in the size of the motor vehicle fleet beyond what we expected, which meant New Zealanders drove more kilometres.

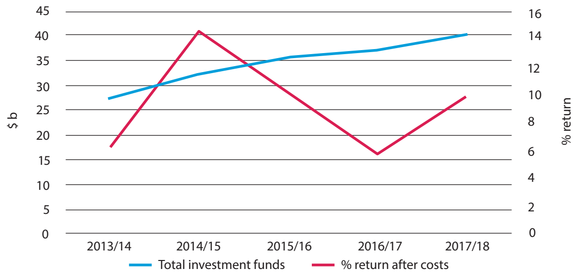
INVESTMENT RETURNS

Our investment portfolio is critical in helping to fund the Scheme and has outperformed benchmarks in 25 of the past 26 years, achieving compound returns of 10% a year over the period.

This year our investments generated $3.57 billion of income – a return of 9.89%, before investment costs. Investment revenue was well ahead of the $1.44 billion we budgeted for and an improvement on the $2.05 billion achieved in 2016/17. While this was a strong overall result, we did miss our benchmark performance target due to an underweight position in global equities relative to benchmark.

The investment result helped us to grow our investment portfolio to $39.95 billion.

TOTAL INVESTMENT FUNDS AND INVESTMENT RETURNS



For more information on our investment performance, refer to the 'Investments report' section.

OCL

The OCL is an estimate of the present-value of expected future payments on all existing ACC claims and an estimate of incurred but not reported claims.

At the end of 2017/18 the OCL was valued at $83.02 billion, discounted to a present value of $40.61 billion ($37.74 billion in 2016/17) in today's money by using a long-term interest rate.

The size of the OCL is influenced by a range of factors:

- **The maturity of the Scheme**
- **The client age profile**
- **Claim volumes and claim costs**
- **Interest rates and inflation**
- **Legislative changes.**

The Scheme is not yet mature as each year there are more people entering the Scheme than leaving it. This growth will continue for decades, because the Scheme is still relatively young.

At the start of each year we project the impact of this effect on the OCL. For 2017/18, we expected the impact of this Scheme growth to add $1.23 billion to the OCL.

However, this year we experienced higher new claims growth than last year and revised several of the model assumptions that underpin the OCL valuation. As a result, our independent actuaries decreased the value of the OCL by $484 million.

Our OCL valuation is influenced by our assumptions of long-term interest rates. If interest rates decrease, the value of the OCL increases and vice versa. This year, the single effective interest rate we used to discount the OCL decreased from 3.80% to 3.51% increasing the OCL by $2.6 billion.

CLAIM COSTS CONTINUED TO RISE

Claim costs increased by 8.2% this year to $4.01 billion (compared with 5.8% in 2016/17). The financial impact of claims is driven by claim volumes, the cost per claim, the services we offer, and legislative changes or legal rulings.

INCREASING CLAIM VOLUMES

New registered claims increased 2% to 1.98 million.

Claim volume growth this year was driven by the strength of economic activity, particularly:

- more employment
- more motor vehicle registrations and kilometres driven.

New Zealand's population and workforce continue to get older. New registered claims by people over the age of 55 increased by 4.2% this year. Claim growth by people under 55 was considerably lower, at 0.8%.

Older workers often take longer than younger people to recover, and experience more days away from work after work-related injuries. This growth affected our treatment, rehabilitation and weekly compensation expenditure for the year and the OCL.

RISING COSTS PER CLAIM

The key drivers of average cost per claim growth this year were:

- **Surgeries** – a reduction in the proportion of relatively low cost surgeries due to changes in clinical practice
- **Sensitive claims** – an increase in the number of clients with sensitive claims who access a broad range of support services including counselling
- **Vocational rehabilitation** – ACC continued to invest in vocational rehabilitation services, helping our clients to return to work. During the year, ACC made changes to improve the relevance of services to our clients and improve return-to-work outcomes
- **Attendant care** – an increase in the cost of services to help clients achieve their maximum level of independence in their daily lives including personal care, assistance with cognitive tasks, training, and providing relief for family members

- **Capital items** – ACC continued its investment in capital items for our clients, from aids and appliances to extensive home modifications. These costs have increased in the past few years as we enable our clients to return to work or independence, and as we replace older equipment for our longer-term clients. We are experiencing specific cost pressures from complex housing modifications and specialist capital equipment (power wheelchairs and hoists), which provide support for our seriously injured clients.

POLICY AND LEGISLATIVE CHANGES

Implementing policy and legislative changes can also have an impact on our claims costs. During 2017/18 some of the key initiatives that impacted our claims costs were: the introduction of the Care and Support Workers Settlement Act, implementing free GP visits for under 13 year olds, continued growth in the provision of services for sensitive claims and improved road ambulance services.

For more information regarding our financial performance, refer to the 'Statement of performance and financial statements'.

2017/18 FINANCIAL SUSTAINABILITY AND GOVERNANCE ACHIEVEMENTS

Objective	What we set out to deliver	Result
We optimise our performance and resources are aligned with our strategic priorities.	Aligned with the aim of the Transformation Programme to deliver consistent and improved services and outcomes to customers, we will have confirmed our approach to how and where we deliver services. This includes the location of our services and the resources required.	Achieved
	We will have prepared the Statement of Intent, incorporating feedback from the 2017 Performance Improvement Framework review and a longer-term view of ACC's strategic challenges.	Achieved
	We will have delivered savings through cost-reduction initiatives and improved supplier/customer outcomes by broadening the targeted opportunities to new categories of spend.	Achieved
We enable a stable and transparent levy path.	We will have developed a robust and effective way of communicating our performance and the impacts of our management interventions, and integrated this into our 'business as usual' performance management activity. We will more effectively link our operations, finance and actuarial functions to deliver better, more consistent performance.	Partially achieved. Progress made
	We will have increased confidence in our ability to identify and quantify benefits. Proposed financial benefits will have been achieved, with benefits for future periods incorporated into budgets.	Achieved
	We will have reviewed the Motor Vehicle Account and levy framework to ensure they are fit for purpose.	Achieved
	Our people will understand the individual and collective impact they can make to mitigate the impact of the external pressures we face.	Achieved
We maintain our investment performance above benchmarks.	We will have continued to manage our investments with the objective of obtaining the best possible balance of risk and return.	Achieved
	We will have kept the Minister of Finance informed of any significant strategic changes that may be implemented in response to the pressures created by declining bond yields.	Achieved
Risk management is embedded in our culture and systems.	We will have used consistent, high-quality risk practices across ACC supported by an improvement in the quality and impact of our risk reporting. This will have provided us with a clearer understanding of risks and allowed a thoughtful consideration of those risks when making decisions.	Achieved

People

Other measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Staff turnover.	11.4%	≤15%	14.7%	✓
High-achiever turnover.	7.5%	≤10%	11%	✗
Ratio of engaged staff to actively disengaged staff.	6.0:1	6.0:1	6.0:1	✓

Managing through challenging times

We know that our ongoing transformation can create a challenging environment for our people. In response, we invested in our new Thrive programme, designed to build the resilience of our people at all levels of the organisation.

Along with a range of other initiatives, Thrive allowed us to manage our staff turnover rates carefully – our staff turnover levels were below (overall) and slightly above (for high performers) our targets.

Internally, change creates uncertainty and this is an inevitable side effect of our transformation. Despite this uncertainty, our engagement levels remained reasonably stable – a critical factor in the success of our transformation.

Creating the talent to deliver a consistently great customer experience

Recruiting, retaining and nurturing talented people is key to consistently improving the outcomes and experiences of our customers. Part of delivering that customer experience is ensuring that our team reflects the customers we serve. We are making it easier to bring on board great people with the rollout of our new ACC careers website to attract new talent, and new technology to make the recruiting process easier for our managers.

We also continued our partnership with TupuToa, a scheme to support Māori and Pasifika students into careers in the corporate world. Our partnership with Workbridge allowed us to tap in to the wide talent pool of people with disabilities, injuries or long-term illnesses. This provided us with advice on how we attract diverse candidates.

We also partnered with Be.Accessible to better understand how accessible we were for both our employees and our customers, and we already know that they are making a difference.

During the year we set out to understand just how diverse we were as an organisation by partnering with the Superdiversity Institute for Law, Policy and Business to gain the CQ (cultural intelligence) tick. This shows that we value diversity and we have the cultural capabilities to work with people from all backgrounds. We intend to build on this next year.

Encouraging personal development

The year also saw an effort to improve the effectiveness of the way we help our people to manage their own careers. We improved our professional development tools so our people can now better manage their objectives, and created materials to encourage more frequent conversations so that managers can have better conversations with their teams.

During 2017/18 we further developed our competency models to link our behaviours, our leadership success profile and our desired capabilities. This helps our people to know what is expected of them and empowers them to deliver a great customer experience.

Our people development initiatives extended to our leaders too. During the year we delivered a diversity and inclusion workshop to all of our leaders and launched the Lead Through Conversations programme to grow the capability of our leaders and people. We will shortly roll out a leadership development portal, further enhancing our leaders' career development.

Focusing on health and safety

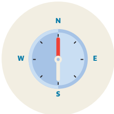
We continued to build on our strong health and safety culture, and worked hard to further reduce the risks to our people and those parties on whom we have influence. All our people received new health and safety training, with further specific modules delivered to all our frontline people. These initiatives had positive impacts – we saw reductions in both our total recordable injury frequency rate and our lost-time injury frequency rate. We also partnered with our providers and suppliers to support their management of health and safety risks, and further extended our influence by working with other organisations in the public sector.

2017/18 PEOPLE ACHIEVEMENTS

Objective	What we set out to deliver	Result
We have a diverse and high-performing workforce empowered to deliver a consistently great customer experience.	We will have defined the core competencies that reflect our vision and values, support the Transformation Programme, align with the desired culture and ensure that we have the right people in the right roles at the right time for the organisation to be successful.	Achieved
	We will have designed and delivered business groups' structural changes that are aligned with the Transformation Programme's future requirements.	Achieved
	We will have further developed capability in our key performers and across our leadership roles.	Achieved
	We will have completed an accessibility review of our whole working environment and identified opportunities to be inclusive and increase the diversity of our workforce.	Achieved
Our people are proud to work here and tell others how great ACC is.	We will have improved employee performance across the organisation by simplifying the performance development cycle and encouraging more frequent performance conversations between managers and employees. This will have supported an increase in our employees' sense of pride in ACC, especially as we continue to roll out our Transformation Programme's big changes.	Achieved
We are an exemplar in health, safety and wellbeing.	We will have maintained our strong culture of health and safety and continued to ensure compliance with legislation.	Achieved
We have trusted and capable leaders at all levels.	We will have ensured that our leaders are well supported with leadership advice and development plans. This will have enhanced their ability to lead ACC through our Transformation Programme.	Achieved

Our activities under the seven elements of being a 'good employer' are set out below:

2017/18 'GOOD EMPLOYER' ACTIVITIES

Element	Our activity this year
 Leadership, accountability and culture	• Graduate and postgraduate qualifications offered in business and management/leadership in partnership with AUT. • Targeted leadership courses offered to future leaders and new and experienced managers. • Manager induction and on-boarding programmes. • Aligned additional leadership development investment with our talent management framework. • Enterprise leadership and Tika Leader workshops delivered. • Designed a new behaviour framework aligned with the SSC Leadership Success Profile. • Continued to support change initiatives with a Leading Through Change suite of offerings. • Implemented a new coaching programme for leaders called Lead through Conversations. • Developing a leadership portal to provide an improved professional development experience for leaders. • Updated our online cultural capability programme, called Te Rito. • Four ACC behaviours co-designed with our people launched to align with the 2017/18 performance and business cycle.
 Recruitment, selection and induction	• Robust recruitment and selection processes are in place, including regional assessment centres and candidate pipeline to ensure consistency. • Use of broad assessment and selection tools to encourage diversity of age, ethnicity, gender and disability. • Partnerships with TupuToa and Workbridge to support our focus on Māori and people with disabilities. • Implementing actions to support our diversity and inclusion approach.
 Employee development, promotion and exit	• Performance development and remuneration framework in place. • A review of our performance and development process has led to a launch of more engaging tools and resources with clearer expectations of employees and leaders. • Graduate and postgraduate qualifications offered in business and management/leadership in partnership with AUT. • Comprehensive range of training programmes available to staff provided both in house and by external providers. • Developed accessibility guidelines to ensure future employee development programmes are accessible to all staff. • Launched a new, scalable approach to on-boarding staff, called 'Starting at ACC', through our learning management system. • Our Tika programme continues to develop our culture and customer experience.
 Flexibility and work design	• Organisation-wide flexible working programme. • Provision of parent rooms. • Piloting a new case management approach with work being carefully designed to maximise both customer outcomes and employee experiences. • Strong focus on diversity and inclusion, including inclusive work practices.
 Remuneration, recognition and conditions	• Our people have access to a range of recognition options through our recognition system. • Transparent and equitable job evaluation practices. • Actively enabling staff participation in contractual arrangements as part of collective bargaining with the Public Service Association and the Association of Salaried Medical Specialists. • Monitoring gender pay equity and ensuring equity within pay bands.

Continued ...

Element	Our activity this year
 Harassment and bullying prevention	• Our guidelines align with SSC guidelines on sexual harassment. • Employee code of conduct and relevant policies available at all times and feedback encouraged from employees. • We actively seek and encourage participation in all equal-employment-opportunity-related matters, particularly as part of collective bargaining.
 Safe and healthy environment	Our commitment to providing staff with a safe workplace and supporting their wellbeing is delivered through a range of support services, including: • emotional strength and resilience programme to maximise employees' potential at work and in their personal lives • a dedicated workplace wellness programme, including the provision of on-site health checks, flu vaccinations, wellbeing survey and activity-based programmes • an Employee Assistance Programme • a professional supervision support programme • ergonomic workstation assessments and sit/stand desks • rollout of refreshed health and safety training modules to all employees • management of key health, safety and wellbeing risks through a structured approach to identification, control and monitoring.

Information technology

Other measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Overall operational system availability.	99.9%	99.5%	99.9%	✓

Providing a reliable and stable platform

Our people rely on technology to deliver services to our customers every day, so it is vital that our systems are available. This year our system availability was 99.9%, demonstrating a high level of stability across our platforms.

Customer support through modern technology

A significant part of our transformation to date has been focused on the replacement of old technologies to reduce operational risk.

For more information on our achievements this year please refer to the 'Transforming ACC' section.

This year we completed the technical design of our new analytics platform, and the full go-live will be in March 2019. Once complete, we will have access to well curated information, the tools to turn that information into insights and, ultimately, a greater ability to evidence improvements in the customer experience.

We also implemented infrastructural technologies aimed at improving the customer experience. We rolled out automated text alerts to notify clients on weekly compensation of any expiring medical certificates, reducing the risk of breaks in payments. A new email system allowed us to provide a more consistent and efficient customer experience. We also created or redesigned several of our websites and tools, improving access to important information and to support our injury prevention programmes:

- ***acc.co.nz*** was redesigned with updated information, a new look and improved usability on any digital device
- Our Mates and Dates programme was supported by a new website
- A Risk Reckoner website was rolled out, providing a digital version of a previously 'cardboard only' risk tool for workplace risk advice.

We are committed to open government

We participate in several all-of-government forums and workshops to identify and support opportunities for ICT (information and communications technology) system collaboration across government. This helps us to understand the future of digital identity and verification services, and what other countries have done to support digital adoption.

2017/18 INFORMATION TECHNOLOGY ACHIEVEMENTS

Objective	What we set out to deliver	Result
We have simple and modern business systems.	We will have implemented a real-time customer feedback system, enabling us to understand our customers' experiences 'in the moment' and respond quickly to their changing needs.	Achieved
	We will have delivered systems to simplify levy invoicing, revenue collection and product management.	Achieved
	We will have achieved operational efficiencies in our human resources tools and processes by better utilising our systems and automating key talent processes. These improvements will have reduced the time to hire and familiarise our employees with our business, reducing privacy risks and supporting Transformation Programme initiatives.	Achieved
We have secure, private, automated information management practices.	We will have strengthened the way data and information are governed, managed and protected to ensure that: • we have a data and information governance framework that clearly establishes accountabilities and includes the processes, roles, standards and metrics that drive the effective and efficient use of information • we maintain appropriate protection of information, including the prevention of unauthorised access to our data and systems • our employees and third parties are aware of and are able to identify information security risks • we constantly monitor and act on increasing our perimeter security, data security and cyber security • we reduce detection time and align our response options.	Achieved
We deliver a consistent customer experience across our channels, making better use of digital and modern technologies.	We will have modernised the way ACC interacts with customers over telephony channels, making interactions more efficient and effective. This includes more customers having enquiries resolved during their first contact with ACC. Customers will have reached the right people at ACC to assist them more often, more easily. We will have improved the efficiency of our outbound calling to customers.	Achieved
We maintain stability across the business systems environment.	We will have ensured the stability and security of our IT by delivering a robust maintenance programme.	Achieved

Transforming ACC

Other measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Claims processed per full-time equivalent.	572	582	593	✓
Reduction in average weekly compensation days paid.	-0.9 days	0.3 days	-1.5 days	✗
Client net trust score.	23	26.5	25	✗
Business customer net trust score.	-35	-31	-19	✓
Provider net trust score.	-11	-7.1	-8	✗
Employee net promoter score.	-3	1.5	-6	✗

Shaping Our Future

In 2014 ACC conducted an extensive engagement programme, asking New Zealanders what they wanted from ACC and how the organisation could improve. This process gathered feedback from 5,500 New Zealanders, including ACC clients, levy payers, business customers and employers, health providers, employees and the public.

In response to this feedback, ACC launched Shaping Our Future, a strategy designed to put New Zealanders (including our clients, treatment providers, business customers, levy payers and employers) at the centre of everything ACC does and create a more transparent, modern and efficient organisation that improves health outcomes for New Zealanders and changes over time in line with their expectations.

The strategy is focused on achieving ACC's three core outcomes:

- Reduce the incidence and severity of injury in New Zealand
- Rehabilitate injured people in New Zealand more effectively
- Ensure that New Zealand has an affordable and sustainable Scheme.

Promising performance

We set ambitious performance targets to both guide our transformation investments and ensure that we could demonstrate our improvements to all New Zealanders. While we didn't achieve all our ambitious targets for 2017/18, our performance improved in four of our six key transformation measures.

Claims processed per full-time-equivalent staff member, a key indicator of efficiency, exceeded our target. This is a positive sign that our efforts to simplify the way we work with our customers are working.

In the case of our net trust scores, all have shown improvements since 2016/17 (with our business net trust score materially exceeding our 2017/18 target). Where we missed a target, the margin was very narrow and we are confident that our net trust scores will continue to improve with the next wave of our transformation initiatives.

Our employee net promoter score missed the target but remained close to the 2016/17 result (-3). This result is indicative of the twin challenges our people are facing: managing steadily increasing claim volumes while delivering an ambitious transformation programme. We are confident in the support we are providing to people through this period.

Key achievements this year

This year the Transformation Programme was primarily focused on three key themes of service delivery improvements:

LEVY MANAGEMENT

We launched Juno, our new levy management system for business customers. Developed alongside Inland Revenue given the shared business customer base, Juno provides business customers and employers with critical choice and flexibility in how and when they interact with ACC and the frequency of their own levy payments.

ONLINE CHANNELS

We successfully delivered the first of our new online services for business customers (MyACC for Business) and clients (an early version of the business service).

MyACC for Business provides business customers with access to invoice, contact detail and transaction history information. MyACC for clients is a similar online portal, allowing injured New Zealanders to check their details, explore the range of support sevices they can request from ACC and see information about their weekly compensation.

These are important elements of our approach to meeting our customers' needs via their channels of choice.

CASE MANAGEMENT

We introduced the first elements of our next-generation case management (NGCM) approach. NGCM is designed to better deliver the right services at the right time to our clients. It means we can better focus our resources and efforts on where they can have the greatest positive impacts. Our clients will see faster recovery and improved overall rehabilitation outcomes.

The wider rollout of NGCM will begin in 2019.

A range of smaller improvements has also been implemented, such as improving the speed with which we can start paying weekly compensation to our clients. Each of these improvements fits with our Shaping Our Future strategy and is designed to put the customer at the centre of everything we do.

Transitioning to an integrated portfolio approach

Our Transformation Programme has been a key driver of real change under the Shaping Our Future strategy. It has managed many projects focused on improving critical systems and processes. In the process, the Programme has successfully built our culture and capabilities so that we won't have to transform again.

Our transformation capability matured during the year with a customer-focused operating model and culture. Delivering service improvements is now something we do every day.

In April 2018 the Board agreed on a new approach to managing Shaping Our Future delivery – the Integrated Change Investment Portfolio. The intent and direction of the Portfolio are still consistent with the Shaping Our Future strategy. From 1 July 2018 it will provide a comprehensive view of change across ACC that will:

- make it clearer that the package of initiatives will deliver improved outcomes for customers
- increase organisational visibility of the direction, pace and sequencing of change activity, and improve our ability to manage the interdependencies between projects
- ensure that change is well integrated into the business and reducing risks to delivery
- allow reprioritisation in response to unplanned contingencies including cost, complexity and the availability of critical expertise
- improve our ability to connect our change effort with other parts of government, eg the transformation of the Ministries of Health and Social Development, Inland Revenue's transformation and cross-government digital and analytics priority development.

Governance and managing risk

Governance

ACC Board and governance framework

ACC is governed by a Board of up to eight non-executive members, each appointed by the Minister for ACC for up to three years. The Minister can reappoint a Board member, or shorten their term.

GOVERNANCE STRUCTURE

The Board has the authority to exercise ACC's statutory powers and perform its functions. The Board may only act for the purpose of performing ACC's statutory functions.

Board members are accountable to the Minister and also to ACC for the performance of their duties. The Board's governance role is largely governed by the provisions of the:

- Accident Compensation Act 2001 (AC Act)
- Crown Entities Act 2004
- Health and Safety at Work Act 2015
- Public Finance Act 1989
- State Sector Act 1988.

These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament and the public
- Ensuring ACC's compliance with the law, ACC's accountability documents and relevant Crown expectations
- Ensuring that ACC is a good employer and creates a supportive environment that promotes the highest standards of safety and wellbeing, both for its employees and for the communities it serves
- Setting strategic direction and developing policy on the operation and implementation of the legislation
- Maintaining the financial viability and security of ACC and its investments
- Appointing the Chief Executive of ACC
- Monitoring the performance of ACC and its Chief Executive
- Exercising due diligence to ensure that ACC complies with its obligations and primary duties.

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board.

The Board delegates to the Chief Executive the day-to-day management and leadership of ACC. In particular, this includes matters relating to ACC's responsibilities as an employer.

ACC Board committees

RISK ASSURANCE AND AUDIT COMMITTEE

The Risk Assurance and Audit Committee assists the Board to fulfil its responsibilities for risk assurance and audit reporting relating to ACC and its wholly owned subsidiary (Shamrock Superannuation Limited (Shamrock)). The Board may delegate to the Committee responsibilities associated with the sign-off and publication of the ACC Annual Report and financial statements.

INVESTMENT COMMITTEE

The Board Investment Committee assists the Board to monitor ACC's investment responsibilities. The Board has delegated to the Committee authority for investment decisions.

GOVERNANCE AND REMUNERATION COMMITTEE

The Governance and Remuneration Committee assists the Board to fulfil its responsibilities for Board and Executive succession planning, Executive remuneration and monitoring ACC's Talent Strategy.

SHAPING OUR FUTURE COMMITTEE (DISCONTINUED)

The Board established the Shaping Our Future Committee in 2015 to assist the Board by overseeing the Shaping Our Future strategy and target operating model. The Board delegated to the Committee final decision-making authority on programme implementation and IT component obligations under the Transformation Programme up to a maximum approved budget of $100 million whole-of-life-cost for projects and $5 million whole-of-life-cost for consultants.

The Committee was discontinued from the end of March 2018 because the Board decided, with the move to the Integrated Change Investment Portfolio approach to delivering Shaping Our Future, that the Board would take direct responsibility for its oversight.

REMUNERATION

Board members are remunerated in accordance with the rates set by the Government under the Cabinet Fees Framework. The ACC Board's fees were last increased on 1 July 2017. The external committee members' remuneration is also subject to the Framework.

The Board Remuneration Committee reviews the performance and remuneration of the Chief Executive, the Executive and other critical roles at ACC.

DISCLOSURE OF INTERESTS

Section 63 of the Crown Entities Act requires a Board member who has an interest in a matter relating to the entity to disclose details of the interest as soon as practicable after becoming aware of it. The Board of ACC has a conflict of interest process under which Board members disclose their interests at least monthly. Under section 66 of the Crown Entities Act, a member who is interested in a matter relating to the entity is prohibited from acting with the Board on the matter, nor can the member form part of a Board or committee quorum for any discussion or decision in relation to the matter.

Section 68 of the Crown Entities Act provides a process under which the Chair (or Deputy Chair or Minister in certain circumstances) may, by prior written notice to the Board, permit a Board member to act on a matter in respect of which the member would otherwise be prohibited by section 66. No such permissions were given during the reporting period.

The ACC Board

Dame Paula Rebstock, DNZM

APPOINTED SEPTEMBER 2012 – CHAIR

Dame Paula is an Auckland-based economist with extensive governance experience in both the public and private sectors.

She was made a Dame Companion of the New Zealand Order of Merit in 2015.

She has a BSc (Bachelor of Science, Economics) from the University of Oregon, and a Diploma and a Master of Science Degree (Economics) from the London School of Economics.

Dame Paula is a member of the ACC Board Investment Committee and the ACC Board Governance and Remuneration Committee.

Her other governance roles include:

- Deputy Chair New Zealand Railways Corporation/KiwiRail
- Auckland Transport – Board Member
- Auckland District Health Board – Human Resources Committee and Finance Risk and Assurance Committee
- Tonkin & Taylor – Chair of Audit Committee and member of Finance Risk and Assurance Committee.

Trevor Janes

APPOINTED SEPTEMBER 2012 – DEPUTY CHAIR AND CHAIR INVESTMENT COMMITTEE

Trevor is a Chartered Fellow of the Institute of Directors in New Zealand and a Fellow of the New Zealand Institute of Financial Professionals New Zealand and Chartered Accountants Australia and New Zealand. He is an experienced director with a background in investment banking and financial analysis. Trevor was an ACC Board member from 1999 to 2002, and served as a specialist advisor to the ACC Board Investment Committee from 2003 to 2011.

Trevor is a member of the ACC Board Governance and Remuneration Committee.

He is also a member of the NZ Markets Disciplinary Tribunal and the Postal Network Access Committee, and Chair of:

- Abano Healthcare Group Limited
- Tokelau International Investment Trust Fund
- Transport Investments Limited.

Professor Des Gorman, Ngāpuhi

APPOINTED SEPTEMBER 2012

Professor Gorman is Professor of Medicine and Associate Dean at the University of Auckland's Faculty of Medical Health and Sciences. He has doctorates in medicine and philosophy. He also has extensive medical knowledge in a number of specialties (including brain injury, occupational medicine and toxicology).

Professor Gorman is a member of the ACC Board Governance and Remuneration Committee.

He is also:

- Executive Chairman, Health Workforce New Zealand
- Chair, International Health Workforce Collaborative
- Chair, Minister of Health's Health Workforce New Zealand Board and Consultant to the Royal Navy of Oman for the Sultanate of Oman.

David May

APPOINTED JANUARY 2018

David is an actuary by training. He was Chairman of the New Zealand Superannuation Fund from 2002 to 2012. Other past directorships include Southern Cross Healthcare, Southern Cross Hospitals, Sovereign Assurance and the Government Superannuation Fund.

He is a director of Save the Children New Zealand.

David is a member of the ACC Board Risk Assurance and Audit Committee and the ACC Board Investment Committee.

Anita Mazzoleni

APPOINTED JULY 2014 – CHAIR, RISK ASSURANCE AND AUDIT COMMITTEE

Nō Tāmaki-Makaurau ia. Ko Venetian Navy te waka, ko Adriatic rāua ko Waitematā ngā moana, ko Rangitoto te maunga. Ko Ngāti Pākeha te iwi.

Anita has a Bachelor of Commerce (BCom) and Bachelor of Laws (LLB).

She is a Fellow of the Institute of Chartered Accountants Australia and New Zealand (FCA).

Anita is an independent corporate finance adviser and company director, with a background in infrastructure projects.

Kristy McDonald, QC

APPOINTED SEPTEMBER 2012 – CHAIR, GOVERNANCE AND REMUNERATION COMMITTEE

Kristy is a Queen's Counsel and has practised law for nearly 40 years.

She has extensive experience as a litigation lawyer, with a particular interest in public and administrative law and health law.

Kristy holds a number of governance roles and has undertaken a range of government and organisational inquiries. Her governance roles include Chair of Kiwifruit New Zealand, Deputy Chair of the Electoral Commission and Chair of the Ministry of Social Development Audit and Risk Committee.

James Miller

APPOINTED MARCH 2013

James is an experienced company director. He holds a Bachelor of Commerce from the University of Otago.

James is a graduate of the Advanced Management Program, Harvard Business School (USA). He brings to the ACC Board many years' experience in the capital markets, including having been a member of the Financial Markets Authority.

James is a member of the ACC Board Investment Committee. He was Chair of the ACC Board Shaping Our Future Committee from March 2015 until its disestablishment in March 2018.

James's other board roles include Chair of NZX Limited and director/board member of Auckland International Airport Limited, Mercury NZ Limited and St Cuthbert's Trust Board.

Leona Murphy

APPOINTED JUNE 2017

Leona has a strong background in large-scale transformation, strategy, business line management, digital IT and insurance claims management. She has more than 24 years of experience in the insurance and risk industry. She has held senior executive roles for listed insurers for more than 10 years.

Leona earned her Bachelor of Commerce degree in accounting and law from Griffith University. She was also recognised as one of Australia's 100 Women of Influence for 2015 in the Global category.

Leona is a member of the ACC Board Risk Assurance and Audit Committee. Her other governance roles include directorships of Liberty Financial Pty Limited, RACQ Limited, and Stone & Chalk, a not for profit FinTech hub.

For further information about our Board members, go to **www.acc.co.nz/about-us/who-we-are/acc-board/**

BOARD AND SUB-COMMITTEE ATTENDANCE AND FEES[1]

Board members	ACC Board	Risk Assurance and Audit Committee	Investment Committee	Governance and Remuneration Committee	Shaping Our Future Committee	2017/18 Total Remuneration
Dame Paula Rebstock	13/13		8/8	4/4		$100,654
Mr Trevor Janes	13/13		8/8	4/4		$63,000
Prof Des Gorman	9/13	2/3		3/4		$50,327
Mr David May[2]	7/7		5/5			$25,113
Ms Anita Mazzoleni	13/13	3/3			7/8	$55,769
Ms Kristy McDonald QC	12/13	2/3		4/4		$51,583
Mr James Miller	13/13		8/8		8/8	$54,513
Ms Leona Murphy	13/13				7/8	$59,852
Ms Gillian (Jill) Spooner[3]	4/6		3/3		5/6	$26,596
Mr Pat Duignan[4]			8/8			$30,000
Mr David Hunt[4]			8/8			$30,000
Mr Murray Jack[4]					8/8	$30,000
Mr Fred Hutchings[4,5]		1/1				$17,500

1. *Attendance at committee meetings is recorded for committee members only. If a Board member is not a member of a committee but attended a meeting as an observer, their attendance has not been noted here.*
2. *Mr May's term began on 1 January 2018.*
3. *Ms Spooner's term ended on 31 December 2017.*
4. *External committee members.*
5. *Mr Hutching's term began on 20 November 2017.*

ACC corporate responsibility

The Board recognises that ACC's activities and investments affect New Zealand communities, and therefore it seeks to avoid activities that would be regarded as unethical by a substantial majority of the New Zealand public. The ACC Board is guided by New Zealand and international laws, Treaty of Waitangi obligations, global ethical practices, and its roles in the public sector and investment community. The Board commits to:

- conducting ACC's investment and procurement activity in a lawful manner
- considering environmental, social and governance issues when making decisions on investment and/or procurement activities
- providing overall guidance as to the types of activity that are considered unethical, and setting ACC's ethical investment policy to ensure that ACC meets its ethical investment objectives and fiduciary responsibilities as a trustee in a manner that is transparent
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Our Code of Conduct specifies business standards and ethical considerations, as well as the expectation that all employees will promote the principles of equal opportunity in employment.

Whole-of-government directions

On 22 April 2014, the Minister of State Services and the Minister of Finance issued directions to apply whole- of-government approaches to ICT, property and procurement. A further direction was issued in 2016 for the New Zealand Business Number.

Whole-of-government area	Date applies from
ICT	19 June 2014
Property	1 July 2014
Procurement	1 February 2015
New Zealand Business Number	1 January 2018

Subsidiary company

Shamrock, a wholly owned Crown entity subsidiary of ACC, was established in 1991 to act as the corporate trustee for the ACC Superannuation Scheme. Shamrock's role is to act in the interests of members by being an independent supervisor and custodian of the Scheme's assets. Shamrock is bound by the ACC Superannuation Scheme's Trust Deed.

Te Tiriti o Waitangi

E mōhio ana mātou ko te Tiriti o Waitangi te pepa whai tikanga o te kāwanatanga, i noho pūmau ai tātou i te motu nei o Aotearoa. Ko ta mātou whāinga ki te tautoko i te Karauna ki ngā kaupapa whanaungatanga o te Tiriti. Na tēnei ka taea te tuku a mātou ratonga hei whakamana ki a tōkeke ai ngā tukunga iho mo te iwi Māori.

Treaty of Waitangi

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.

Managing risk

Our risk environment

ACC is exposed to a range of external risk factors including economic cycles, changing societal trends and customer expectations, developments in treatment technologies, and threats to our people's workplace health and safety.

Managing risk facilitates the achievement of our objectives, our operational effectiveness and efficiency, the protection of our people and assets, informed decision-making, and compliance with applicable laws and regulations. We are committed to embedding risk management principles and practices into our culture, governance and accountability structure, performance management, planning and reporting processes, business transformation, and improvement processes.

Risk management is embedded in our culture and systems

We understand that risk is a normal and a necessary part of doing business. Our risk framework outlines our commitment, responsibilities, processes and practices that enable people to manage risk as part of their day-to-day decision-making and business practices. All staff members take responsibility for identifying and managing risk on behalf of ACC, with the Board setting the risk appetite for ACC.

Our risk framework, processes, principles, definitions and vocabulary are aligned with AS/NZS ISO 31000:2009 Risk management: Principles and guidelines and the COSO Enterprise Risk Management – Integrated Framework. This risk environment is known as the '5 lines of assurance' (5LOA) model.

The 5LOA in ACC are:

OUR PEOPLE – FIRST LINE OF ASSURANCE

Our people need to be in control of their day-to-day business activities and to recognise risks for proactive management. Managers have responsibility for managing risks that relate to business objectives for their business units and groups.

ENABLING FUNCTIONS – SECOND LINE OF ASSURANCE

These functions provide oversight and specialist subject-matter expertise across the business, for example, Risk and Compliance, Health and Safety, Privacy, Cyber Security, Integrity, Communications and Legal Services.

ASSURANCE SERVICES AND EXTERNAL ASSURANCE PROVIDERS – THIRD LINE OF ASSURANCE

Assurance Services and its co-sourced and outsourced assurance providers independently review the overall reliability of our risk management processes and performance to help ACC to achieve best practice. Services include reviews and audits relating to the control environment, policy adherence, performance effectiveness, governance and accountability.

In addition, ACC commissions independent quality assurance for the significant change programme where appropriate.

CEO AND CHIEFS – FOURTH LINE OF ASSURANCE

The Chief Executive and the Executive have overall responsibility for building and maintaining robust risk management.

ACC BOARD – FIFTH LINE OF ASSURANCE

The Executive and the Board Risk Assurance and Audit Committee monitor and evaluate the effectiveness of our risk management framework, maturity and internal control system. Assurance Services and external auditors provide independent advice on the risk and controls environment and the effectiveness of risk management in ACC.

Our risk strategy

We are one year in to a three-year risk maturity growth plan that is designed to further embed risk management and enhance ACC's risk maturity profile.

This year we delivered on the risk strategy as outlined in the table below.

Initiative	Achievements
Enterprise risk management.	Embedded the 5 Lines of Assurance model and refined our risk management operating model to an "enhanced partnership" model.
	Developed and implemented a new enterprise risk management framework.
	Strengthened risk management in the annual strategic and business planning process.
	Strengthened risk management in the change programme, including within the project methodologies and processes.
	Realigned enterprise risk and treatment discussions with the Board in relation to ACC's strategic intentions.
	Strengthened the enabling functions' risk practices, to assist them to perform their second-line risk role more effectively.
	Established a new enterprise risk review process incorporating internal, external and emerging risks.
Risk appetite.	The Executive and Board agreed ACC's risk appetite, which helps to strengthen the strategy planning processes and guides investment and day-to-day decision-making.
Compliance.	Established and maintained the corporate policy framework.
	Established and rolled out a new compliance attestation process.
	Delivered to the annual compliance plan and undertook compliance maturity activities to strengthen ACC's compliance environment.

Priority risks

We understand and manage risks through regular engagement between the Executive and the Board. The Executive determines and prioritises enterprise-level risks. The Board focuses on the greatest risks and considers the actions management is taking (or is planning to take) to mitigate the risks to within our risk appetite.

The Board is regularly presented with ACC's strategic risks for challenge and discussion. This provides opportunities for the Board and the Executive to identify the value creation (upside) and value protection (hygiene and compliance) aspects of risks, and to assess the current (residual) risk to each strategic intention. This strengthens the links between organisational risk appetite, strategy, performance, risk management and independent assurance.

We regularly review our enterprise risks by following a three-step process involving:

- a desktop exercise to review recent key risks identified by benchmarking organisations, including global emerging risks
- an analysis of our own internally sourced, recently identified risks and themes, e.g. through Board discussions, business strategy and planning processes and current business group risk registers
- engagement with and feedback from business group representatives, the Executive and the Board on the proposed changes.

The seven current highest-priority risks are set out over the page.

TOP SEVEN PRIORITY RISKS

Risk	Management activity
Delivering change: Risk that we fail to deliver the Integrated Change Investment Portfolio and/or the change delivered is not successfully embedded, reliable and sustainable.	• Embedding our integrated change governance. • Implementation of the change delivery model and embedding the Delivery Integration function. • Maturing change impact, achievement and benefits assessments.
Customer expectations and outcomes: Risk that we have not balanced customer expectations, experiences and outcomes.	• Development of our Customer-Centric Strategy and embedding the Customer-Centred Design Approach. • Learn and better respond to our customers based on feedback, surveys and advanced analytics. • Successfully deliver on our client and business customer change programme.
Trust and confidence: Risk that New Zealanders do not have trust and confidence in ACC.	• Improving our claims experience. • Building stronger relationships and proactively engaging with our external stakeholders. • Improving our services to Māori.
Scheme delivery: Risk that we fail to maintain the financial sustainability of the Scheme while delivering outcomes and meeting the expectations of our customers.	• Maintain focus on and management of the key controllable drivers of our OCL. • Deliver our integrated change portfolio successfully, on time and on budget. • Effectively manage and deliver our targeted operational performance. • Effectively manage our investment portfolios to meet the future cost of claims incurred.
External environment: Risk that an unexpected external policy, or legislative or economic event may significantly affect our OCL and investment performance with an impact on trust and confidence.	• Proactively engage with and respond to any government inquiries/reviews about the broader health and social sector. • Monitor and manage regulatory changes that may require an operational response. • Strengthen our relationships with all central agencies and other government departments.
Cyber security: Risk that our systems and information are vulnerable to attack.	• Using threat modelling, prioritising our cyber risk activities. • Increasing cyber risk awareness and people risk.
Effective stakeholder engagement: Risk that our stakeholder relationships are not strong enough to achieve our mutual objectives.	• Strengthening our relationships with all central agencies and other government departments. • Connecting with New Zealanders by telling the story of our role, value and injury prevention.

Environmental, social and governance

Our approach

This is the first environmental, social and governance (ESG) section to be included in our Annual Report for some years. While any commitment to ESG is a multi-year process, this acknowledges our responsibility to New Zealanders and their communities.

We structure our ESG approach around focus areas considered to be material to our business. In our role as a publicly administered and delivered social insurance scheme we recognise that we have an impact on the environment, both directly from our operations and indirectly through our value chain. We also have an important leadership role in key social and governance behaviours and values.

Shaped by our risk management framework and priority risks, we work to continually improve performance in our focus areas to create sustainable value in the long term.

ESG – ACHIEVEMENTS SNAPSHOT

63%	55%	22%	18%	11%
reduction in time lost to workplace injuries	**reduction in total recordable injuries**	**reduction in domestic flights**	**reduction in fleet fuel consumption**	**reduction in print volumes**

ESG – ENVIRONMENTAL PERFORMANCE

Environment	
Paper and printing.	This year we reduced the number of multi-functional print devices by 36%. This supported our goal of reducing overall paper consumption – print volumes decreased by 11% during the year, and paper consumption dropped by 20% in the last quarter (compared with the same quarter last year).
Travel.	Our travel strategy aims to increase the centralised management of travel bookings and deliver improved technology to support our operations. Video-conferencing usage increased by 48% this year with an increasing number of our people taking advantage of this technology. Consequently, the number of domestic flights taken by staff reduced by 22% during the year.
Vehicles and fuel.	This year we reduced the number of vehicles in our fleet by approximately 5%. Planned investments in supporting technologies (such as in-vehicle GPS) will allow further reductions in the coming year. Fuel consumption in our fleet vehicles reduced by 18% during the year. We are currently in the process of purchasing five plug-in hybrid electric vehicles and one full-electric vehicle – this is the first phase in a plan to continue to support ACC's and the Government's strategy in this area.

ESG – SOCIAL PERFORMANCE

Social	
Human rights policy.	All legislation and civil practice, including our case management processes, must comply with the public law rights in the Human Rights Act 1993 and New Zealand Bill of Rights Act 1990.
Code of Health and Disability Services Consumers' Rights.	ACC adheres to Part 2 of the Health and Disability Commissioner Act 1994 to ensure that people know their rights when they receive health and disability services.
Employee turnover ratio.	ACC's employee turnover this year was 14.7%. This was within our organisational target of 15% although higher than last year's turnover of 11.4%.
Gender diversity.	At year end 68.6% of our permanent and temporary employees were women.
Board diversity.	At year end five of our nine Board positions were filled by women.
Equal employment opportunity.	ACC operates a personnel policy that follows the principle of being a good employer and meets the obligations of section 56(2) of the State Sector Act 1988.
Oversight and management of work health and safety.	ACC is committed to being a leader in health and safety in New Zealand. Internal policies are updated annually and available on our intranet for all colleagues.
Engagement by ACC and its staff with the wider community.	ACC engages directly with the wider community from supporting clients returning to work to our injury prevention investment programme. Our people are encouraged to use Volunteer Release Time for corporate volunteer projects and activities for non-profit organisations that align with ACC's strategic priorities.
Working with trusted partners and communities to keep New Zealanders safe and prevent injuries.	Our network of partners helps us to design and deliver a set of well-integrated injury prevention programmes. This year we increased our investment in injury prevention from $55 million to $69 million. We also extended the reach of our programmes to more than 650,000 New Zealanders.
Ethical investment.	ACC aims to conduct its investment activities in an ethical manner which avoids prejudice to New Zealand's reputation as a responsible member of the world community. Refer to the Investments report for further information.

ESG – GOVERNANCE PERFORMANCE

Governance	
Risk management.	For details of our risk management practices, refer to 'Managing risk' earlier in this report.
Code of Conduct.	As a Crown entity, ACC is part of the state sector and contributes to building the trust and confidence of citizens in the institutions of government. Our Code of Conduct is consistent with the standards that apply to all State Servants as detailed in the State Services Standard of Integrity and Conduct. ***ssc.govt.nz/standards-discussion-document***
Claimants rights.	Claimants rights are defined pursuant to Part 3 of the AC Act.
Conflict of interest.	ACC's conflict of interest policy is an internal document available on our intranet. It is reviewed annually. The policy ensures that any conflicts of interest that arise are identified, disclosed and resolved or managed in a timely and effective manner.
Fair labour practices.	The Public Service Association is an important stakeholder and the main union responsible for employee representation at ACC. New collective bargaining agreements are renegotiated about every two years.
Protection of personal information and cyber security.	Our privacy policies and guidelines have been established to comply with the Privacy Act 1993 and Health Information Privacy Code 1994.

The ACC Executive

Scott Pickering

CHIEF EXECUTIVE

Scott started his role as Chief Executive of ACC on 1 May 2013. He's a seasoned Chief Executive and insurance professional. He gained his leadership and governance experience through a career working in many countries and cultures.

Scott was previously Regional Chief Executive for Willis International Limited (Central and Eastern Europe, the Middle East and Africa), and Regional Chief Executive for the Royal & Sun Alliance Insurance Group (Asia and the Middle East). He also held Chief Executive and senior leadership roles with ACE Insurance and CIGNA P&C (South Africa, Japan, Hong Kong, Philippines, Thailand, Indonesia, Australia and New Zealand).

Emma Powell

CHIEF CUSTOMER OFFICER

Master of Communication Disorders (University of Canterbury).

The Chief Customer Officer has responsibility for:

- injury prevention activities
- designing our customer-focused activities
- acting as the voice of the customer for our organisation.

Emma joined ACC in 2010 and previously held the role of Head of Injury Prevention Partnerships and Delivery with a focus across the violence, community, road, sport and falls portfolios.

Chair of the cross-government Sexual Violence Prevention Advisory Board.

Member of the Expert Advisory Panel to Operation RESPECT.

Member of the advisory board to the Victoria University Chair in Restorative Justice.

Deborah Roche

CHIEF GOVERNANCE OFFICER

MSc (London School of Economics), MAppSc (University of South Australia).

The Chief Governance Officer has responsibility for:

- governance and Board-relevant functions
- public sector relationships and legal
- stakeholder management and privacy.

Deborah joined ACC in 2018 and previously held the role of Deputy Director-General, Policy and Trade at the Ministry for Primary Industries. Deborah also held senior roles with the Department of Prime Minister and Cabinet and the Ministry of Health in New Zealand and the Department of Health in the United Kingdom.

John Healy

CHIEF FINANCIAL OFFICER

BCA (Victoria University of Wellington) majoring in commercial law and accountancy.

The Chief Financial Officer (CFO) provides financial leadership and supervision across ACC. The CFO has responsibility for:

- financial accounting and control
- performance management, budgeting, forecasting and planning
- procurement and property
- ACC's investment fund activities
- longer-term strategic financial matters.

John joined ACC in 2017. John has more than 20 years of senior finance experience in energy and natural resources sectors in the UK, Australia and Russia. He also spent 11 years with one of the large global accounting firms, working in New Zealand, Russia and the UK.

Member of Chartered Accountants Australia and New Zealand since 1994.

Peter Fletcher

CHIEF TECHNOLOGY AND TRANSFORMATION OFFICER

The Chief Technology and Transformation Officer has responsibility for managing IT performance and delivery as well as oversight of ACC's transformation activities.

Peter joined ACC in 2018. He was previously Group Manager, Technology for New Zealand Post and held Chief Information roles with Westpac New Zealand and BNZ. Peter also spent six years with Barclays in the UK and Singapore.

Mike Tully

CHIEF OPERATING OFFICER

The Chief Operating Officer focuses on:

- leading ACC's operational performance, ensuring delivery against the Service Agreement including alignment of group business plans with the Service Agreement
- leading the Operations Group to provide effective and efficient multi-channel operations for all three customer groups – client, business customer and provider
- ACC's Client, Business Customer and Provider transformation programme.

Mike joined ACC in 2009. He previously held the roles of Chief Customer Officer and Head of Client Service Delivery at ACC and has worked in banking and insurance for more than 20 years.

Herwig Raubal

CHIEF RISK AND ACTUARIAL OFFICER

The Chief Risk and Actuarial Officer oversees the Risk Management Office and Assurance Services, and makes sure that all our risks are identified and managed.

He advises on operational and financial performance for funding policy, levy rates and other financial objectives.

Herwig joined ACC in 2012. He previously held Chief Actuary positions at Tower Limited and Farmers' Mutual Group.

Fellow of Institute of Actuaries of Australia.

Fellow of New Zealand Society of Actuaries.

Sharon Champness

CHIEF TALENT OFFICER

BSc (Hons), MBA.

The Chief Talent Officer is responsible for all staff-related matters.

She combines all areas of talent management, including:

- developing and leading the people strategy
- health and safety
- internal policy
- organisation practices.

Sharon joined ACC in 2017. She previously held the role of Director People and Workforce Strategy at the University of Newcastle and a number of senior human resources roles across the education, mining and manufacturing sectors in Australia.

For more information about our Executive members, go to
https://www.acc.co.nz/about-us/who-we-are/minister-ceo-executive/

Members of the Executive who served during the year

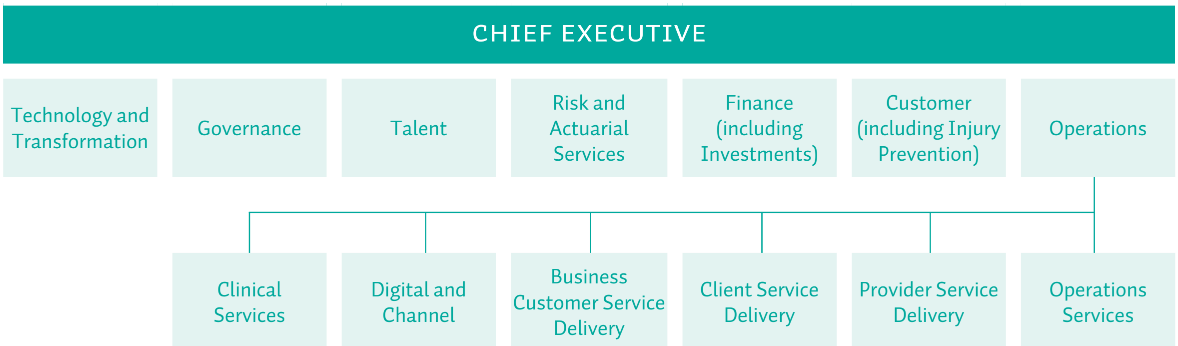
Debbie Barrott
Chief Change Integration Officer
Activities merged with the
Chief Technology and Transformation Officer
from July 2018

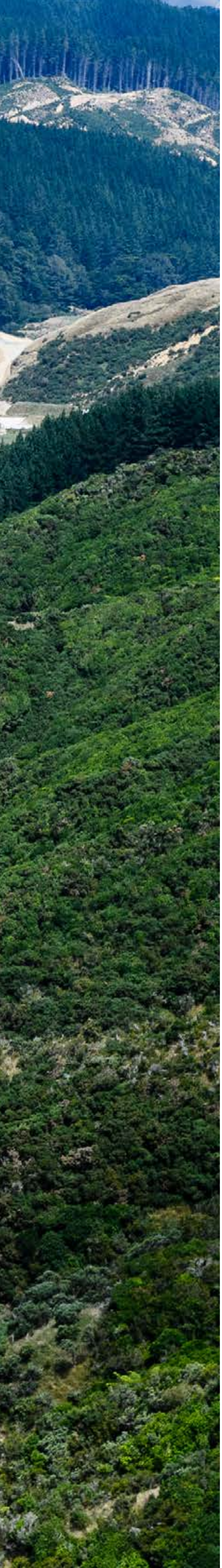
Jim Stabback
Chief Operating Officer
Departed ACC June 2018

Mark Dossor
Chief Financial Officer
Departed ACC July 2018

Gaye Searancke
Chief Governance Officer
Departed ACC August 2017

Organisational chart





Transmission Gully

Transmission Gully is New Zealand's first-ever Public Private Partnership (PPP) for a state highway. In July 2014 the NZ Transport Agency awarded a private sector consortium, Wellington Gateway Partnership (WGP), the contract to finance, design, build and then operate and maintain the new motorway for the following 25 years.

WGP is a consortium of firms with considerable experience in the financing, design, construction, maintenance and operation of key infrastructure projects both in New Zealand and overseas. It is backed by local and offshore investors, including ACC, InfraRed Capital Partners Limited and Pacific Partnerships. WGP has contracted a joint venture of CPB Contractors and HEB Construction to undertake the motorway design and construction, and contracted Ventia to operate and maintain the new motorway for the 25 years following construction.

Investments report

Why ACC invests

ACC holds investments to meet the future costs of injuries that have already occurred. ACC is fully funded (other than some pre-2001 injuries that are funded by the Government), which means that our actuaries believe that we hold sufficient investment funds to pay all the future costs of the injuries that have already occurred. The actuaries' estimate of how much funds are required depends on assumptions about the future returns that ACC will earn from its investments. We aim to achieve returns that are at least as high as the actuaries assume.

On an ongoing basis, we fully fund all new injuries by collecting sufficient levies to provide for all the immediate and future costs of new injuries.

For most future years, we expect that the funds that ACC will need to take out of the investment portfolio to pay for the ongoing costs of past injuries will only be slightly higher than the levies we collect to pay for the future costs of newly incurred injuries. In practice, ACC tries to avoid unnecessary costs by netting off fund inflows and fund outflows, and will therefore typically only take a small percentage out of the investment portfolio in most years.

Overview of the past year

Global equity markets were generally strong in the past year, producing gross returns of over 11% (when measured in "local currency terms"). North American equity markets were particularly strong, returning more than 14%.

The New Zealand dollar fell against major currencies during the year. The weakness of the New Zealand dollar boosted the New Zealand dollar returns from holding unhedged investments in offshore markets.

New Zealand long-term government bond yields declined by about 0.2% during the year, which boosted the short-term returns from investments in the New Zealand bond market. Offsetting this beneficial effect on short-term investment performance, lower bond yields increase the actuarial value of ACC's OCL[1].

Investment returns for 2017/18

ACC reserves portfolios delivered a weighted average return of 9.89%, outperforming our market-based benchmarks by just 0.01%. However, we underperformed our benchmarks by 0.10% if adjustments are made for investment costs and taxes[2]. This was a disappointing result, as we hope to outperform our benchmarks over time by a margin that is significantly higher than the costs of managing our investments.

The 9.89% return was higher than the long-run return assumptions implicit in the valuation of our OCL. In part, the higher-than-projected return was due to the impact of revaluation gains from declines in bond yields, as ACC maintains a portfolio that is designed to benefit from declines in bond yields, in order to provide a partial hedge against the impact that lower bond yields can have on the valuation of ACC's claims liability.

The outperformance of ACC's investment benchmarks was the net result of several contributing and detracting factors. Positive contributors included the following:

- ACC's bond portfolios all outperformed their benchmarks. This was mainly because these portfolios held bonds that earned a higher running yield than the benchmark index
- ACC's unlisted investments recorded stronger returns, due in particular to gains from the sale of an investment in Icebreaker, and positive revaluations of ACC's investments in Kiwibank and certain Auckland real estate investments
- ACC's Australian equity portfolios generally outperformed their benchmarks
- ACC's listed property and infrastructure portfolios outperformed their benchmarks.

Factors that detracted from performance included the following:

- Overall, ACC's tactical asset allocation positioning (ie decisions to vary actual allocations between markets from benchmark weights) detracted from ACC's investment performance. In particular,

1 *The claims liabilities are increased by lower interest rates when expressed in terms of the amount that ACC needs to hold in present-day dollars to be able to meet the future compensation and rehabilitation costs of injuries that have already occurred (ie the "actuarial value of outstanding claims liabilities"). Lower interest rates imply an expectation of lower future investment income, which means that ACC needs to invest more money today in order to provide for those costs that we expect to be funding several years in the future.*

2 *Specifically, the reported return of 9.89% is expressed after deducting some direct costs such as broker commissions and property expenses, but is calculated prior to the deduction of 0.14% of other investment-related costs (such as investment staff remuneration and fees paid to external managers). Conversely, ACC's reported investment return is affected by the deduction of 0.03% of offshore withholding taxes paid by ACC, whereas our benchmarks are calculated on the basis of "gross" indices, which make no deduction for withholding taxes. Hence, to measure our relative performance on a net-of-cost basis that is fully adjusted for taxes, we must subtract the 0.14% and add back the 0.03%.*

ACC's returns were adversely affected by decisions to hold a lower-than-benchmark exposure to equity markets throughout the year

- ACC's New Zealand listed equity investments underperformed the benchmark. An investment in failed insurer CBL Corporation was the key reason for this underperformance
- ACC's investments in global equities slightly underperformed the benchmark, due mainly to the offshore withholding taxes that ACC pays on dividends (whereas the benchmark makes no allowance for withholding taxes).

We think about returns on a risk-adjusted basis, as we believe that we should require a higher return if we are taking greater-than-normal risk, but should also be willing to accept a lower return if we are taking lower-than-normal risk. In our assessment, **ACC's reserves portfolios took less risk than the benchmark position for most of 2017/18 (principally due to a decision to hold a lower-than-benchmark allocation to equity markets), and the reserves portfolios therefore outperformed on a risk-adjusted basis.**

		2017/18 financial year		Average past 3 years	
	$M	Portfolio	Benchmark	Portfolio	Benchmark
Cash portfolio	**309**	**2.6%**	**2.0%**	**2.8%**	**2.4%**
Reserves portfolios by asset class:					
Reserves Cash	2,639	2.4%	1.9%	2.7%	2.2%
New Zealand Index Linked Bonds	9,364	7.9%	7.8%	5.7%	5.4%
New Zealand Bonds	12,857	6.5%	6.0%	6.1%	5.4%
New Zealand Equity	3,093	17.3%	17.7%	17.1%	16.5%
New Zealand Listed Property and Infrastructure	774	8.7%	8.2%	12.4%	10.5%
Unlisted Property, Infrastructure, and Private Equity[3]	1,468	16.8%		14.6%	
Australian Equity	1,769	24.1%	23.3%	11.0%	10.1%
Global Bonds	1,287	9.2%	8.8%	3.5%	2.7%
Global Equity	6,334	20.2%	20.4%	9.9%	8.7%
Interest Rate Derivative Overlay[1]	34	0.2%	0.3%	0.2%	0.3%
Equity Futures Overlay[1,3]	135	(0.1%)		0.2%	
Bond Futures Overlay[1,3]	22	(0.0%)			
Foreign Currency Overlay[1,2]	(139)	(0.9%)	(1.1%)	0.3%	0.2%
Total reserves portfolio	**39,637**	**9.9%**	**9.9%**	**8.7%**	**7.9%**
By Account:					
Earners'	9,855	9.9%	9.8%	8.7%	7.8%
Motor Vehicle	12,188	9.8%	9.9%	8.5%	7.9%
Work	9,595	9.1%	9.0%	8.3%	7.4%
Non-Earners'	3,731	11.4%	11.4%	9.8%	9.0%
Treatment Injury	4,268	10.6%	10.7%	9.1%	8.5%
Total reserves portfolio	**39,637**	**9.9%**	**9.9%**	**8.7%**	**7.9%**

1 *The percentages shown in the "Portfolio" columns show the contributions that these overlays made to the aggregate reserves portfolio return, rather than as a return on the funds physically invested in these derivative strategies. The percentages shown in the "benchmark" columns show the contribution that a "benchmark-neutral" application of these strategies would have made to the benchmark for the aggregate reserves portfolio*

2 *Foreign Currency Overlay shows the effect of foreign exchange derivatives used to adjust the foreign currency exposures of ACC's reserves portfolios. The benchmark return is calculated as the currency hedging that would have been required to maintain the currency exposures built in to ACC's reserves portfolio benchmarks*

3 *Benchmark returns are not shown, as there is no benchmark allocation for these asset classes*

Please note: *For the purpose of the table on the previous page, traded investments are valued at last sale price (or at valuation in the case of unlisted investments). The value of investments recorded in the financial statements are measured at fair value under International Accounting Standard (IAS) 39 requirements.*

The table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, returns are shown prior to the deduction of other investment management costs of $50.6 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.14% from investment returns in 2017/18. ACC's investment returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC is not liable for tax in New Zealand, offshore withholding taxes paid by ACC reduced the calculated return by just 0.03%.

Future investment returns

The decline in bond yields over the past year reduces the returns that we can anticipate from bonds in the future. This is reflected in a lower discount rate, which has contributed to an increase in the valuation of our claims liability. Bond yields are much lower than they had been for most of the past 50 years, which means that we should expect lower returns than we have historically earned on the 70% of ACC's investment portfolio that is invested in bonds and other fixed interest instruments.

Equity markets have risen to valuation levels from which we believe that it is unlikely that equities could continue to deliver returns over the next several years that are as strong as investors have experienced over the past several years. Nonetheless, ACC continues to hold significant investments in equity markets because low bond yields mean that the alternative of investing in bonds is also unappealing, and because equity investments may provide diversification against some risks that could affect bond investments.

Objectives and risks

We manage our investments with the objective of obtaining the best possible balance of return and risk. Higher investment income over time would result in lower levies, but we need to balance our pursuit of higher returns with an objective of limiting downside risks, as a poor financial outcome could cause a need to increase levy rates.

We think about risk from the perspective of ACC's overall financial position, rather than just focusing on the investment portfolios in isolation. This perspective on risk has both long-term and short-term aspects:

- The long-term perspective of risk is that ACC could have insufficient funds to pay the future costs that its reserves portfolios were intended to cover, either because long-term investment returns could prove to be lower than expected, or because inflation could prove to be higher than expected. When ACC puts funds aside to meet future costs, our actuaries use government bond yields to derive an estimate of the return that we might expect ACC to earn on those funds.
- The short-term perspective of risk is that we are keen to avoid the large increases in levy rates that could be required if ACC were to stray significantly 'off-course' in terms of its ability to meet future obligations. Specifically, we measure whether we are 'on-course' for funding our future claims obligations by comparing the value of ACC's assets (mainly investment assets) to the value of our claims liabilities (which we must value at risk-free discount rates under New Zealand accounting standards) for the levied Accounts that have a policy of full funding.

Both perspectives encourage us to minimise the risk of large adverse movements in the gap between the assessed value of claims liabilities and the market value of ACC's investment portfolios. This means that we need to think not only about financial risks that could affect the value of ACC's investment portfolios, but also about risks that could affect the actuarial value of ACC's claims liabilities. Some of the key risks that could adversely affect the balance of ACC's assets and liabilities (and therefore levy rates) are listed below.

- Poor returns from equity markets. Weak equity markets would be likely to result in a reduction in the value of ACC's investment portfolios without a corresponding reduction in the value of our claims liabilities.
- Declines in real long-term interest rates[1]. If interest rates declined without a corresponding decrease in the inflation outlook, this would lead to an increase in the assessed value of our claims liability, and a decrease in our long-term expectations for investment returns. We aim to offset this risk by holding investment assets that will tend to rise in value when real interest rates decline. However, ACC's investment portfolios only provides a partial offset to this risk.
- An increase in the inflation outlook. All of our claims liabilities are sensitive to inflation, but a significant portion of ACC's fixed interest

1 *"Real" long-term interest rates refer to "nominal" long-term interest rates minus the anticipated impact of inflation on investment returns.*

investments does not provide protection against inflation. If the inflation outlook increases and bond yields show a corresponding increase, this would have an adverse impact on the value of ACC's fixed interest portfolios. Conversely, if the inflation outlook increased but nominal bond yields did not increase, this would lead to a significant rise in the assessed value of our outstanding claims liabilities.

- Poor investment returns for reasons that are unrelated to either claims liabilities or the general performance of equity markets. This could occur due to widespread credit defaults or a strengthening in the New Zealand dollar against foreign currencies, or if our investment performance was worse than market benchmarks.

ACC's liabilities can also be significantly affected by actuarial factors that have little to do with interest rates, the general level of inflation or other clearly identifiable economic variables. For example, estimates of ACC's future costs could increase as a result of new, expensive ways of treating injuries. There is little that investment policy can do to offset these non-economic actuarial risks. The presence of these non-economic risks means that there is a natural limit to how far the investment policy can be used to reduce uncertainty about ACC's future funding position.

Our objective of protecting ACC against declines in long-term interest rates or increases in the inflation outlook means that we tend to look favourably at long-term investments that we can expect to deliver relatively certain New Zealand dollar cash flows that are protected against inflation.

Allocation of funds

Our allocation of funds among different investment markets is directly linked to the objectives and risks discussed in the preceding section.

While it is not possible to fully offset all the long-term risks, we allocate funds among investment markets and set investment policy with an aim of keeping each of these risks at a manageable level. We also need to strike an appropriate balance between reducing these risks and enhancing returns.

The way we think about risk has a significant influence on how we allocate funds between markets. We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets, particularly fixed interest instruments with a long time to maturity. The main reasons for this are:

- New Zealand investment markets match our claims liabilities better than offshore markets, as our claims liabilities are sensitive to real New Zealand bond yields
- the internal management costs of ACC's New Zealand investments are much lower than the external management costs of offshore investments.

Consequently, ACC makes a significant contribution to New Zealand's capital markets, and is one of the largest investors in New Zealand companies. We own about 2.5% of the market capitalisation of the New Zealand sharemarket, which equates to 3.5% of the available shares if we exclude strategic shareholding blocks (such as the Government's shares in the gen-tailers) from the calculation.

ACC holds an even greater proportion of New Zealand dollar investment-grade bonds. For example, ACC owns 53% of the Inflation Indexed bonds that have been issued by the New Zealand Government, and 7% of the regular (not inflation-indexed) New Zealand Government bonds.

Each of ACC's Accounts splits its investment funds between an investment in ACC's short-term 'cash portfolio', used to meet near-term expenditure requirements, and its own longer-term 'reserves portfolio', set aside to meet the future costs of existing claims.

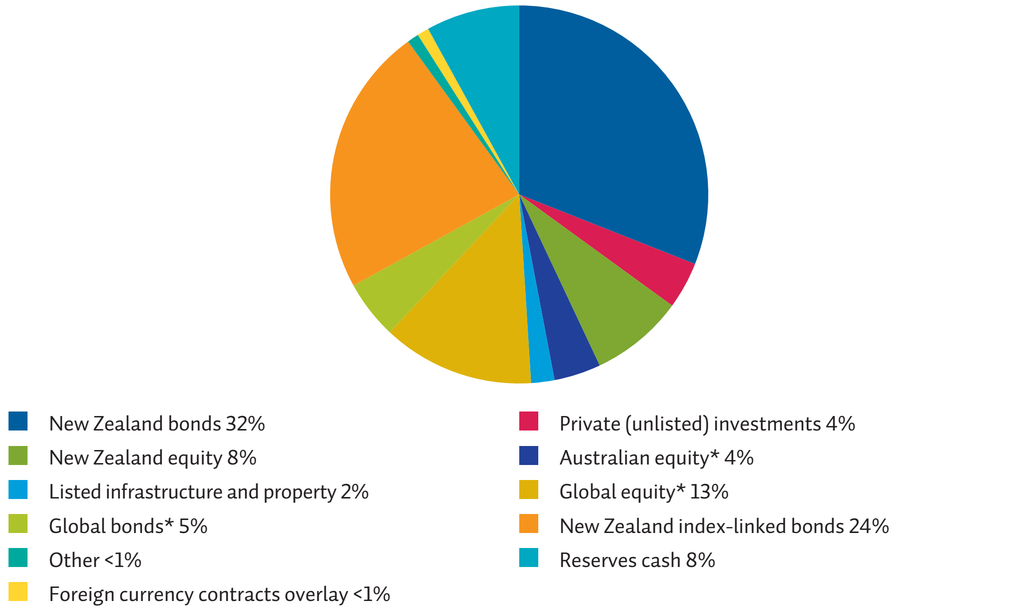
The investment allocations of the reserves portfolios differ by Account, reflecting different funding positions, different projected growth rates, and the different claims liability characteristics of the various ACC Accounts. Generally, rapidly growing Accounts have a higher percentage of their assets invested in equities than those Accounts that have slower projected growth in investment assets.

As ACC's Accounts have investment portfolios that are several times as large as their annual levy income, we must limit these Account's exposure to equity markets to avoid investment results causing excessive variability in levy rates. Over the past decade we have reduced ACC's overall weighting in equity markets by more than would have otherwise been the case because the aggregate reserves portfolio has grown faster than ACC's outstanding claims liability.

The Board's Investment Committee regularly reviews long-term benchmark investment allocations for each Account's reserves portfolio, based on the advice of the Investment Unit. These benchmark allocations take account of both our long-term expectations for the returns from the various investment markets and the need to limit the Accounts' various risk exposures. Setting benchmark asset allocation involves striking an appropriate balance between the objective of enhancing returns and the objective of reducing risk. ACC aims to maintain a high level of consistency in how it evaluates this trade-off from one year to the next, as an inconsistent approach over time would probably lead to worse long-term investment results.

Our investment staff may make short- or medium-term decisions to vary from the benchmark allocations, within risk control parameters set by the Investment Committee.

COMPOSITION OF RESERVES PORTFOLIOS



* The global equity, Australian equity and global bonds slices include effective exposure to equity and bond markets obtained through futures contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of interest rate derivatives as an asset allocation overlay. Interest rate derivative overlays provided further effective exposure to the bond market of 4% of total reserves at the end of June 2018.

How ACC's investments are managed

Practically, we allocate funds between distinct investment portfolios that are focused on different investment markets. We aim to add value in how we allocate funds between different investment markets, and in how the portfolios perform within each investment market.

Our internal Investment Unit directly manages almost all of ACC's investments in New Zealand investment markets, the majority of ACC's investments in Australia, and about one-fifth of ACC's investment in global equities. The manager of each portfolio aims to identify and take advantage of situations where some sectors or securities within their market are being mispriced in relation to their risks and prospects. We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

Most of ACC's foreign assets (and a significant proportion of ACC's private equity investments) are outsourced to external fund management companies, as this provides more diversity to ACC's portfolio and allows our internal funds management team to focus on those areas where they have the greatest 'edge'. However, we balance this diversification against the fact that external management is significantly more expensive for ACC than internal portfolio management. Over time ACC has achieved strong results from both internal and external funds management.

Overlay strategies

Our Investment Unit also actively uses 'overlay strategies' to manage ACC's exposure to different investment markets. These are listed below.

- A New Zealand interest rate derivatives overlay to obtain greater protection against declines in long-term interest rates than could efficiently be achieved through physical allocation alone. We want to ensure that ACC's investment returns would be strong in situations where long-term interest rates decline, as declines in long-term interest rates would result in increases in the assessed value of ACC's claims liabilities.
- We regularly buy or sell global equity futures to re-adjust ACC's overall exposure to equity markets on a daily basis, as this is transactionally cheaper than buying or selling equities. However, when we make a long-term decision to allocate funds in or out of equity markets, we ultimately implement this through the purchase or sale of physical equities.
- Foreign exchange forwards and cross currency interest rate swaps to manage ACC's foreign exchange exposures. ACC's benchmarks specify a neutral level of unhedged foreign exchange exposure, which is significant but is less than our total allocation to overseas markets. Our Investment Unit may vary the extent to which ACC uses currency hedging (within predefined limits), such that ACC may have net unhedged foreign exchange exposures that are either higher or lower than this neutral position.
- We use global bond futures to adjust our overall exposure to interest rates. This can be transactionally cheaper than either allocating funds in or out of bond portfolios or making changes to our New Zealand interest rate derivative position.

We are conscious that ACC incurs credit exposure to counterparties when undertaking derivative transactions such as foreign exchange forwards or interest rate swaps. We aim to only use derivatives when there is no equally good alternative, or when the alternatives would be significantly more expensive for ACC. We also have limits and controls governing derivative use and credit exposures, and have implemented collateral arrangements to better control our credit exposures.

Long-term investment performance

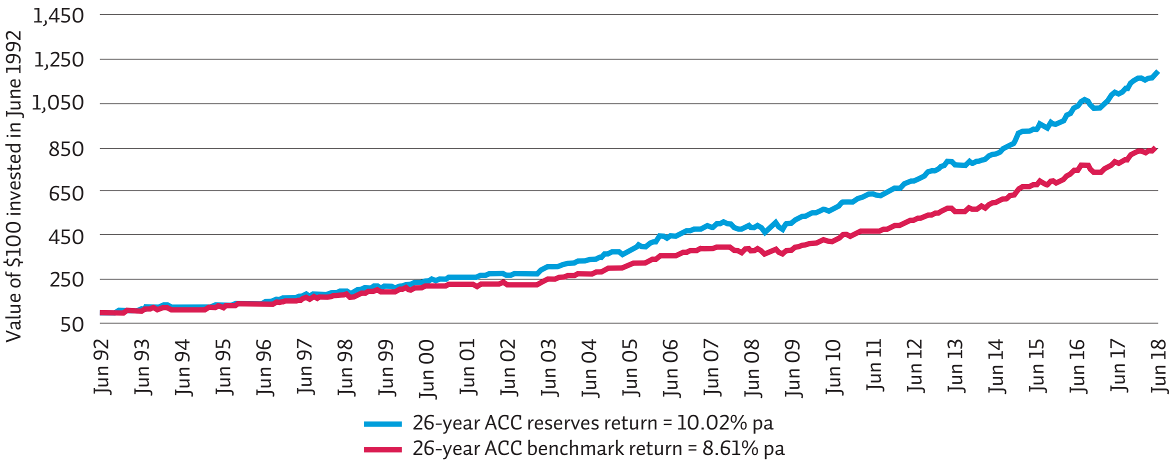
ACC has been measuring the performance of its investment portfolios on a market-value basis for 26 years.

- The New Zealand bond portfolio has outperformed its benchmark in 24 of the past 26 years.
- The combined New Zealand equity portfolio has outperformed its benchmarks in 22 of the past 26 years.
- **ACC's overall reserves portfolio has outperformed its composite benchmarks for 25 of the past 26 years, including 23 consecutive years of outperformance from June 1995 to June 2018** (but note that in two of these 23 years ACC's outperformance of the benchmark did not exceed investment costs).

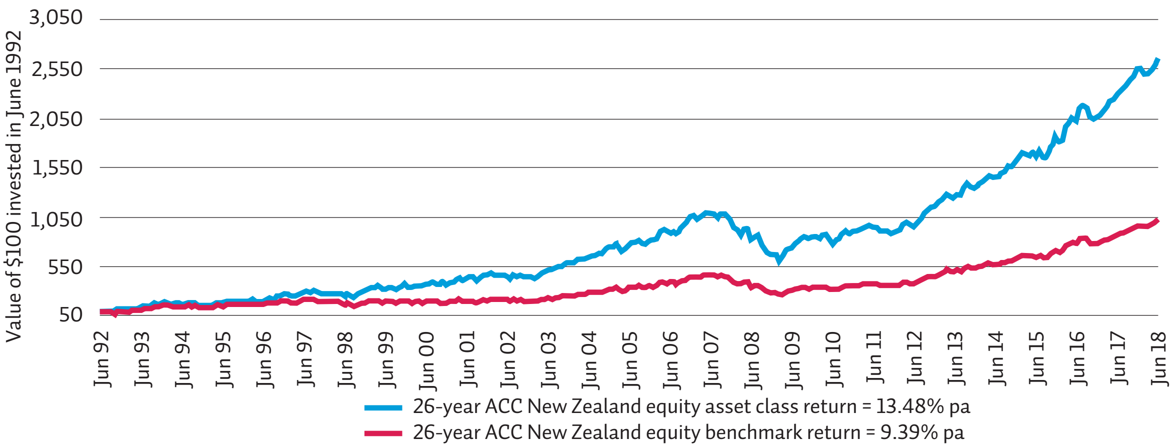
We are not aware of any other large diversified fund anywhere in the world that can match the consistency of ACC's reserves portfolio's outperformance during this sometimes turbulent period for investment markets.

This consistency has helped ACC's reserves portfolio to achieve compound returns of 10% per annum for the past 26 years, which is higher than the returns that ACC could have achieved by passively investing in any feasible combination of significant investment markets over that 26-year period. Through the returns that ACC has achieved, every $100 that ACC had invested 26 years ago has effectively grown to be worth $1,199 today. However, we do not expect returns to be so strong in the future.

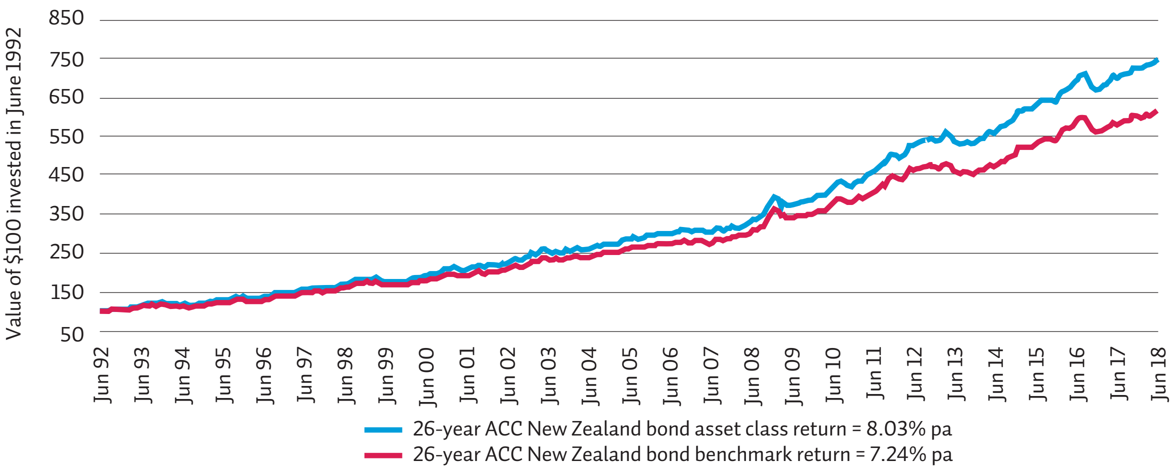
ACC 26-YEAR RESERVES PORTFOLIO RETURNS



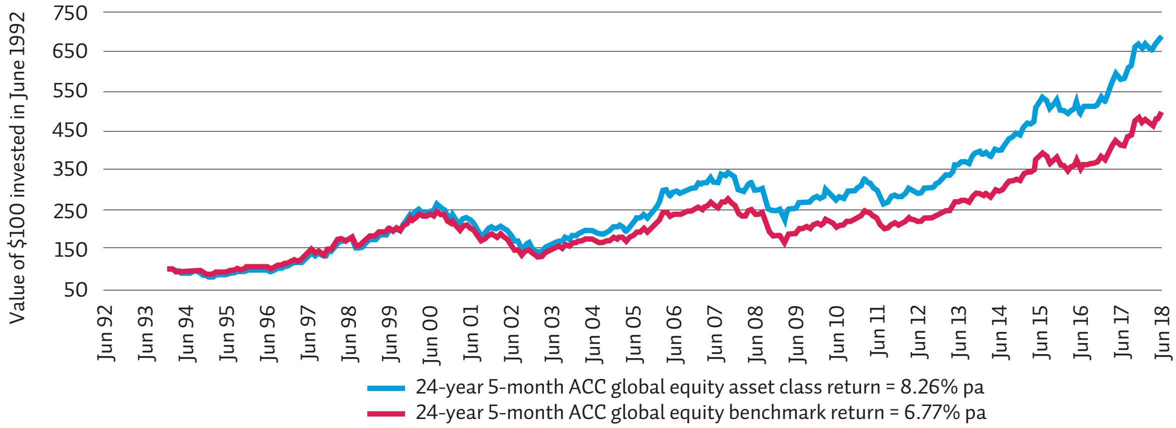
ACC 26-YEAR NEW ZEALAND EQUITY RETURNS



ACC 26-YEAR NEW ZEALAND BOND RETURNS

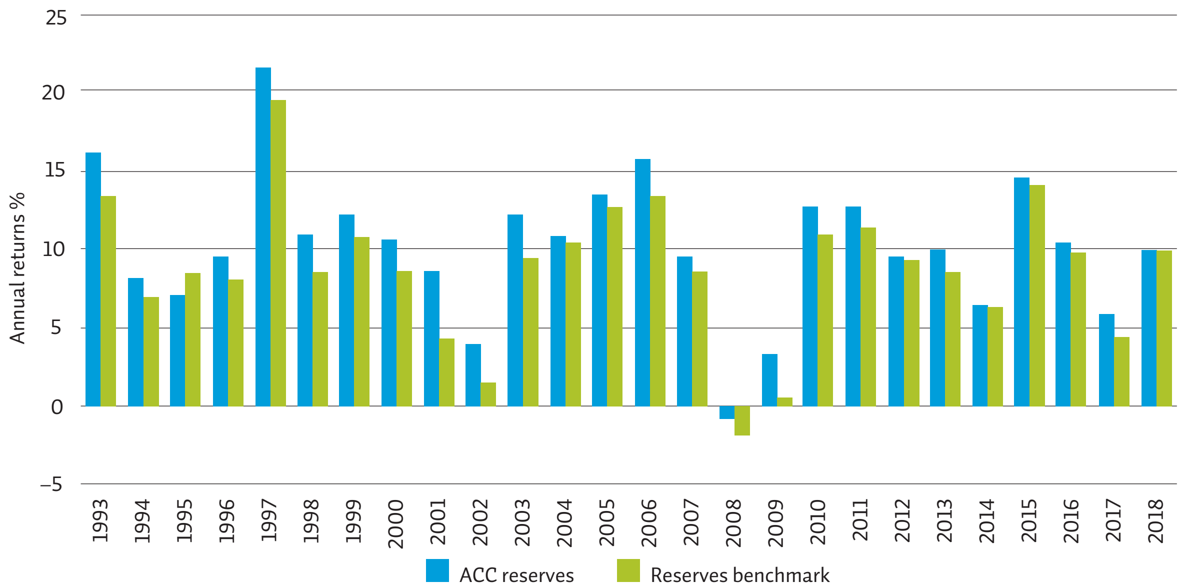


ACC 24-YEAR 5-MONTH GLOBAL EQUITY RETURNS



Note: Global equity returns are shown on a partially hedged basis up to 30 June 2001, and unhedged after this date. The period of 24 years and five months reflects the full period over which ACC has invested in global equities.

ACC FINANCIAL YEAR RETURNS AGAINST BENCHMARK



ACC's unusually strong investment performance over the past two and a half decades may be partly explained by the fact that ACC's internal management avoids many of the distortions caused by poorly aligned objectives that are often inherent in traditional models of funds management. Further, ACC has been able to retain a stable and experienced funds management team (with very low staff turnover), and ACC's funds management team has generally managed to focus on making investments where they believed they understood something that other market participants did not, whilst avoiding large risk exposures to investments where ACC's understanding was no greater than that of other investors.

Growth in ACC's investment portfolios

ACC's reserves portfolios increased in value by 8.2% from $36.6 billion last year to $39.6 billion at the end of June 2018. All of this growth came from investment returns.

Most of ACC's Accounts are "fully funded", which has resulted in levy rates being dropped to about the rate of Scheme expenditure, such that future growth in ACC's investment portfolios should be funded entirely out of investment income.

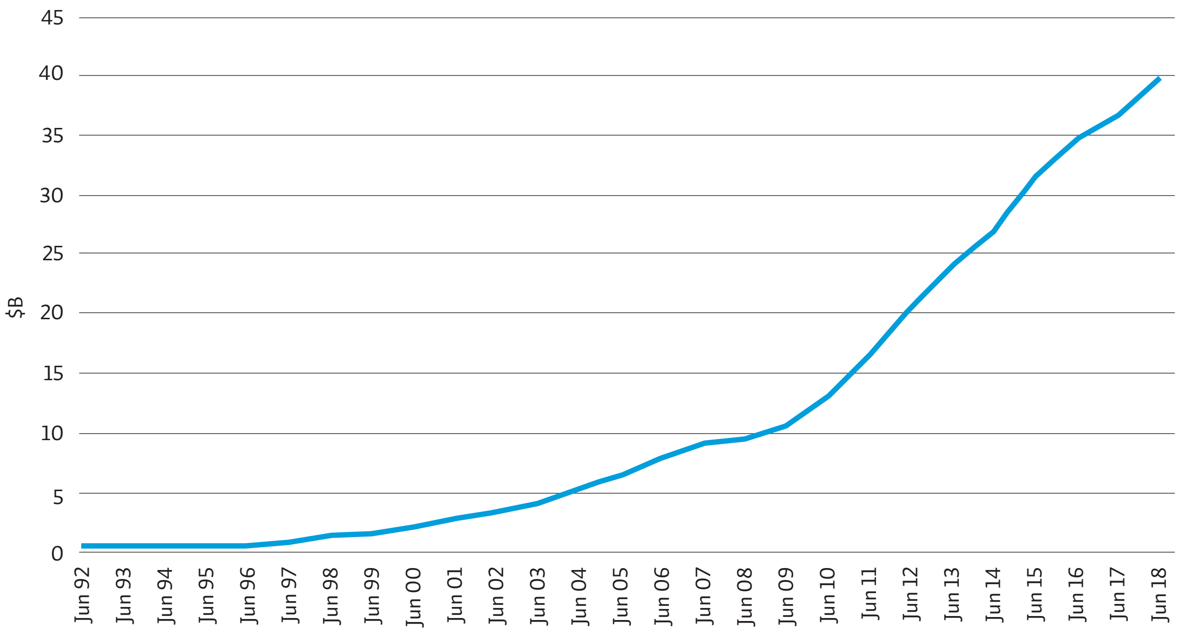
Our best guess is that future investment returns will average about 5% per annum (about half what they have been in past), and our best guess is that ACC will need to grow its reserves portfolios by about 4.5% per annum in order to "keep pace" with growth in ACC's outstanding claims liabilities (due to factors such as inflation and increasing population). Given the two-sided risks around both of these forecasts, there remains a significant probability that future investment income could be insufficient to match the long-term growth in ACC's claims liabilities.

Investment benchmarks

Like most other fund managers, we compare the make-up and performance of ACC's investment portfolios against market-based benchmark indices. These benchmarks indicate how we would expect to invest ACC's funds if we did not have any views on the likely relative performance of different securities within a market. Accordingly, it is important that the benchmarks represent sensible starting points for the construction of portfolios that meet ACC's needs. In many cases, a commonly used market benchmark is appropriate for ACC, but in other cases we manage ACC's portfolios against a different benchmark which better reflects objectives or market focus. For example, the high interest rate sensitivity of our claims liabilities means that ACC needs a highly interest-rate-sensitive bond portfolio, so we manage the New Zealand bond portfolio against a benchmark index that only includes bonds with more than five years remaining to maturity.

As well as indicating a neutral starting point for the management of our portfolios, benchmark indices are useful for assessing portfolio performance, as they allow us to differentiate the element of a portfolio's returns that are due to generalised market conditions from the relative value that has been added or subtracted in the management of that portfolio.

TOTAL SIZE OF ACC'S RESERVES PORTFOLIO



The returns achieved on the reserves portfolios belonging to ACC's various Accounts are measured against composite benchmarks, which represent a weighted composite of the benchmarks for the various investment markets in which those reserves portfolios may invest. The benchmark weightings used for calculating the reserves portfolios' benchmarks are reviewed twice a year, and are intended to reflect a sensible starting point for the allocation of each Account's funds, based on the financial position of these Accounts and the pricing of investment markets at the time of each review. Benchmark allocations between investment markets have changed in most of the past 26 years.

It could be argued that changes in ACC's composite benchmarks over time make it more difficult to measure performance than would be the case if ACC had always compared itself to the same unchanging "reference portfolio", an approach that is taken by many other funds. However, ACC aims to encourage its investment team to think about allocating between markets based on the factors that are relevant today, and to avoid having allocation decisions distorted by a reference portfolio based on factors that may have changed since the reference portfolio was fixed. This has been particularly important for ACC, as large changes in ACC's funding position over the past decade have had a significant impact on the appropriate benchmark for ACC's investment activities. For these reasons, we have elected not to adopt a fixed reference portfolio.

We believe that our changing asset allocation benchmarks have represented a tougher hurdle for measuring performance than any fixed reference portfolio that we might have adopted in the past. This is supported by the fact the **26-year returns from ACC's reserves portfolio benchmarks have been stronger than the returns that would have been achieved by passively investing in New Zealand cash, New Zealand bonds, global bonds or global equities over the 26 year period**[1].

Probability of negative returns

A typical risk analysis based on the past performance of investment markets, current bond yields and the current composition of ACC's portfolio would suggest that each year there is roughly a one-in-five chance of recording negative returns. In reality, we have had just one financial year of negative returns in the past 26 years (2007/08, when the reserves portfolio returned -0.8%).

Statistical analysis based on current interest levels and the variability of investment markets over the past two decades would suggest that over any given year there is a less than a 0.5% probability that ACC will record returns of -10% or worse. However, we believe that it is wise to assume that the probability of negative returns of this magnitude could be higher than suggested by this analysis.

There are two primary factors that contribute to the risk of negative returns:

- All else being constant, a rise in bond yields of about 0.9% could result in ACC recording negative investment returns. However, ACC's overall funding position would improve as a result of a rise in bond yields, as the claims liability would decrease by an even greater amount than the decline in investment income.
- Based on current policy, ACC's Accounts will typically have an average of 31% of their reserves funds effectively invested in equity markets. This means that, all else being constant, a generalised decline in foreign and domestic equity markets of approximately 9% or more would tend to result in ACC recording negative overall investment returns.

Diversification/Size of largest investments

ACC's investments in individual companies and securities are generally too small to significantly endanger total investment returns in a single financial year. Excluding one investment in a diversified global equity fund, ACC holds just three equity investments that individually represent more than 0.5% of the reserves portfolio (ie $198.2 million).

Note that in the table on the next page, the largest holding is now an unlisted investment in Kiwi Group Holdings, the parent company of Kiwibank. ACC and the New Zealand Superannuation Fund jointly made this investment in Kiwi Group Holdings in October 2016, and contributed further capital to Kiwi Group Holdings in April 2017. ACC views Kiwi Group Holdings as a long-term investment.

Aside from the investment in Kiwi Group Holdings and ACC's equity investments in Wellington Gateway Partnership (which is building the Transmission

1 *With the benefit of hindsight, we can calculate that an allocation of close to 100% of the portfolio to New Zealand equities would have produced higher returns than ACC's actual benchmarks. However, such an allocation would not have suited ACC's risk tolerance, and would not have been practical (as ACC could not invest 100% of its funds in the New Zealand equity market without exceeding takeover thresholds).*

Gully motorway north of Wellington) and NX2 (which is building the Puhoi to Warkworth motorway), all of ACC's top-50 equity investments are held in companies and trusts that are listed on public stock exchanges, which allows us to be certain about the current market value of these investments.

The only individual credit exposures representing more than 1% of the reserves portfolio (ie $397 million) are to the New Zealand Government, the Australian Government, the Local Government Funding Agency, three banking groups with strong credit ratings and a New Zealand banking license and the Auckland Council, as well as an aggregate exposure of over 1% of reserves to the most senior-ranking (AAA rated) securities issued by loan securitisation vehicles associated with an Australian-based loan originator.

None of ACC's direct property investments represents more than 0.5% of the reserves portfolio. ACC's largest property investment is a Wiri property leased to The Warehouse for its North Island distribution centre. This property is valued at $167 million.

Note that this table does not attempt to aggregate any known indirect investment exposures incurred through pooled investment vehicles with the direct investments in the various companies shown in the table. ACC has $814 million invested in five pooled investment vehicles that invest in listed equity markets. The bulk of this investment ($750 million) is invested in an unlisted global equity fund managed by Orbis.

ACC's 50 largest equity investments	NZD m*
Kiwi Group Holdings (holds Kiwibank)	325.1 **
a2 Milk Company	220.6
Fisher & Paykel Healthcare Corporation	202.8
Contact Energy	187.1
Auckland International Airport	185.1
Spark New Zealand	176.5
Fletcher Building	160.3
Infratil	156.1
Kiwi Property Group	153.1
Z Energy	152.2
Meridian Energy	132.6
Goodman Property Trust	120.6
BHP Billiton	114.4
Ryman Healthcare	111.5
Chorus	97.4
Wellington Gateway Partnership (Transmission Gully PPP)	97.4 **
Precinct Properties New Zealand	97.3
SKYCITY Entertainment Group	90.9
CSL	86.6
Mainfreight	83.9
Mercury NZ	83.6
Alphabet	74.9
Transurban Group	72.9
Microsoft Corp	69.9
Wells Fargo & Co	66.6
Air New Zealand	66.1
Samsung Electronics Co	63.9
Trade Me Group	63.2
Metlifecare	61.2
Stride Stapled Group	56.4
Mastercard	55.2
Apple	54.9
Wesfarmers	52.4
Nestlé	51.9
AGL Energy	50.4
EBOS Group	48.2
Anthem	46.6
Visa	45.4
NX2 (Puhoi to Warkworth PPP)	45.1 **
Property for Industry	44.7
Sky Network Television	43.8
Genesis Energy	42.6
Vital Healthcare Property Trust	41.9
Taiwan Semiconductor Manufacturing Company	41.4
Facebook	41.2
Rio Tinto	41.1
Woolworths	40.3
Summerset Group Holdings	40.0
Secom Co	39.9
Sydney Airport	39.8

* *ACC's investment value ($NZ million, market value).*

** *The values shown for Kiwi Group Holdings, Wellington Gateway Paternership, and NX2 are based on independent valuations, as no observable market value exists for these untraded equity investments.*

Ethical investment

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

ACC works closely with the Guardians of New Zealand Superannuation and the Government Superannuation Fund Authority on all aspects of ethical investment, and is a signatory to the United Nations Principles for Responsible Investment (see ***www.unpri.org***).

In addition to carrying out its own investment activities in an ethical manner, ACC avoids directly investing in entities that are engaged in activities that would be regarded as unethical by a substantial majority of the New Zealand public. ACC takes the laws of New Zealand to be a reflection of those principles that are widely held by the New Zealand public. Hence, ACC seeks to avoid investing in entities that engage in activities that would be illegal if they occurred in New Zealand. Furthermore, ACC avoids investing in companies involved in the production of tobacco, recognising that while tobacco is still legal in New Zealand, it is greatly discouraged by New Zealand public policy.

Specifically, ACC will not directly invest in entities that are involved in the following activities:

- Production of tobacco or cannabis-based products
- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998
- Production, design, testing, assembly, or refurbishment of nuclear explosive devices
- Production or development of cluster munitions
- Processing of whale meat.

ACC has a legal requirement to invest as a trustee, which implies a fiduciary responsibility to achieve the best possible mix of long-term return and risk on its investment funds. Whilst ACC recognises that significant numbers of New Zealanders may believe that various other activities are unethical (for example, involvement in gambling, fast food, sugary soft drinks, alcoholic beverages, factory farming or coal mining), ACC would be unlikely to impose a blanket exclusion on investing in these activities unless New Zealand's Parliament passed laws to ban these activities in New Zealand. When New Zealand's democratically elected Parliament does ban an activity, ACC would likely presume that Parliament's decision reflects the majority view of the New Zealand public. In addition to avoiding investments in companies that engage in activities that are contrary to New Zealand law, we will never make any form of investment that is in itself illegal under New Zealand law.

In addition to excluding investment in specific types of activity, ACC will occasionally exclude companies that it believes are behaving in an unethical manner, if there seems to be little chance that the companies will change their behaviour. In these cases, ACC will typically discuss its concerns with a company before we make a final decision to add it to our exclusion list. We hope that, in many cases, the board or senior management of the company will seek to improve their company's behaviour when they recognise that some aspect of how they have been conducting their business is attracting unfavourable attention from large investors such as ACC.


ACC SportSmart

Statement of performance and financial statements

Statement of responsibility

(Pursuant to section 155 of the Crown Entities Act 2004)

We are responsible for the preparation of the statement of performance and financial statements and for the judgements made in them.

We are responsible for any end-of-year performance information provided by ACC under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, the statement of performance and financial statements fairly reflect the financial position and operations of ACC for the year ended 30 June 2018.

Signed on behalf of the Board:

Dame Paula Rebstock DNZM
Board Chair

Trevor Janes
Deputy Chair

Statement of performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2017/18. It is divided into two sections: the public value scorecard, and performance against output delivery.

Section 1: Public value scorecard

This section summarises our performance against ACC's public value scorecard. Public value is an organising principle for public service organisations that is equivalent to shareholder value for private companies. It has been adopted by public sector organisations worldwide.

Our public value scorecard framework recognises that our activity should:

- create economic or social value for clients as individuals or society at large
- enjoy sufficient support from politicians and the wider public to attract the necessary resources
- be achievable given the capabilities available from ACC and external suppliers.

We use three categories of measure that enable us to assess our overall performance in delivering public value:

- Customer – the quality and effectiveness of the services provided
- Impact – how effective we are at delivering the desired outcomes
- Cost-effectiveness – value for money and financial sustainability.

We have provided explanations for performance measures where we did not achieve the targeted performance levels.

Section 2: Performance against output delivery

Section 2 of the statement of performance includes a brief explanation of what is intended to be achieved within each output, and ACC's performance against all other output measures included in the Service Agreement 2017/18, excluding those already reported in the public value scorecard.

Again, we have provided explanations for performance measures where we did not achieve the targeted performance levels.

Section 1: Public value scorecard

PUBLIC VALUE SCORECARD – CUSTOMER

Category	Measuring our contribution to New Zealand	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?	
CUSTOMER Did we meet expectations?	Cover decision timeliness.	1.2 days	1.1 days	1.15 days	✗	Refer to Note 1
	Average time to commence weekly compensation payments.	7 days	<7.5 days	7.3 days	✓	
	Formal reviews as a percentage of entitlement claims.	2.7%	2.6%	2.8%	✗	Refer to Note 2
	Percentage of reviews upheld.	81.7%	≥84%	81.3%	✗	Refer to Note 2
	Average time to resolution for claims with reviews.	94.8 days	<90 days	99.5 days	✗	Refer to Note 2
	Public trust and confidence.	62%	65%	61%	✗	Refer to Note 3
	Customer satisfaction – clients.	78%	77%	80%	✓	
	Customer satisfaction – levy payers.	68%	71%	66%	✗	Refer to Note 4
	The number of category 3, 4 and 5 privacy breaches and near misses.	1	<5	0	✓	

NOTE 1 – COVER DECISION TIMELINESS

While we missed the overall target for cover decision timeliness for 2017/18, our timeliness for non-complicated claim decisions was still strong (at a 12-month rolling average rate of 0.33 working days). We also performed well in cases of treatment injury cover decisions, and other decision types (hearing loss, gradual process and sensitive claims) all continue to show positive trends. Our performance was impacted by the implementation of key systems which created a need for manual processes and slowed cover decisions, although this was for less than one month. These challenges have been resolved and we expect performance to improve as we move into the 2018/19 year.

NOTE 2 – REVIEWS

This year we had strong growth in the number of reviews received (5.4%) which put pressure on both the teams helping our clients to resolve disputes and Fairway, our independent dispute resolution provider. This resulted in our reviews performance measures not achieving target. This year we made changes to improve consistency and performance as a result of our below-target performance last year. These actions will take time to influence review outcomes and be reflected in our annual results.

NOTE 3 – PUBLIC TRUST AND CONFIDENCE

The 2017/18 result of 61% (rolling four-quarter average) is below the full-year target of 65%. It is important to recognise that this can be a highly volatile measure of performance – we scored 56% for the March 2017 quarter, and this increased to 65% for the June 2017 quarter.

We are confident that underlying public trust and confidence is improving. This March-June improvement is mirrored by movements we have seen in our public net trust score. We are also proposing to run a 'shadow' public trust measure, an online version of the public trust omnibus that will replace the existing phone-based survey from 2019/20.

NOTE 4 – CUSTOMER SATISFACTION – LEVY PAYERS

This performance measure was largely stable during the year (with quarterly results between 65% and 67%). While we missed the overall target, this is a positive result given the changes we implemented through the year. Most importantly, we replaced our core levy management system in 2017/18, and improved reporting and other digital services now available to business customers. We know these changes will improve the business customer experience, but we recognise that it may take time for the changes to translate into increased satisfaction.

PUBLIC VALUE SCORECARD – IMPACT

Category	Measuring our contribution to New Zealand	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?	
IMPACT Did we deliver?	Return to work within 10 weeks.	68.4%	69.0%	67.4%	X	Refer to Note 5
	Return to work within nine months (273 days).	93.1%	93.2%	92.9%	X	Refer to Note 5
	Durable-return-to work-rate.	80.0%	77.0%	80.0%	✓	
	Return to independence for those not in the workforce.	85.8%	86.0%	86.7%	✓	
	Number of long-term clients returned to independence in the past 12 months.	3,340	3,531	3,285	X	Refer to Note 6

NOTE 5 – RETURN TO WORK

This year we experienced record new claims volumes and clients receiving weekly compensation. We returned the greatest number of clients to work in our history within the first 10 weeks of receiving weekly compensation.

However, we did miss the targets (higher targets than last year's actual performance) we set for ourselves. This reflected the pressures of managing the record claim volumes while maintaining the momentum of our ambitious Transformation Programme. Our focus in 2018/19 will be on improving outcomes for our clients, and we expect to see our return-to-work rates improve in the first quarter of 2018/19.

NOTE 6 – NUMBER OF LONG-TERM CLIENTS RETURNED TO INDEPENDENCE IN THE PAST 12 MONTHS

We returned fewer long-term clients to independence than planned during 2017/18. While this represents a missed performance target (and a decline on 2016/17), we did achieve more durable independence outcomes for those clients who exited the Scheme, as demonstrated by a lower number of long-term clients who did not have a sustainable return to work and required subsequent support from ACC.

PUBLIC VALUE SCORECARD – COST EFFECTIVENESS

Category	Measuring our contribution to New Zealand	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?	
COST EFFECTIVENESS Were we fair and affordable?	Percentage of total expenditure paid directly to clients or for services to clients.	85.8%	86.2%	85.9%	✗	Refer to Note 7
	Total levies and appropriations as a percentage of gross domestic product.	1.5%	1.5%	1.4%	✓	
	Change in annual treatment cost per injury.	3.4%	2.9%	3.3%	✗	Refer to Note 8
	Ratio of this year's total levies to the total claims incurred for this year's accidents over time.	0.8	0.7–0.8	0.7	✓	
	Investment performance (after costs) above benchmark.	1.35%	0.30%	-0.10%	✗	Refer to Note 9
	Return from insurance operations.	-$1,203m	-$492m	$26m	✓	
	The portfolio of injury prevention investments will have an assessed positive return on investment.	$1.63:1	$1.70:1	$1.72:1	✓	

NOTE 7 – PERCENTAGE OF TOTAL EXPENDITURE PAID DIRECTLY TO CLIENTS OR FOR SERVICES TO CLIENTS

During 2017/18, claims paid (including payments directly to our clients and payments for services for our clients) reached a record $4 billion. Our operating costs were affected by our commitment to maintain the pace of our Transformation Programme. We invested more to ensure that our system improvements were well planned and supported, our people and our providers were well prepared for the changes and we provided appropriately for alterations to our organisational structure.

NOTE 8 – CHANGE IN ANNUAL TREATMENT COST PER INJURY

While the change in annual treatment cost per injury is higher than target, we have been successfully reducing the rate of growth since October 2017 (the 2017/18 peak of 5.8%). The primary driver of growth this financial year was a reduction in the number of low-cost surgical interventions (which pushes the average cost of surgical interventions up). We have also seen an increase in the number of clients with sensitive claims, increasing the costs associated with counselling services.

NOTE 9 – INVESTMENT PERFORMANCE (AFTER COSTS) ABOVE BENCHMARK

ACC's reserves portfolios delivered a gross return of 9.89%, outperforming our market-based benchmarks by 0.01%. However, we underperformed our benchmarks by 0.10% after adjusting for investment costs. ACC's returns were adversely affected by the decision to hold a lower-than-benchmark exposure to equity markets throughout the year.

Section 2: Performance against output delivery

The breakdown of our revenue earned and costs incurred compared with expected revenue and costs reported in the Service Agreement 2017/18 is as follows:

ACTUAL VS EXPECTED REVENUE AND COSTS

	Administration		Claims paid		Revenue	
$M	Actual	Budget	Actual	Budget	Actual	Budget
Output class 1 – Injury prevention	69	72	–	–	–	–
Output class 2 – Levy setting and collection	39	39	–	–	4,119	4,103
Output class 3 – Investment management	52	52	–	–	3,567	1,441
Output class 4 – Claims management	427	451	4,011	4,085	–	–
Total	**587**	**614**	**4,011**	**4,085**	**7,686**	**5,544**
Other operating costs	103	79	–	–	–	–
Total ACC	**690**	**693**	**4,011**	**4,085**	**7,686**	**5,544**

The relevant public value measure is:

- return from insurance operations.

Refer to ***Section 1 Public value scorecard*** for performance against public value measures.

Output 1: Injury prevention

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 effort on injuries that affect the Scheme, such as high-cost and high-volume claims that affect claim costs, the OCL and levies.

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

The public value measure relevant to this output class is:

- return on investment for the portfolio of approved injury prevention investments.

Refer to ***Section 1 Public value scorecard*** for performance against public value measures.

OTHER OUTPUT MEASURES – INJURY PREVENTION

Measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Performance against target
The number of people directly affected by injury prevention programmes	528,628	375,000	677,235	Achieved
Total investment across all injury prevention programmes	$55m	$71.6m	$69.4m	Not achieved
Work portfolio				
Programmes	Not measured	16	20	Achieved
Direct reach	Not measured	21,300	9,385	Not achieved
Investment	Not measured	$12.9m	$19.8m	Achieved
Falls portfolio				
Programmes	Not measured	4	4	Achieved
Direct reach	Not measured	25,400	47,600	Achieved
Investment	Not measured	$12.2m	$11.0m	Not achieved
Road portfolio				
Programmes	Not measured	12	12	Achieved
Direct reach	Not measured	26,500	116,549	Achieved
Investment	Not measured	$10.8m	$9.8m	Not achieved
Sport and recreation portfolio				
Programmes	Not measured	14	17	Achieved
Direct reach	Not measured	185,400	235,142	Achieved
Investment	Not measured	$10.6m	$9.5m	Not achieved
Treatment safety portfolio				
Programmes	Not measured	9	13	Achieved
Direct reach	Not measured	800	4,080	Achieved
Investment	Not measured	$10.6m	$7.2m	Not achieved
Community portfolio				
Programmes	Not measured	8	11	Achieved
Direct reach	Not measured	99,100	229,881	Achieved
Investment	Not measured	$7.1m	$4.7m	Not achieved
Violence portfolio				
Programmes	Not measured	15	20	Achieved
Direct reach	Not measured	16,500	34,598	Achieved
Investment	Not measured	$7.4m	$7.3m	Not achieved

The total injury prevention investment ended the 2017/18 financial year $2.2 million (3%) behind its aggregate investment target. The Community and Treatment Safety portfolios were the only portfolios that did not meet their investment targets to within 3%.

The shortfall in the Community portfolio reflects the fact that the broader work to understand ACC's response to alcohol did not progress as planned. Rather, activity to reduce alcohol-related harm was focused at a regional level. ACC's response to some of the more systemic issues surrounding alcohol-related harm will be considered within the revised Injury Prevention Strategy.

In Treatment Safety, the lower-than-expected investment relates primarily to spending less on the design and publication of the second edition of the Treatment Injury Information publication. Also contributing to the shortfall was the fact that additional research pilots were needed to inform the development of business cases, which delayed delivery.

The Work portfolio reach wasn't achieved because there was a technical issue with the capture of reach through its website where workplaces access resources.

Output 2: Levy setting and collection

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 cost of claims incurred in that year.

LEVY RATES 2015/16 – 2018/19

	The account and who funds it	What's covered	2015/16	2016/17	2017/18	2018/19
	**Work Account** **Employers:** Based on wages paid to staff. **Self-employed:** Based on income earned.	Work-related injuries.	$0.90 per $100 liable earnings	$0.80 per $100 liable earnings	$0.72 per $100 liable earnings	$0.72 per $100 liable earnings
	**Earners' Account** **Employers:** Based on income earned. **Self-employed:** Based on income earned.	Non-work injuries to people in employment.	$1.26 per $100 liable earnings	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings
	**Motor Vehicle Account** **Vehicle owners:** Funded through petrol use and the motor vehicle licensing fees.	Injuries that involve moving motor vehicles on public roads.	$194.25 per motor vehicle	$130.26 per motor vehicle	$113.94 per motor vehicle	$113.94 per motor vehicle
	**Non-Earners' Account** **The Government:** Funded by general taxation.	Injures that happen to people not in the workforce.				
	**Treatment Injury Account** **The Government and employees:** Funded by the Earners' and Non-Earners' Accounts.	Injuries caused by medical treatment.				

The public value measures relevant to this output class are:

- levy payer satisfaction
- ratio of this year's total levies to the total claims incurred for this year's accidents
- total levies and appropriations as a percentage of gross domestic product.

Refer to ***Section 1 Public value scorecard*** for performance against public value measures.

Activity information

The table below shows the number of funders, and the levy and appropriation revenue, for each Account.

FUNDERS AND REVENUE, BY ACCOUNT

		Actual 2016/17	Actual 2017/18
Levy-funded accounts			
Work Account	Number of employed and self-employed[1]	2,460,000	2,630,000
	Levy revenue ($M)	786	745
Earners' Account	Number of earners	2,480,000	2,530,000
	Levy revenue ($M)	1,397	1,441
Motor Vehicle Account	Number of vehicles	3,600,000	3,800,000
	Levy revenue ($M)	552	436
Government-funded account			
Non-Earners' Account	Number of non-earners[2]	2,270,000	2,320,000
	Government appropriation ($M)	1,088	1,178
Mixed-funded account			
Treatment Injury Account	Number of non-earners	2,270,000	2,320,000
	Government appropriation ($M)	143	176
	Number of earners	2,480,000	2,530,000
	Levy revenue ($M)	135	143

1 *Sourced from Statistics New Zealand household labour force survey (actuals as at 30 June each year).*

2 *Figures based on ACC actuarial estimates.*

Other levy-setting and collection output measures

Each Account operates independently and cannot cross-subsidise another. For this reason, we monitor forecast funding ratios by Account for the year.

ACCOUNT SOLVENCY

Solvency as at 30 June (%)	Actual 2016/17	Actual 2017/18
Work Account[3]	120.3%	114.0%
Work Account (excluding gradual process)	146.5%	135.4%
Earners' Account	114.0%	112.4%
Motor Vehicle Account	110.9%	110.4%
Non-Earners' Account	42.7%	43.4%
Treatment Injury Account	67.0%	78.7%
ACC	**96.3%**	**96.7%**

3 *The Work Account funding ratio shown here includes the additional liability for work-related gradual process claims not yet made.*

Output 3: Investment management

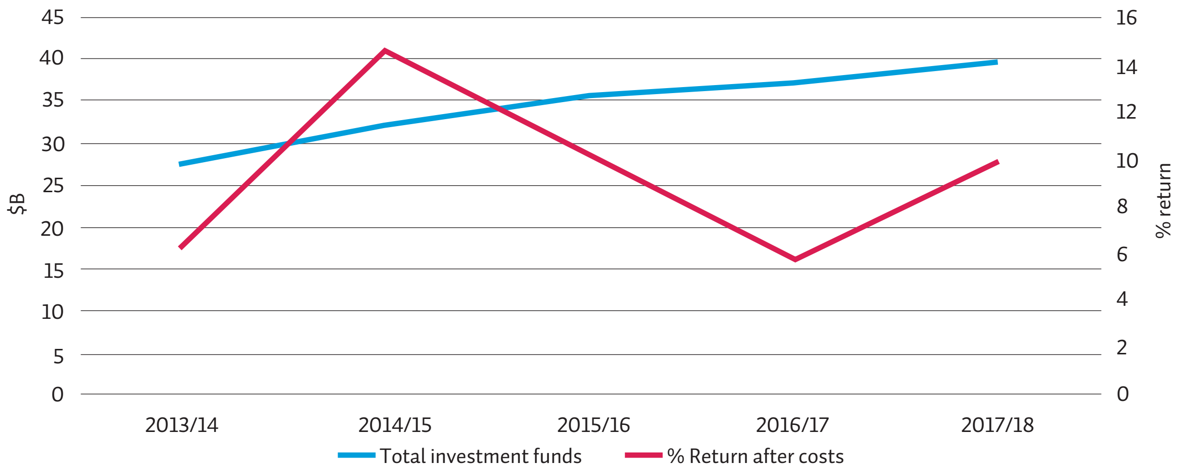
The purpose of our investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams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

We intend to 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 management.

Activity information

TOTAL INVESTMENT FUNDS AND INVESTMENT RETURNS



The public value measure relevant to this output class is:

- investment performance after costs relative to benchmark.

Refer to ***Section 1 Public value scorecard*** for performance against public value measures.

Other investment management output measures

The efficiency of our investment management is measured by expressing total investment management costs as a proportion of the total funds under management.

OTHER OUTPUT MEASURES – INVESTMENT MANAGEMENT

Measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Performance against target
Investment management costs as a proportion of total funds under management	0.15%	0.15%	0.14%	Achieved

Statement of performance and financial statements

Output 4: Claims management

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.

Activity information

The following table shows the recent trends in the number and types of claims we receive and accept. The Scheme is based on legislation and each claim is evaluated to determine whether it meets the requirements of the Accident Compensation Act 2001. We do not ration our services, as demand is determined by the number of covered injuries that occur and the types and amount of services that those who have covered injuries are eligible to receive. Please note that historic claims activity values in the table below may differ from values presented in previous annual reports. This is due to timing of claims lodgement and claims decisions.

CLAIMS ACTIVITY

Measure	Definition	2013/14	2014/15	2015/16	2016/17	2017/18
Registered claims	Total number of registered claims in the period	1,791,920	1,838,669	1,930,315	1,942,915	1,981,497
Medical fees only	Total number of medical fees only claims in the period	1,572,064	1,592,907	1,658,550	1,668,963	1,678,685
Other entitlement claims	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period	96,951	105,374	110,675	116,001	129,474
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period	89,616	100,725	106,956	113,431	118,936
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than one year as at 30 June	10,762	11,552	12,290	12,691	13,333
New serious injury claims[1]	Total number of new serious injury claims in the period	270	293	287	217	212
Fatal claims	Total number of fatal claims in the period	1,178	1,282	1,258	1,276	1,160

1. *Significant impairments or disabilities as a result of injuries (eg spinal injury, traumatic brain injury and other catastrophic injuries).*

We enable clients to receive the appropriate entitlements under the Scheme while keeping total expenditure financially sustainable. We monitor expenditure against budget for the key cost drivers of the Scheme. This is shown below.

EXPENDITURE AGAINST KEY COST DRIVERS

Expenditure against key cost drivers ($M)	Actual 2016/17	Budget 2017/18	Actual 2017/18
Non-fatal weekly compensation	1,113	1,237	1,200
Medical treatment	712	775	756
Social rehabilitation	647	758	740
Public health acute services	477	492	492
Hospital treatment (elective surgery)	331	361	347

The public value measures relevant to this output class are:

- client satisfaction
- cover decision timeliness
- average time to commence weekly compensation payments
- formal reviews as a percentage of entitlement claims
- percentage of ACC reviews upheld
- average time to resolution for claims with reviews
- return to work within 10 weeks and nine months
- durable-return-to-work rate
- return to independence for those not in the workforce
- number of long-term clients returned to independence in the previous 12 months.

Refer to ***Section 1 Public value scorecard*** for performance against public value measures.

Other claims management output measures

The costs associated with this output class have the largest bearing on overall Scheme financial sustainability. We must provide quality services to clients in an efficient manner. This requires the responsible management of controllable costs, ensuring that all expenditure is necessary and cost effective.

Key cost drivers are influenced by underlying claim numbers, the rate at which those claims access entitlements, the time taken to rehabilitate clients, and the medical costs associated with rehabilitation. Health care inflation is also a key driver of costs in this area.

These measures are intended to enable our performance to be evaluated by the types of service provided, for example rehabilitation or elective surgery, in the areas that have the greatest impacts on Scheme costs. They align with the measures reported against the customer experience strategic intention, but provide greater detail with which to assess our performance during the year.

OTHER OUTPUT MEASURES – CLAIMS MANAGEMENT

	Measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Performance against target
Social rehabilitation for serious injury	Growth in average care packages	4.1%	≤2.2%	1.9%	Achieved
	Proportion of clients with care hours significantly above or below benchmarks	47%	45%	45%	Achieved
Rehabilitation	Return to work within six months (182 days)	88.8%	88.9%	88.4%	Not achieved – refer to Note 1
	Net movement in the number of clients receiving weekly compensation for more than one year	+401	+518	+642	Not achieved – refer to Note 1
	Abatement rate for long-term clients[1]	11.9%	12.0%	11.8%	Not achieved – refer to Note 2
Elective surgery outcomes	Average time taken by ACC to make surgery decisions – declined requests	32.2 days	<32 days	32.2 days	Not achieved – refer to Note 3
	Growth in average elective surgery cost per claim	3.5%	≤3.9%	4.1%	Not achieved – refer to Note 3
	Proportion of clients who go ahead with surgery who are successfully rehabilitated 12 months after being approved for surgery Note: successfully rehabilitated is defined as no longer receiving ACC support	84.7%	85.0%	84.0%	Not achieved – refer to Note 4
Efficiency	Average cost per claim Administration costs less investment management and injury prevention costs/active entitlement claims	$2,444	$2,277	$2,662	Not achieved – refer to Note 5

1. Weekly compensation payments are reduced as clients return to part-time work.

NOTE 1 – RETURN TO WORK

This year we experienced record new claims volumes. We also experienced significant challenges in the face of change.

Part of this year's unexpected claims growth was due to an increase in the volumes of sensitive claims. This had a small impact on short-term results but a significant impact on the long-term claims pool with a net 124 clients with sensitive claims entering the long-term claim pool. Since the implementation of our redesigned Integrated Services for Sensitive Claims in 2014, annual growth in the number of new sensitive claims has been between 14% and 26%. A small number of these claims go on to receive weekly compensation but the rehabilitation journeys for these clients are usually longer than those for average physical injury claims.

NOTE 2 – ABATEMENT RATE FOR LONG-TERM CLIENTS

The abatement rate for long-term clients measures the percentage of clients in part-time work. This measure remained below, but close to, target for most of the year. This year we continued to partner with Workbridge, an organisation that assists our clients with re-entering the workforce having spent many years in rehabilitation. We expect performance to improve in 2018/19 as this partnership continues to mature.

NOTE 3 – ELECTIVE SURGERY

This year the elective surgery cost per claim increased 4.1% compared with a budget of 3.9%. Growth was driven by a continued reduction in low-cost surgeries, such as knee arthroscopies. We also experienced an increase in non-core procedures (where a procedure does not have a fixed price with our providers). We regularly review core code descriptions and pricing to ensure that they are consistent with technological advancements and inflation in the sector, and we have a programme of increasing the standardisation of surgical intervention prices with our providers. This year’s revised codes are effective from 1 July 2018.

NOTE 4 – PROPORTION OF CLIENTS WHO GO AHEAD WITH SURGERY WHO ARE REHABILITATED 12 MONTHS AFTER BEING APPROVED FOR SURGERY

The proportion of clients who go ahead with surgery, and who are successfully rehabilitated, remains below target. This year we experienced a decline in the proportion of low-cost surgeries and an increase in higher-cost more complex procedures. Complex procedures can reflect more complex treatment and rehabilitation needs, and often have higher surgical risks.

NOTE 5 – AVERAGE COST PER CLAIM

Our operating costs were affected by our commitment to maintain the pace of our Transformation Programme. We invested more to ensure that our system improvements were well planned and supported, our people and our providers were well prepared for the changes, and we provided appropriately for alterations to our organisational structure.

Year-on-year change in financial results

	$M	
30 JUNE 2017 SURPLUS	**602**	**KEY DRIVERS**
Income		
Levy rates.	(201)	Lower levy revenue due to reductions in Work and Motor Vehicle levy rates compared to 2016/17.
Gross domestic product growth.	95	Higher levy revenue because of more people in employment, increases in salary and wages, and more registered motor vehicles.
Appropriation.	123	Increase in recorded income from the Government appropriation to cover the costs of injuries to people not in paid employment, and who were not injured in motor vehicle accidents.
Investment revenue.	1,511	Total investment revenue was higher than budget and what we achieved in 2016/17.
Cash cost of claims		
Treatment costs.	(92)	Increase in expenditure for providing medical and other treatment services to injured people, due to increased claim volumes and higher provider costs.
Rehabilitation costs.	(104)	Increase in expenditure for providing vocational and social rehabilitation services to injured people, due to increased claim volumes and higher provider costs.
Compensation costs.	(95)	Increased expenditure for providing compensation for loss of salaries and related support to injured people due to increased claim numbers and higher wage levels compared with 2016/17.
Miscellaneous.	(3)	
Injury prevention costs	(14)	Increased investment in injury prevention initiatives to reduce the incidence and severity of new injuries.
Enterprise change costs	(14)	Increased expenditure on ACC's Transformation as we increased our transformation activities.
Other operating costs	(8)	
Outstanding claims liability		
Economic factors affecting the OCL.	(4,852)	During 2017/18 interest rates fell, increasing the OCL by $2.7 billion. This compares with an increase in interest rates in 2016/17 that decreased the OCL by $3.5 billion.
Legislative changes.	1,556	A reduced impact of pay equity legislation than projected decreased the OCL by $492 million compared with an increase in 2016/17 of $1 billion.
Other factors affecting the OCL.	1,506	A decrease in the OCL for reasons other than economic factors reflects a range of factors, such as the number of injured people in the year and the experience of those claims.
Unexpired risk liability (URL)		
Annual change in the URL.	18	The calculation of the URL reflects a number of factors, including projected future levy income, injury rates and claims costs, as well as external factors such as interest rates.
30 JUNE 2018 SURPLUS	**28**	

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Net levy revenue	4 & 22	4,119	4,101	4,103
Other revenue		1	2	1
Total net levy and other revenue		**4,120**	**4,103**	**4,104**
Investment revenue		3,567	2,052	1,441
Less investment management costs		52	48	52
Net investment revenue	**5**	**3,515**	**2,004**	**1,389**
Claims paid		4,011	3,717	4,085
Increase in outstanding claims liability	7(C)	2,866	1,076	1,205
Movement in unexpired risk liability	7(F)	92	110	54
Total claim costs		**6,969**	**4,903**	**5,344**
Injury prevention costs	6	69	55	72
Enterprise change costs	6	91	77	88
Operating costs	6	473	467	481
Other costs	6	5	3	–
Net surplus (deficit)		**28**	**602**	**(492)**
Total comprehensive revenue and expense for the year		**28**	**602**	**(492)**

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Total Account reserves				
Balance at the beginning of the year (deficit)	22	(1,384)	(1,986)	(1,067)
Total comprehensive revenue and expense for the year		28	602	(492)
Balance at the end of the year (deficit)		**(1,356)**	**(1,384)**	**(1,559)**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Account reserves				
Motor Vehicle Account		1,135	1,102	977
Non-Earners' Account		(4,913)	(4,597)	(4,546)
Earners' Account		1,049	1,086	769
Work Account		2,527	2,895	2,932
Treatment Injury Account		(1,154)	(1,870)	(1,691)
Total Account reserves (deficit)	**22**	**(1,356)**	**(1,384)**	**(1,559)**
Represented by:				
Assets				
Cash and cash equivalents	10	115	93	200
Cash pledged as collateral	8(d)	53	–	–
Receivables	11	462	218	336
Accrued levy revenue	12	2,179	2,108	2,194
Investments	8	40,111	36,836	37,634
Derivative financial instruments	9	385	519	–
Property, plant and equipment, and intangible assets	14	156	116	132
Total assets		**43,461**	**39,890**	**40,496**
Less liabilities				
Cash collateral received	8(d)	233	–	–
Payables and accrued liabilities	15	822	734	1,349
Derivative financial instruments	9	268	78	–
Provisions	16 & 22	180	173	–
Unearned levy liability	7(E)	1,937	1,870	1,944
Unexpired risk liability	7(F)	772	680	707
Outstanding claims liability	7(C)	40,605	37,739	38,055
Total liabilities		**44,817**	**41,274**	**42,055**
Net assets (liabilities)		**(1,356)**	**(1,384)**	**(1,559)**

For and on behalf of the Board, which authorised the issue of these financial statements on 27 September 2018:

Dame Paula Rebstock DNZM
Board Chair

Date: 27 September 2018

Trevor Janes
Deputy Chair

Date: 27 September 2018

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Cash flows from operating activities				
Cash was provided from:				
Levy revenue		4,135	4,070	4,091
Investment revenue		1,228	1,283	1,274
Other revenue		19	21	–
Goods and services tax (net)		3	1	2
		5,385	5,375	5,367
Cash was applied to:				
Payments towards injury treatment and prevention		4,658	4,336	4,757
		4,658	**4,336**	**4,757**
Net cash movement from operating activities		**727**	**1,039**	**610**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		61,770	51,749	61,000
Proceeds from sale of property, plant and equipment, and intangible assets		1	–	–
		61,771	**51,749**	**61,000**
Cash was applied to:				
Payment for investments		62,398	52,929	61,557
Payment for property, plant and equipment, and intangible assets		78	48	53
		62,476	**52,977**	**61,610**
Net cash movement from investing activities		**(705)**	**(1,228)**	**(610)**
Net (decrease) in cash and cash equivalents		**22**	**(189)**	–
Cash and cash equivalents – opening balance		**93**	**282**	**200**
Cash and cash equivalents – closing balance		**115**	**93**	**200**

The accompanying notes form part of these financial statements.

Reconciliation of the net cash inflow from operating activities with the reported net surplus (deficit)

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Net surplus (deficit)		**28**	**602**	**(492)**
Add (less) items classified as investing activities:				
Realised (gains) on sale of investments		(1,132)	(1,167)	(189)
Add (less) non-cash items:				
Depreciation and amortisation		37	41	43
Property, plant and equipment, and intangible assets impairment (write-back)		(1)	2	–
Unrealised (gains) losses on investments		(1,209)	386	–
Movement in provisions		7	9	–
Change in provision for impairment of levy debtors		(6)	12	–
Movement in unexpired risk liability		92	110	53
Increase in outstanding claims liability	3	2,866	1,076	1,205
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		(71)	(16)	(81)
Payables and accrued liabilities		49	(13)	1
Unearned levy liability		67	(3)	70
Net cash inflow from operating activities		**727**	**1,039**	**610**

The accompanying notes form part of these financial statements.

ACC Accounts

The Accident Compensation Corporation Scheme (as required through the Accident Compensation Act 2001 ('the 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. ACC therefore manages and separately reports on the performance and solvency of each Account.

The basis of setting levies is a full funding basis for all levy payers other than the Government in respect of the Non-Earners' Account.

The ACC Board recommends sustainable levies to achieve the full funding of the Motor Vehicle, Earners' and Work Accounts but final levy rates are set by the Government. Claims incurred from 1 July 2001 in the Non-Earners' Account are fully funded by the Government. Claims before that date continue to be funded on a pay as you go basis.

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.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

MOTOR VEHICLE ACCOUNT

For the year ended 30 June 2018

$M	Notes	Actual 2018	Actual 2017	Budget 2018
Levy revenue[i]		436	552	424
Total net levy and other revenue		**436**	**552**	**424**
Investment revenue		1,087	580	411
Less investment management costs		15	14	16
Net investment revenue		**1,072**	**566**	**395**
Claims paid[ii]		547	514	567
Increase in outstanding claims liability	7(C)	822	151	176
Movement in unexpired risk liability	7(F)	42	63	16
Total claim costs		**1,411**	**728**	**759**
Injury prevention costs		10	9	11
Operating, enterprise change and other costs		54	49	51
Net surplus (deficit)		**33**	**332**	**(2)**
Total comprehensive revenue and expense for the year		**33**	**332**	**(2)**
Account reserve – opening balance		1,102	770	979
Total comprehensive revenue and expense for the year		33	332	(2)
Account reserve – closing balance		**1,135**	**1,102**	**977**
Outstanding claims liability		**10,890**	**10,068**	**10,082**
Net assets excluding OCL		**12,025**	**11,170**	**11,059**

Notes:

(i) The Motor Vehicle Account derives its funds from:

- levies on motor vehicle ownership
- the levies portion of the excise duty on petrol
- the motorcycle safety levy on moped and motorcycle owners.

(ii) These funds are applied in accordance with the AC Act in respect of motor vehicle injury suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

NON-EARNERS' ACCOUNT

For the year ended 30 June 2018

$M	Notes	Actual 2018	Actual 2017	Budget 2018
Funds appropriated by Parliament[(i)]		1,354	1,231	1,354
Less funding of Treatment Injury Account		(176)	(143)	(163)
Total net levy and other revenue		**1,178**	**1,088**	**1,191**
Investment revenue		383	220	159
Less investment management costs		5	5	5
Net investment revenue		**378**	**215**	**154**
Claims paid [(ii)]		1,091	998	1,105
Increase in outstanding claims liability	7(C)	645	261	218
Total claim costs		**1,736**	**1,259**	**1,323**
Injury prevention costs		20	14	19
Operating, enterprise change and other costs		116	116	121
Net (deficit)		**(316)**	**(86)**	**(118)**
Total comprehensive revenue and expense for the year		**(316)**	**(86)**	**(118)**
Account reserve – opening balance (deficit)		(4,597)	(4,511)	(4,428)
Total comprehensive revenue and expense for the year		(316)	(86)	(118)
Account reserve – closing balance (deficit)		**(4,913)**	**(4,597)**	**(4,546)**
Outstanding claims liability		**8,673**	**8,028**	**8,017**
Net assets excluding OCL		**3,760**	**3,431**	**3,471**

Notes:

(i) The Non-Earners' Account derives its funds from appropriations by Parliament.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury (other than motor vehicle injury) to non-earners, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

EARNERS' ACCOUNT

For the year ended 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Levy revenue[i]		1,584	1,532	1,583
Less funding of Treatment Injury Account		(143)	(135)	(144)
Other revenue		1	1	1
Total net levy and other revenue		**1,442**	**1,398**	**1,440**
Investment revenue		883	552	368
Less investment management costs		13	12	13
Net investment revenue		**870**	**540**	**355**
Claims paid[ii]		1,412	1,288	1,410
Increase in outstanding claims liability	7(C)	731	282	449
Movement in unexpired risk liability	7(F)	3	19	30
Total claim costs		**2,146**	**1,589**	**1,889**
Injury prevention costs		12	11	14
Operating, enterprise change and other costs		191	188	198
Net (deficit) surplus		**(37)**	**150**	**(306)**
Total comprehensive revenue and expense for the year		**(37)**	**150**	**(306)**
Account reserve – opening balance	22	1,086	936	1,075
Total comprehensive revenue and expense for the year		(37)	150	(306)
Account reserve – closing balance		**1,049**	**1,086**	**769**
Outstanding claims liability		**8,484**	**7,753**	**8,089**
Net assets excluding OCL		**9,533**	**8,839**	**8,858**

Notes:

(i) The Earners' Account derives its funds from:

- levies payable by earners on their earnings
- levies from the purchase of weekly compensation by non-earners.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury to earners (other than work injury or motor vehicle injury) suffered on or after 1 July 1992.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

WORK ACCOUNT

For the year ended 30 June 2018

$M	Notes	Actual 2018	Restated Actual 2017	Budget 2018
Levy revenue[i]	22	745	786	742
Other revenue		-	1	-
Total net levy and other revenue		**745**	**787**	**742**
Investment revenue		815	479	344
Less investment management costs		13	12	13
Net investment revenue		**802**	**467**	**331**
Claims paid[ii]		764	733	788
Increase (decrease) in outstanding claims liability	7(C)	904	(136)	68
Movement in unexpired risk liability	7(F)	47	28	8
Total claim costs		**1,715**	**625**	**864**
Injury prevention costs		20	15	18
Operating, enterprise change and other costs		180	166	168
Net (deficit) surplus		**(368)**	**448**	**23**
Total comprehensive revenue and expense for the year		**(368)**	**448**	**23**
Account reserve – opening balance	22	2,895	2,447	2,909
Total comprehensive revenue and expense for the year		(368)	448	23
Account reserve – closing balance		**2,527**	**2,895**	**2,932**
Outstanding claims liability		**7,135**	**6,231**	**6,250**
Net assets excluding OCL		**9,662**	**9,126**	**9,182**

Notes:

(i) The Work Account derives its funds from levies payable by employers and earners who are self-employed.

(ii) These funds are applied in accordance with the AC Act in respect of:

- work injury suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000
- work injury suffered on or after 1 July 1999 and before 1 July 2000 by self-employed persons who were insured by ACC, and for self-employed work injuries incurred on and after 1 July 2000
- accidents prior to 1 July 1999, that are non-work injury (other than motor vehicle injury) suffered by earners on or after 1 April 1974 and before 1 July 1992
- accidents, prior to 1 July 1999 that are work injury, other than motor vehicle injury, suffered on or after 1 April 1974.

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for an employer who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2018 for the Fund was $42,800 (2017: $28,000). The Fund's reserve as at 30 June 2018 was $0.4 million (2017: $0.4 million).

The accompanying notes form part of these financial statements.

There were 41,829 (2017: 44,427) CoverPlus Extra policies purchased during the year. CoverPlus Extra is an optional product that lets self-employed people and non-PAYE shareholder employees negotiate a pre-agreed level of lost earnings compensation. Payments of $6.3 million (2017: $5.5 million) relating to work-related injuries were paid to clients who had purchased weekly compensation under CoverPlus Extra policies from the Work Account during the year. Non-work injury payments of $15.1 million (2017: $13.6 million) were paid from the Earners' and Motor Vehicle Accounts.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

TREATMENT INJURY ACCOUNT

For the year ended 30 June 2018

$M	Notes	Actual 2018	Actual 2017	Budget 2018
Levy revenue[i]		319	278	307
Total net levy and other revenue		**319**	**278**	**307**
Investment revenue		399	221	159
Less investment management costs		6	5	5
Net investment revenue		**393**	**216**	**154**
Claims paid[ii]		197	184	215
(Decrease) increase in outstanding claims liability	7(C)	(236)	518	294
Total claim costs		**(39)**	**702**	**509**
Injury prevention costs		7	6	10
Operating, enterprise change and other costs		28	28	31
Net surplus (deficit)		**716**	**(242)**	**(89)**
Total comprehensive revenue and expense for the year		**716**	**(242)**	**(89)**
Account reserve – opening balance (deficit)		(1,870)	(1,628)	(1,602)
Total comprehensive revenue and expense for the year		716	(242)	(89)
Account reserve – closing balance (deficit)		**(1,154)**	**(1,870)**	**(1,691)**
Outstanding claims liability		**5,423**	**5,659**	**5,617**
Net assets excluding OCL		**4,269**	**3,789**	**3,926**

Notes:

(i) The Treatment Injury Account derives its funds from allocations from the Earners' Account (in the case of earners) and the Non-Earners' Account (in the case of non-earners).

(ii) These funds are applied in accordance with the AC Act in respect of personal injury arising from medical misadventure suffered on or after 1 July 1992, and personal injury arising from treatment on or after 1 July 2005.

The accompanying notes form part of these financial statements.

Account solvency and capital management

Solvency is presented as a percentage and calculated as the total value of net assets excluding outstanding claims liability held in an Account divided by the outstanding claims liability for that Account. An Account is considered fully funded if the solvency percentage is greater than, or equal to, 100%.

The AC Act sets a goal of full funding for the Motor Vehicle, Earners' and Work Accounts and the portion of the Treatment Injury Account funded out of the Earners' Account.

Funding policy for the Non-Earners' Account and the portion of the Treatment Injury Account funded out of the Non-Earners' Account is set by the Government. Pre-2001 claims are funded through appropriation on a pay-as-you-go basis, while post-2001 claims are funded through appropriation on a fully funded basis excluding the inclusion of a risk margin on the liability being funded.

The table below shows the solvency percentages for the separate Accounts:

	2018	Restated 2017	Funding position Target
Work Account	135.4%	146.5%	
Including gradual process claims incurred but not yet made	114.0%	120.3%	105%
Motor Vehicle Account	110.4%	110.9%	105%
Earners' Account	112.4%	114.0%	105%
Non-Earners' Account	43.4%	42.7%	
Fully funded portion	76.1%	79.5%	88%
Treatment Injury Account	78.7%	67.0%	
Earners' portion	145.8%	110.9%	105%
Non-Earners' fully funded portion	81.0%	74.1%	88%

As of 30 June 2018, ACC had an overall net liability position, i.e. its total liabilities exceeded its total assets by $1.356 billion (2017: liabilities exceeded assets by $1.384 billion). The overall net liability position is driven by the funding policy for the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account, as further explained above. The financial statements are prepared on a going concern basis, reflecting the Government's on-going support and the long-term nature of its funding policy.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2018

1. Summary of significant accounting policies

(A) REPORTING ENTITY

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.

(B) BASIS OF PREPARATION

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

The 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.

Standards and interpretations issued but not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to ACC are:

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- revised hedge accounting requirements to better reflect the management of risks

Due to the New Zealand Treasury's decision to adopt this standard early, ACC will apply PBE IFRS 9 in the year beginning 1 July 2018. This is not expected to have a significant impact on ACC. All assets held in investment portfolio's are designated as 'asset backing insurance liabilities' and are measured at fair value through surplus or deficit.

Insurance contracts

In August 2017, the External Reporting Board issued NZ IFRS 17 Insurance Contracts. This replaces NZ IFRS 4 Insurance Contracts, NZ IFRS 17 is effective for annual periods beginning on or after 1 January 2021. Currently there is no equivalent PBE standard; however it is understood that the External Reporting Board will be considering the applicability for PBEs. ACC has not yet assessed the effects of the new standard.

There are no other standards or amendments that have been issued, but are not yet effective, that are expected to have a significant impact on ACC.

2. Critical accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(A) OUTSTANDING CLAIMS LIABILITY (OCL)

The OCL is estimated on a 'best estimate' basis. This means there is no deliberate over- or under-statement of any component of the liability. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of claims receiving payments and the average amount of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The following actuarial valuation techniques are used to project the various benefit types:

- payment per active claim method
- payment decay method
- individual claim projection method.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the OCL estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments
- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation, and court decisions can result in entitlements that are not anticipated.

Currently the largest area of uncertainty affecting the OCL is the future costs associated with personal and social rehabilitation support services provided to individuals experiencing significant disability as a result of an injury, in particular the cost of personal care services whether they be home- or residential-based care. These may involve anything from helping with daily duties to providing nursing care services. The number of hours per day, types of service required, provider type and average costs per hour are key assumptions that need to be projected decades into the future. The estimate carries with it a wider range of uncertainty, due to the length of the projection period and the variation of disabilities and/or demonstrated independent participation by the clients.

The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand government bond rates.

(B) GRADUAL PROCESS CLAIMS

These claims are a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm. The most common examples of such claims are asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

Due to the nature of these injuries, many years can pass between exposure to the conditions that result in harm and the individual receiving treatment or suffering incapacity.

A gradual process claim can be made when a person is regarded as suffering personal injury caused by work-related gradual process, disease or infection which is in accordance with section 37 of the AC Act. The claim can be made at the earlier of either the date that the person first receives treatment or the date that the injury first results in incapacity.

ACC's accounting policy is to recognise a financial liability for gradual process injury only when a claim is made. The effect of this policy is that until the injury presents itself such that the person receives treatment or suffers incapacity and makes a claim, ACC does not record a liability in the OCL.

However, in order to highlight the potential payments related to persons who may have suffered exposure to conditions of harm but have not yet suffered incapacity or made a claim on ACC, an assessment of the potential payments under such future claims has been made. The present value of the obligation for all future gradual process claims not yet made is estimated at $1,338 million (2017: $1,356 million). This is only for claims arising due to noise-induced hearing loss and exposure to asbestos, being the types of gradual process claims where sufficient data is available to permit a reasonable estimate of the obligation.

(C) GOING CONCERN ASSUMPTION

The financial statements have been prepared on a going concern basis.

In the event of a funding shortfall in the Non-Earners' Account, ACC would seek to secure further funding through imprest supply or a Parliamentary appropriation; however, there is no ability to enforce the Government obligation to fund the Account. Alternatively ACC could borrow funds, which would require approval from the Minister of Finance in order to cover the payments made from the Non-Earners' Account, or draw down on its reserves or investment revenue for the Non-Earners' Account.

3. Underwriting result

Underwriting in terms of ACC relates to the core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities. The below underwriting result is extracted from the statement of comprehensive revenue and expense:

$M	2018 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	2017 Total
Net levy revenue	**4,119**	**436**	**1,178**	**1,441**	**745**	**319**	**4,101**
Rehabilitation (including treatment) costs							
Vocational rehabilitation	103	9	1	60	31	2	92
Social rehabilitation	740	207	248	106	94	85	647
Medical treatment	756	27	309	302	106	12	712
Hospital treatment	347	21	81	164	58	23	331
Public health acute services	492	53	301	105	29	4	477
Dental treatment	29	1	15	9	3	1	27
Conveyance for treatment	127	19	68	28	10	2	112
	2,594	**337**	**1,023**	**774**	**331**	**129**	**2,398**
Compensation costs							
Income maintenance	1,200	162	22	579	392	45	1,113
Independence allowances	48	6	23	9	7	3	44
Lump sums	45	6	8	9	12	10	40
Death benefits	87	31	6	30	15	5	88
	1,380	**205**	**59**	**627**	**426**	**63**	**1,285**
Miscellaneous costs	37	5	9	11	7	5	34
Claims paid	**4,011**	**547**	**1,091**	**1,412**	**764**	**197**	**3,717**
Claims handling costs	427	47	107	150	98	25	433
Increase (decrease) in outstanding claims liability							
Expected change	1,228	262	220	392	63	291	1,463
Effect of model recalibration	(243)	217	(157)	203	(54)	(452)	–
Effect of claims experience and modelling	(241)	(236)	73	(292)	582	(368)	787
Effect of changes in economic assumptions	2,615	758	638	476	339	404	(2,237)
Effect of legislative and policy changes	(493)	(179)	(129)	(48)	(26)	(111)	1,063
	2,866	**822**	**645**	**731**	**904**	**(236)**	**1,076**
Total claims incurred	**7,304**	**1,416**	**1,843**	**2,293**	**1,766**	**(14)**	**5,226**
Movement in unexpired risk liability	92	42	–	3	47	–	110
Other underwriting costs	211	17	29	53	102	10	169
(Deficit) surplus from underwriting activities	**(3,488)**	**(1,039)**	**(694)**	**(908)**	**(1,170)**	**323**	**(1,404)**
Net investment revenue	3,515	1,072	378	870	802	393	2,004
Other revenue	1	–	–	1	–	–	2
Net surplus (deficit)	**28**	**33**	**(316)**	**(37)**	**(368)**	**716**	**602**

4. Net levy revenue

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. This accrual is estimated based on expected liable earnings at the applicable levy rate with the assumptions 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.

$M	2018	2017
Government appropriations	1,354	1,231
Levy revenue	2,795	2,894
(Less):		
Levy debts written off	(36)	(12)
Change in provision for impairment	6	(12)
Total net levy revenue	**4,119**	**4,101**

Levy revenue is from exchange transactions.

5. Investment revenue

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

- Dividends on equity securities are recorded as revenue on the ex-dividend date (the date on which holders of an equity become entitled to a dividend)
- Interest revenue is recognised as it accrues
- Investment gains represent the realised and unrealised movements in the investment values. Realised gains/losses occur on the 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 at the beginning of the year and at year end.

Each of ACC's Accounts 'owns' a portion of different investment portfolios. These ownership proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment revenue from each investment portfolio is allocated between the Accounts daily based on the Accounts' daily proportionate 'ownership'. Some derivative positions are allocated directly between Accounts rather than to investment portfolios, with all associated revenue from these positions directly allocated to the relevant Accounts.

$M	2018	2017
Investment revenue		
Rental revenue from investment properties	18	18
Revenue from concession rights arrangement	5	5
Financial assets at fair value through surplus or deficit (designated upon initial recognition)		
Dividend revenue	350	430
Interest revenue	765	743
Investment gains	2,368	965
	3,483	**2,138**
Financial assets and financial liabilities at fair value through surplus or deficit (held for trading purposes)		
Interest revenue	109	98
Investment (losses) gains	(20)	(177)
	89	**(79)**
Gross investment revenue	**3,595**	**2,082**
Direct investment costs		
Foreign withholding tax	10	10
Investment property costs	2	1
Other direct investment costs	16	19
Total direct investment costs	**28**	**30**
Investment revenue	**3,567**	**2,052**
Investment management costs	52	48
Net investment revenue	**3,515**	**2,004**

Investment revenue is net of direct investment costs, such as trading costs, to be consistent with the calculation of investment performance. The other costs excluding direct investment costs are classified as investment management costs.

6. Analysis of operating expenses

Total expenses comprising investment management, injury prevention, enterprise change and operating costs are allocated to Accounts using an activity-based costing methodology.

(A) EXPENSES BY FUNCTION

$M	2018	2017
Investment management costs	52	48
Injury prevention costs	69	55
Enterprise change costs	91	77
Operating costs	473	467
	685	**647**
Other costs	5	3
Total expenses	**690**	**650**

(B) INCLUDED IN THE ABOVE ARE:

$M	2018	2017
Computer expenses	42	38
Professional expenses	13	23
Rental of office premises and equipment	21	19
Travel and accommodation	6	7
Depreciation and amortisation	37	41
Personnel expenditure	331	320
Property, plant and equipment, and intangible assets impairment (write-back)	(1)	2
Restructuring costs	5	3
Other expenditure	236	197
	690	**650**

In the previous year, clients review and appeal expenses totalling $12 million were classified as operating costs. These expenses are now classified as claim costs and the comparative amounts have been amended accordingly. Claim costs have also been restated (refer to Note 7)

Personnel expenditure

Personnel expenditure includes salaries, superannuation, contractors' costs, ACC levies paid and movement in the provision for employee benefits, but excludes termination benefits which are included in restructuring costs. Defined contribution superannuation expense for the group was $26.6 million (2017: $25.7 million).

Auditor remuneration

Included in other operating expenses are fees paid to ACC's auditors (EY) of:

$000	2018	2017
Audit fee	632	623
Independent IT quality assurance services	375	260
Accounting advice	20	–
Probity and assurance for actuarial tender	17	–
Risk review of remuneration model	–	4
Two-year checkpoint – IT maturity assessment	50	–
EY Procurement excellence awards	1	–
Actuarial survey	2	2
Risk and governance assurance services	–	12
	1,097	**901**

Enterprise change costs

$M	2018 Actual	2017 Actual	2018 Budget
Capital expenditure	78	48	53
Operating expenditure	91	77	88
Total	**169**	**125**	**141**

ACC is in the process of replacing and upgrading major information technology systems as part of its transformation programme, which has required higher capital investment than planned in the budget.

7. Insurance disclosures

(A) CLAIMS INCURRED

The below table relates to the claims incurred this financial year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (eg changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and natural unwinding of the discount as the claims move one year closer to settlement.

	2018			2017		
$M	Current year	Prior years	Total	Current year	Prior years	Total
Undiscounted	9,159	696	9,855	8,819	7,113	15,932
Discount movement	(3,819)	1,268	(2,551)	(3,902)	(6,804)	(10,706)
Total claims incurred	**5,340**	**1,964**	**7,304**	**4,917**	**309**	**5,226**

(B) ACTUARIAL RESULT

The actuarial view of the underwriting result is summarised as follows:

$M	2018	2017
Net levy revenue	**4,119**	**4,101**
Claims incurred		
Life time cost of new claims anticipated over the year	4,762	4,210
Effect of model recalibration	(243)	–
Effect of discount unwind	734	752
Effect of claims experience and modelling	(241)	787
Effect of changes in economic assumptions	2,615	(2,237)
Effect of legislative and policy changes	(493)	1,063
Effect of payments experience	(257)	218
Claims handling costs	427	433
Total claims incurred	**7,304**	**5,226**
Movement in unexpired risk liability	92	110
Other underwriting costs	211	169
(Deficit) from underwriting activities	**(3,488)**	**(1,404)**
Net investment revenue	3,515	2,004
Other Revenue	1	2
Net surplus	**28**	**602**

(C) OUTSTANDING CLAIMS

The outstanding claims liability 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 IBNR (incurred but not yet reported) claims.

The outstanding claims liability is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, 30 June 2018, 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 are not yet reported are not included in the outstanding claims liability. ACC's major exposure to gradual process 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 a specified contract period, regardless of when the event occurred, giving rise to the claim. Under 'claims made' policies, an insurer only has liability for reported claims.

(a) Outstanding claims liability (discounted)

The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

$M	30 June 2018 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2017 Total
Central estimate of present value of future claims payments	33,856	9,086	7,171	7,129	5,868	4,602	31,465
Present value of the operating costs of meeting these claims	2,095	482	450	473	526	164	1,939
	35,951	**9,568**	**7,621**	**7,602**	**6,394**	**4,766**	**33,404**
Risk margin	4,654	1,322	1,052	882	741	657	4,335
Outstanding claims liability	**40,605**	**10,890**	**8,673**	**8,484**	**7,135**	**5,423**	**37,739**
As at beginning of year	37,739	10,068	8,028	7,753	6,231	5,659	36,663
Movement during the year	**2,866**	**822**	**645**	**731**	**904**	**(236)**	**1,076**
Current	3,486	576	598	1,226	657	429	2,852
Non-current	37,119	10,314	8,075	7,258	6,478	4,994	34,887
Total outstanding claims liability	**40,605**	**10,890**	**8,673**	**8,484**	**7,135**	**5,423**	**37,739**

(b) Reconciliation of movement in discounted outstanding claims liability

The following analysis reconciles the year on year movement of the actuarially assessed outstanding claims liability by the key drivers of the movement.

The broad definition of each movement category is:

(i) Model recalibration – the new valuation actuary (Taylor Fry) carried out a recalibration valuation as at 30 June 2017 in order to compare their model to the previous valuation actuary's model.

(ii) Inflation assumptions - external assumptions made concerning inflationary factors that include labour cost inflation, average wage inflation, consumer price index (CPI) and risk-free discount rates.

(iii) Discount rates – estimated future cash payments, which are adjusted in line with expectations of future inflation, are discounted using a risk free rate that is based on the yield curves of New Zealand government bond rates.

(iv) Claims experience and modelling - changes to actuarial assumptions and/or methods, to reflect actual experience and/or future events that may have an impact on the number and size of claims.

(v) Payments experience - the difference between actual and projected payments.

(vi) Legislative and policy changes – this relates to revisions of the pay rise to aged-care and disability workers (pay equity) as well as cancelled work (regularisation).

(vii) Discount unwind - as prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is termed as the discount unwind.

(viii) Claims anticipated over the year - is the expected claim and claims handling costs arising from new accidents in the year to 30 June 2018. The cost is the present value of projected payments post 30 June 2018 plus the expected payments to be made in the year ended 30 June 2018.

(ix) Claims payments and handling costs - is the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2018.

$M	30 June 2018 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2017 Total
Outstanding claims brought forward	**37,739**	**10,068**	**8,028**	**7,753**	**6,231**	**5,659**	**36,663**
Effect of model recalibration	(243)	217	(157)	204	(55)	(452)	-
Effect of changes in inflation	(109)	(16)	(21)	(22)	(33)	(17)	1,216
Effect of changes in discount rates	2,724	774	659	498	373	420	(3,453)
Effect of claims experience and modelling	(241)	(236)	73	(292)	582	(368)	787
Effect of payments experience	(257)	(26)	(97)	(79)	(218)	163	218
Effect of legislative and policy changes	(493)	(179)	(129)	(48)	(26)	(111)	1,063
Effect of discount unwind	734	203	154	157	118	102	752
Claims anticipated over the year	5,189	679	1,361	1,875	1,025	249	4,643
Incurred claims recognised in the underwriting result	**7,304**	**1,416**	**1,843**	**2,293**	**1,766**	**(14)**	**5,226**
Claims payments and handling costs	(4,438)	(594)	(1,198)	(1,562)	(862)	(222)	(4,150)
Outstanding claims carried forward	**40,605**	**10,890**	**8,673**	**8,484**	**7,135**	**5,423**	**37,739**

(c) Claims development table

The following table shows the development of undiscounted claim cost estimates for the seven most recent accident years.

$M	Accident year 2012	2013	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim costs:								
At end of accident year	6,877	6,794	7,264	7,192	6,884	7,914	8,038	
One year later	6,118	6,608	6,547	6,682	7,272	7,160	–	
Two years later	5,546	5,762	5,823	7,062	7,230	–	–	
Three years later	4,979	5,007	6,252	7,382	–	–	–	
Four years later	4,458	5,180	6,316	–	–	–	–	
Five years later	4,780	5,633	–	–	–	–	–	
Six years later	5,068	–	–	–	–	–	–	
Current estimate of cumulative claim costs	**5,068**	**5,633**	**6,316**	**7,382**	**7,230**	**7,160**	**8,038**	**46,827**
Cumulative payments	(1,597)	(1,688)	(1,833)	(1,940)	(1,907)	(1,772)	(1,119)	(11,856)
Outstanding claims – undiscounted	**3,471**	**3,945**	**4,483**	**5,442**	**5,323**	**5,388**	**6,919**	**34,971**
				Discount				(20,978)
				Claims handling costs				2,363
				Prior to 2012 and other claims				24,227
				Short tail outstanding claims				22
				Outstanding claims – per statement of financial position				**40,605**

(d) Key assumptions

An independent actuarial estimate by Taylor Fry, consulting actuaries, has been made of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. The Taylor Fry actuarial report is signed by Mr Alan Greenfield, Fellow of the Institute of Actuaries of Australia and Mr Ross Simmonds, Fellow of the New Zealand Society of Actuaries. Mr Ross Simmonds is also a Fellow of the Institute and Faculty of Actuaries (UK).

The actuarial estimate has been made based on actual experience to 30 June 2018. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No.4: General Insurance Business and PBE IFRS4: Insurance Contracts.

In determining the actuarial estimate, the independent actuaries have relied on information supplied by ACC. The independent actuaries have indicated they are satisfied as to the nature, sufficiency and accuracy of the information provided.

The table in Note 7(C), Outstanding claims liability (discounted), shows the actuarial estimate of the present value of the outstanding claims liability that will be payable in future years. The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long-term assumptions used in the above estimates are:

	2018		2017	
	Year 1 % pa	Beyond Year 1 % pa	Year 1 % pa	Beyond Year 1 % pa
Discount rate	1.78%	1.90% to 4.75%	1.97%	2.36% to 4.75%
Inflation rates:				
weekly compensation[i]	1.9%	1.9% to 2.2%	2.7%	2.7% to 3.0%
impairment benefits	1.7%	1.7% to 2.0%	2.2%	1.7% to 2.0%
social rehabilitation benefits	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
hospital rehabilitation benefits	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
short-term medical costs	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
other medical costs	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
Superimposed inflation:				
social rehabilitation benefits (care packages)[ii]	0.2%	0.0% to 3.2%	19.0%	1.2% to 7.5%
social rehabilitation benefits (serious injury capital expenditure)[iii]	0.7%	0.8% to 3.2%	5.1%	1.0%
hospital rehabilitation benefits[iv]	3.0%	3.0%	4.0%	4.0%
short-term medical costs (general practitioners)	3.0%	3.0%	3.0%	3.0%
short-term medical costs (radiology)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (physiotherapists)	2.0%	2.0%	2.0%	2.0%
other medical costs	2.5%	2.5%	2.5%	2.5%
Weighted average risk margin	13.0%		13.0%	
Weighted average claims handling costs ratio	6.2%		6.2%	

Notes:

(i) Growth in weekly compensation benefits for existing accidents is inflated based on the Labour Cost Index (LCI). Growth in underlying wages to set starting levels of weekly compensation for future accidents is inflated using Average Weekly Earnings.

(ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the effect of clients moving between care providers. In the previous year, the assumption is based on a 'package' of care, which includes movement of care services between providers, refinements of care packages and increases in care rates; and hence is not a comparable basis to this year

(iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident, have been increasing significantly over the past years.

(iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

DISCOUNT RATE

The risk free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand government bond rates. The longest term of a current non inflation-indexed New Zealand government bond is approximately 20 years from now. Discount rates beyond 20 years are smoothed over a minimum of 10 years to eventually attain the long-term risk-free discount rate of 4.75%. This long-term rate is based on an examination of average New Zealand government bonds over an extended period of time. This discounting methodology is consistent with that applied by the Treasury in valuing the liabilities on all Crown accounts.

The projected claim cash flows were discounted using a series of forward discount rates at balance date derived from Treasury's risk-free rates. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 3.51% (2017: 3.80%).

INFLATION RATES

Short term Consumer Price Index (CPI) inflation rates are prescribed by the Treasury. Assumptions for the Labour Cost Index (LCI) and Average Wage Earnings (AWE) are based on their historic relationship to the CPI. Long term inflation is determined by using an assumption about the gap between inflation and interest rates.

SUPERIMPOSED INFLATION

Superimposed inflation is the inflationary component in excess of annual movement in regular inflation. Assumptions for superimposed inflation were set with reference to past observed superimposed inflation, and allowance for expectations of the future.

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.

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type, taking into account potential uncertainties relating to the claims experience, the insurance environment, and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

CLAIMS HANDLING COSTS

The allowance for claims handling costs is determined by analysing claims-related costs incurred in the accounting year and expressing these expenses as percentages of claims paid in the same year. These are used as the basis for deriving the percentages that are applied to future projected payments to estimate future projected expense payments.

(ii) Sensitivity to changes in key assumptions

The impact of changes in key assumptions on the consolidated net surplus (deficit) are shown in the following table. Each change, which includes the risk margin, has been calculated in isolation to other changes.

$M	Movement	2018 Impact on net surplus (deficit)	2017 Impact on net surplus (deficit)
Discount rate	+1.0%	5,791	5,114
	-1.0%	(7,624)	(6,826)
Inflation rate	+1.0%	(7,781)	(7,031)
	-1.0%	5,859	5,342
Long term gap between discount rate and inflation rates	+0.75%	480	534
	-0.75%	(359)	(910)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	(1,494)	(1,572)
	-1.0%	1,206	1,181
Discounted mean term	+1 year	470	410
	-1 year	(479)	(419)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	(3,272)	(3,233)
	-1.0%	2,555	2,384
Long-term continuance rates for non-fatal weekly compensation	+1.0%	(852)	(936)
	-1.0%	783	781

This year the superimposed inflation sensitivity (excluding social rehabilitation) amount includes elective surgery. This was not included in the previous year. Comparative amounts have been amended accordingly to include elective surgery.

(D) RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operations of ACC are affected by a number of key risks including insurance risk, credit risk (refer to Notes 11 and 13), liquidity risk (refer to Note 13), compliance risk and operational risk. ACC's approach to managing risk is set out in the governance and managing risk section in the annual report. ACC's policies and procedures in respect of managing these risks are set out below.

(i) Risks arising from Scheme's operations and the policies for mitigating those risks

ACC has an objective to manage insurance risk in order to maintain fair and stable levies over time to allow the business to plan with certainty. The key aspects of the process established in the risk management framework to mitigate risk include:

- the maintenance and use of management information systems that provide up-to-date, reliable data relevant to the risks to which the business is exposed
- actuarial and business management reporting models, using information from the management information systems are used to monitor claims patterns. Past experience, relevant industry benchmarks, and statistical methods are used as part of the process
- the financial consequences of catastrophic events (eg earthquake, tsunami) which are estimated each year. The cost of purchasing reinsurance and the effect on levy rates of post-funding such events are considered. At this time, ACC does not hold any catastrophe reinsurance cover. Should such an event occur, the impact on levies to post-fund this is not expected to be significant.

(ii) Terms and conditions of accident cover

The terms and conditions of personal injury cover are determined by the AC Act. ACC operates in compliance with its governing legislation.

(iii) Concentration of risk

The ACC Scheme covers the risks related to the provision of rehabilitation and compensation to people in New Zealand who have injuries as a result of accidents.

(iv) Credit rating

ACC is not required to have a credit rating.

(E) UNEARNED LEVY LIABILITY

ACC recognises levy revenue that is earned for the financial year for the three levy funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that as of 30 June 2018 ACC has received unearned levies for the period 1 July 2018 to 31 March 2019 for both the Earners' and Work Accounts.

For the Motor Vehicle Account ACC recognises a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2018, and a proportion of petrol levies that can be expected to be received after 30 June 2018 based on the number and expiry date of vehicle registrations purchased up to 30 June 2018 but which expire after 30 June 2018.

$M	2018 Total	Motor Vehicle Account	Earners' Account	Work Account	2017 Total
Opening balance at 1 July	1,870	143	1,178	549	1,873
Unearned levies received in the year	1,937	138	1,229	570	1,870
Levies received in previous years now recognised	(1,870)	(143)	(1,178)	(549)	(1,873)
Closing balance at 30 June	**1,937**	**138**	**1,229**	**570**	**1,870**
Current	1,937	138	1,229	570	1,870
Non-current	-	-	-	-	-
Total unearned levy liability	**1,937**	**138**	**1,229**	**570**	**1,870**

(F) 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 it is 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.

$M	2018 Total	Motor Vehicle Account	Earners' Account	Work Account	2017 Total
Opening balance at 1 July	680	83	454	143	570
Recognition of additional unexpired risk liability in the period	772	125	457	190	680
Release of unexpired risk liability recorded in previous periods	(680)	(83)	(454)	(143)	(570)
Closing balance at 30 June	**772**	**125**	**457**	**190**	**680**
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	1,937	138	1,229	570	1,870
Adjustment(i)	(111)	–	(111)	–	(107)
Adjusted unearned levy liability	**1,826**	**138**	**1,118**	**570**	**1,763**
Central estimate of present value of expected future cash flows arising from future claims	2,334	232	1,415	687	2,195
Risk margin(ii)	264	31	160	73	248
Present value of expected future cash flows for future claims	**2,598**	**263**	**1,575**	**760**	**2,443**
Total unexpired risk liability	**772**	**125**	**457**	**190**	**680**
Current	772	125	457	190	680
Non-current	–	–	–	–	–
Total unexpired risk liability	**772**	**125**	**457**	**190**	**680**

Notes:

(i) This excludes the earners' portion of treatment injury in the Earners' Account as the liabilities that are assessed exclude those arising from medical misadventure.

(ii) The risk margins determined for the unexpired risk liability relates to future claims payments for injuries that have yet to happen. The risk margins are consistent with those used for the outstanding claims liability valuation.

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2018 for this Account.

8. 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 concession rights, are designated as financial assets at fair value through surplus or deficit. Concession rights are 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. This is consistent with the International Private Equity and Venture Capital Valuation Guidelines
- unlisted unit trust investments are valued based on the exit price (the value ACC would receive if the unit were sold)
- bonds and other fixed interest investments are valued using quoted yield curves
- for investments without 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 valued annually by independent registered property valuers

$M	2018	2017
New Zealand deposits at call	958	558
Overseas deposits at call	336	253
New Zealand government securities	15,082	12,344
Other New Zealand debt securities	3,709	4,851
Overseas debt securities	7,175	6,956
New Zealand equities	4,072	3,712
Australian equities	2,942	2,362
Overseas equities	5,423	5,415
Other investments	31	34
	39,728	**36,485**
Investment properties	339	305
Concession rights	44	46
Total investments	**40,111**	**36,836**
Current	4,120	1,769
Non-current	35,991	35,067
Total investments	**40,111**	**36,836**

(a) Investment properties

Investment properties are properties that ACC holds for rental revenue and capital gains. ACC is not the tenant of any properties it owns for investment purposes.

$M	2018	2017
Opening balance as at 1 July	305	269
Additions	–	4
Net gains from revaluations	34	32
Closing balance as at 30 June	**339**	**305**
Current	–	–
Non-current	339	305
Total investment properties	**339**	**305**

The investment property market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International New Zealand Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature. Investment properties are revalued annually.

(b) Concession rights

ACC recognises an asset arising from a concession rights arrangement where ACC has the right to charge for use of a car park facility. The asset is carried at cost less accumulated amortisation and accumulated impairment.

The concession rights were acquired in 2013 and will expire in 2037. Amortisation is calculated on a straight line basis over the period which ACC is able to charge the public for the use of the facilities.

$M	2018	2017
Year ended 30 June		
Opening net carrying amount	46	48
Amortisation charge	(2)	(2)
Closing net carrying amount	**44**	**46**
At 30 June		
At cost	56	56
Accumulated amortisation	(12)	(10)
Net carrying amount at 30 June	**44**	**46**

(c) Repurchase agreements

Securities dealt under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. Cash collateral received of $322 million (2017: $474 million) from these transactions is invested, and the liability to repurchase the investments is accrued in unsettled investment transactions (refer to Note 15).

$M	2018 Value of transferred assets	2018 Value of associated liabilities	2017 Value of transferred assets	2017 Value of associated liabilities
Nature of transaction				
New Zealand equities – share lending	–	–	3	3
New Zealand government securities – repurchase agreements	322	322	474	474
	322	322	477	477

(d) Collateral

In line with standard industry practice, ACC uses Credit Support Agreements (CSA's) to provide credit protection for derivative positions. ACC's practice is to annex each CSA to the International Swap and Derivatives Association (ISDA) Master Agreement it has with counterparties. Under these agreements, open derivative positions with the counterparty are aggregated and cash collateral is exchanged daily. The collateral is provided by the counterparty when their position is out of the money or provided to the counterparty by ACC when ACC's position is out of the money.

CASH PLEDGED AS COLLATERAL

ACC has pledged part of its deposits at call in order to meet obligations under CSA's for derivative positions. The amount pledged was $53 million as at 30 June 2018 (2017: $nil).

CASH COLLATERAL RECEIVED

ACC has received cash deposits as collateral to meet obligations under CSA's for derivative positions. ACC has an obligation to repay the deposits to the counterparties on settlement of the contracts. Deposits at call received by ACC is $233 million as at 30 June 2018 (2017: $nil).

9. Derivative financial instruments

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments such as foreign currency contracts, interest rate swaps and futures to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 13 for further explanation of ACC's investment risks and how these are addressed.

The use of derivative financial instruments is covered by investment policies which control the risk associated with such instruments.

All derivative financial instruments are classified as 'held for trading' and valued at fair value through surplus or deficit. Fair value for derivative financial instruments is determined as follows:

- forward foreign currency contracts are valued with reference to quoted forward exchange rates and yield curves derived from quoted interest rates with similar maturity profiles
- interest rate swaps are measured at the present value of future cash flows discounted based on the applicable yield curves derived from quoted interest rates
- cross-currency interest rate swaps are valued using quoted market yields and exchange rates at balance date
- futures contracts are valued using quoted prices

- credit default swaps are valued using discounted cash flow models that incorporate the default rate and credit spread of the underlying entity or index.

Derivatives are reported in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative.

$M	2018 Fair value assets	2018 Fair value liabilities	2017 Fair value assets	2017 Fair value liabilities
Interest rate swaps	324	21	272	50
Credit default swaps	2	1	4	–
Cross-currency interest rate swaps	9	70	39	10
Forward foreign currency contracts	24	175	196	14
Futures contracts	26	1	8	4
Total derivative instruments	**385**	**268**	**519**	**78**
Current	50	176	205	18
Non-current	335	92	314	60
Total derivative instruments	**385**	**268**	**519**	**78**

At balance date, the principal or contract amounts outstanding were:

$M	2018	2017
Interest rate swaps	6,639	5,927
Credit default swaps	166	206
Cross-currency interest rate swaps	2,067	1,070
Forward foreign currency contracts	12,355	10,857
Futures contracts - long	1,006	739
Futures contracts - short	(1,636)	(637)
Options	125	–

10. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, current accounts with banks, deposits held on call with banks, and other short-term highly liquid investments, net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and expenses. Cash and cash equivalents exclude items held for investment purposes within the Reserves portfolio and not used for short-term cash needs. The carrying values of these items are equivalent to their fair values.

$M	2018	2017
Cash (overdraft) at bank	(4)	(2)
Investment operational cash		
Overnight call deposits	70	15
Deposits at call	49	80
Total cash and cash equivalents	**115**	**93**

The effective interest rate at 30 June 2018 on overnight call deposits was 2.1% (2017: 1.8%) and deposits at call was 2.3% (2017: 3.2%).

11. Receivables

Receivables are recognised at fair value, which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

$M	2018	2017
Levy debtors	99	87
Motor vehicle levy receivable(i)	27	28
Earners' levy receivable	–	2
Total levy receivables	**126**	**117**
Client debtors(ii)	2	3
Unsettled investment transactions	288	54
Dividends receivable	28	26
Prepayments	11	14
Sundry debtors	7	4
Total non-levy receivables	**336**	**101**
Total receivables	**462**	**218**
Current	459	213
Non-current	3	5
Total receivables	**462**	**218**

Notes:

(i) Motor vehicle levy receivable consists of:

- *the amount collected by the New Zealand Transport Agency from motor vehicle licensing that is due to ACC*
- *the amount collected by the New Zealand Customs Service for the levy portion of the excise duty on petrol that is due to ACC in the first week of the following month.*

(ii) Client debt results when an overpayment on a claim has been recognised and is unable to be immediately repaid.

At 30 June, the ageing analysis of the levy receivables is as follows:

$M	2018	2017
Current	87	82
Past due 1–30 days	30	16
Past due 31–60 days	2	7
Past due >60 days	7	12
Total	**126**	**117**

Payment arrangements are in place for those receivables that are past due but not considered impaired.

Levy receivables above are presented net of provision for credit losses and impairment. Movement in the provision for credit losses and impairment during the reporting period was as follows:

$M	2018	2017
Levy receivables	218	215
Less provision for credit losses and impairment	(92)	(98)
	126	**117**
Provision for credit losses and impairment		
Opening balance	98	86
Provision (used) made during the year	(6)	12
Closing balance	**92**	**98**

The changes in provisions for credit losses and impairment for levy debtors have been charged against levy revenue.

All non-levy receivables that are financial assets are considered to be current and not impaired. The total of current non-levy receivables is $321.9 million (2017: $85.1 million).

All receivables are from exchange transactions.

12. Accrued 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.

$M	2018	2017
Motor Vehicle Account	63	62
Earners' Account	1,344	1,283
Work Account	772	763
Total accrued levy revenue	**2,179**	**2,108**
Current	2,179	2,108
Non-current	–	–
Total accrued levy revenue	2,179	2,108

ACC recognises and accrues levy revenue up to the end of the levy year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account.

The accrued levy revenue at 30 June 2018 therefore includes revenue for the period 1 July 2018 to 31 March 2019 for the Earners' and Work Accounts as well as uninvoiced revenue for levy periods up to 30 June 2018.

13. Financial risk management

(A) FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments held by ACC are categorised as follows:

$M	2018	2017
Financial assets designated as at fair value through surplus or deficit		
Cash and cash equivalents (Note 10)	115	93
Cash pledged as collateral (note 8(d))	53	–
Receivables (Note 11)	448	202
Investments (Note 8)	39,728	36,485
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 9)	385	519
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 9)	268	78
Financial liabilities measured at amortised cost		
Cash collateral received (Note 8(d))	233	–
Payables (Note 13(E))	766	687

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

Each of ACC's five Accounts allocates its investment funds to ACC's short term operational cash portfolio and its own longer-term reserves portfolio depending on that Accounts future cash flow needs. The operational cash portfolio is used to meet operational needs such as paying claims and expenses. When the Accounts allocate money into the various investment markets ('asset classes'), the money in each asset class is pooled from all Accounts and managed collectively to ensure operational efficiency and fairness between Accounts. The Account ownership of each 'asset class' is updated when each Account contributes or withdraws money from the investment portfolios. The ownership amounts are monitored on a daily basis.

The main financial risks that ACC is primarily exposed to are market, credit and liquidity risk.

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the outstanding claims liability or because ACC expects to enhance returns through prudent exposure to market risks. When ACC does not wish to incur the above risk in the Reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include selling investments currently exposed to these risks, buying investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises of interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These limits include limits on percentage weight of any particular company in the portfolio relative to its benchmark weight; limits on aggregate investment in companies not represented in the benchmark; limits on the maximum percentage shareholding in any individual company; ratings-related credit limits on both a per-issuer and aggregate basis; duration limits relative to the duration of the benchmark; and maximum exposure limits to single entities. Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Compliance group on a daily basis, and by the internal auditors on an annual basis.

Market risk exposures are measured in a number of different ways, specific to the types of risk being measured. In some cases, more than one measure of risk is used, recognising the fact that all forms of investment risk measurement are imperfect.

(C) MARKET RISK

(i) Interest rate risk

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed through asset allocation between asset classes; through the selection of physical securities within the asset class sub-portfolios; through the use of interest rate swaps within portfolios; and through the use of interest rate swaps as an 'asset allocation overlay'. Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

Interest rate risk affects ACC's investments and the outstanding claims liability of each Account. For each Account, ACC would expect investment gains and an increase in the outstanding claims liability to result from declines in interest rates, investment losses, and a decrease in outstanding claims liability to result from rises. However, the corresponding movements in ACC's outstanding claims liabilities (due only to interest rate movements) would be far more significant than the movement in the value of investments. Hence, investment gains or losses arising from changes in interest rates will tend to only partially offset a corresponding revaluation of ACC's claims liabilities.

Under interest rate swap contracts, ACC agrees to exchange the difference between fixed and floating rate interest payments calculated on agreed notional principal amounts. Such contracts enable ACC to manage its interest rate risk and create synthetic fixed-rate bonds from its investment in variable rate debt.

SENSITIVITY ANALYSIS

As at 30 June 2018, if the interest rate at the beginning of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the consolidated net surplus (deficit) would have moved as per the table below. Any change in the net surplus (deficit) for the period would result in a corresponding movement in equity.

Fair value interest risk	Change in interest rate %	2018 Impact on net surplus (deficit) $M	2017 Impact on net surplus (deficit) $M
Long-term New Zealand dollar interest rates	+1.0	(3,144)	(2,353)
Long-term New Zealand dollar interest rates	-1.0	3,521	2,712

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rate also have an impact on the outstanding claims liability. Refer to Note 7(C)(d)(ii) for this sensitivity analysis.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of ACC's investment portfolio could be affected by a change in foreign exchange rates. ACC is exposed to foreign exchange risk principally due to its holdings of foreign currency denominated investments. ACC partially offsets these exposures by entering into foreign currency contracts for forward sales of foreign currencies against the New Zealand dollar and longer-term, cross-currency interest rate swaps.

Benchmark ranges of foreign exchange exposure are established by the Investment Committee for each Account. Accounts can move within these benchmark ranges but action must be taken if exposure exceeds these ranges. These benchmark exposures are designed to align with ACC's high-level objective of finding an appropriate balance between minimising risk whilst maximising expected return.

All foreign exchange contracts held by ACC have remaining terms of 12 months or less. While the cross currency interest rate swaps have maturities out to seven years, the floating interest rates on these swaps are reset every three months.

SENSITIVITY ANALYSIS

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of a reasonably possible change of 10% in the New Zealand dollar against the respective major currencies and held constant throughout the year, with all other variables remaining constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in equity.

	2018							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	OTHER
Impact on net surplus (deficit)								
10% increase	(70)	(130)	(19)	(12)	(11)	(13)	(22)	(47)
10% decrease	86	159	23	14	13	15	27	58

	2017							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	OTHER
Impact on net surplus (deficit)								
10% increase	4	(146)	(37)	(19)	(13)	(21)	(19)	(42)
10% decrease	(4)	178	46	24	16	26	24	50

(iii) Other price risk

ACC invests in equities and unit trusts, and considers the risk of these from a long-term perspective. Changes in the market price of equity and unit trust investments:

- will often reflect a true change in the fair value
- affect the value that ACC could realise for these investments if it chose to sell them in the short term
- will be reflected in the valuation carried in ACC's statement of financial position and the investment revenue reported in ACC's statement of comprehensive revenue and expense.

SENSITIVITY ANALYSIS

The table below details the sensitivity to a change of 10% in the market value of listed and unlisted equity investments to the consolidated net surplus (deficit) at reporting date, with other variables held constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in equity.

$M	Movement %	2018 Impact on net surplus (deficit)	2017 Impact on net surplus (deficit)
Global equities	+10	542	541
	-10	(542)	(541)
New Zealand equities	+10	361	330
	-10	(361)	(330)
Private equities	+10	54	45
	-10	(54)	(45)
Australian equities	+10	287	232
	-10	(287)	(232)

(D) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to ACC. Credit risk only applies to debt instruments, derivatives in gain, receivables and a selection of other assets.

For internally managed portfolios, the Investment Committee has approved an authorised set of credit criteria which include credit limits and portfolio limits. There is a list of authorised New Zealand banks that ACC can invest with. These credit limits are designed to limit ACC exposure to counterparties with a high risk of defaulting while at the same time allowing ACC to take on appropriate levels of risk whilst maximising investment returns. Investment in unrated debt is allowed if approved by ACC's Credit Committee. ACC's exposure and the credit ratings of its counterparties are continuously monitored.

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with International Swaps and Derivatives Association (ISDA) documentation.

The credit ratings used in the table below relate to each individual securities credit rating. Where a security does not have an individual credit rating, the issuer's credit rating is used. In determining the credit ratings, the primary source used is Standard & Poor's.

	2018						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	25	1	34	55	–	**115**
Deposits at call	–	809	292	–	145	48	**1,294**
Other New Zealand debt securities	456	1,615	488	795	–	355	**3,709**
Overseas debt securities	4,342	1,288	736	585	189	35	**7,175**
New Zealand government securities	–	15,082	–	–	–	–	**15,082**
Interest rate swaps	–	330	1	–	–	2	**333**
Forward foreign currency contracts	–	6	14	–	–	4	**24**
Receivables	–	–	310	–	–	138	**448**
Accrued levy revenue	–	–	–	–	–	2,179	**2,179**
	4,798	**19,155**	**1,842**	**1,414**	**389**	**2,761**	**30,359**

ACC has an additional exposure of $165.6 million with regard to the credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay (2017: $205.5 million).

	2017						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	38	25	30	–	–	**93**
Deposits at call	–	427	234	124	–	26	**811**
Other New Zealand debt securities	960	2,193	493	875	–	330	**4,851**
Overseas debt securities	5,272	133	524	852	163	12	**6,956**
New Zealand government securities	90	12,254	–	–	–	–	**12,344**
Interest rate swaps	–	304	1	1	–	5	**311**
Forward foreign currency contracts	–	112	67	16	1	–	**196**
Receivables	–	–	75	–	–	127	**202**
Accrued levy revenue	–	–	–	–	–	2,108	**2,108**
	6,322	**15,461**	**1,419**	**1,898**	**164**	**2,608**	**27,872**

(E) LIQUIDITY RISK

Liquidity risk is the risk that ACC may not be able to raise cash when required and on acceptable terms. ACC maintains sufficient liquid assets to cover obligations and unforeseen expenses.

The table below summarises the maturity profile of the financial liabilities held by ACC. The amounts disclosed in the table are the contractual undiscounted cash flows for payables and estimated cash flows for the uncalled private equity commitments.

At 30 June 2018 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	766	–	–	–
Uncalled private equity commitments	37	37	55	18

At 30 June 2017 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	687	–	–	–
Uncalled private equity commitments	27	27	41	14

The table below summarises the cash flows for all derivative instruments held by ACC. The amounts disclosed in the table are the contractual undiscounted cash inflows (outflows). The derivatives have been classified based on their settlement terms. The gross settled derivatives are the forward foreign exchange and cross currency swaps. All other derivatives are classified as net settled derivatives.

At 30 June 2018 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives - inflows (outflows)	130	105	267	228
Gross-settled derivatives - cash inflows	12,250	43	106	86
Gross-settled derivatives - cash outflows	(12,405)	(46)	(116)	(93)

At 30 June 2017 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives - inflows (outflows)	100	96	286	191
Gross-settled derivatives - cash inflows	11,067	21	55	43
Gross-settled derivatives - cash outflows	(10,878)	(13)	(34)	(28)

(F) FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

The three levels of fair value measurement are defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018			
$M	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	324	–	324
Credit default swaps	–	2	–	2
Cross currency swaps	–	9	–	9
Forward foreign currency contracts	–	24	–	24
Futures	26	–	–	26
	26	**359**	**–**	**385**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	3,525	–	547	4,072
New Zealand government securities	–	15,082	–	15,082
New Zealand debt securities	–	3,354	355	3,709
Australian equities	2,842	25	75	2,942
Overseas equities	5,423	–	–	5,423
Overseas debt securities	–	7,175	–	7,175
Other investments	–	–	31	31
	11,790	**25,636**	**1,008**	**38,434**
	11,816	**25,995**	**1,008**	**38,819**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(21)	–	(21)
Credit default swaps	–	(1)	–	(1)
Cross currency swaps	–	(70)	–	(70)
Forward foreign currency contracts	–	(175)	–	(175)
Futures	(1)	–	–	(1)
	(1)	**(267)**	**–**	**(268)**

$M	2017 Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	272	–	272
Credit default swaps	–	4	–	4
Cross currency swaps	–	39	–	39
Forward foreign currency contracts	–	196	–	196
Futures	8	–	–	8
	8	**511**	–	**519**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	3,271	–	441	3,712
New Zealand government securities	–	12,344	–	12,344
New Zealand debt securities	–	4,520	331	4,851
Australian equities	2,304	19	39	2,362
Overseas equities	5,415	–	–	5,415
Overseas debt securities	–	6,956	–	6,956
Other investments	–	–	34	34
	10,990	**23,839**	**845**	**35,674**
	10,998	**24,350**	**845**	**36,193**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(50)	–	(50)
Cross currency swaps	–	(10)	–	(10)
Forward foreign currency contracts	–	(14)	–	(14)
Futures	(4)	–	–	(4)
	(4)	**(74)**	**–**	**(78)**

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS

$M	2018	2017
Opening balance	845	468
Total gains (losses) recognised in surplus or (deficit)	77	(5)
Purchases	184	433
Sales	(122)	(44)
Settlements	(7)	(8)
Transfers into Level 3	31	1
Closing balance	**1,008**	**845**
Total gains stated on Level 3 instruments still held at balance date	**81**	**8**

TRANSFERS BETWEEN LEVELS

During the year, certain investment securities were transferred into Level 3 when pricing inputs became unavailable and prices had to be evaluated using unobservable inputs.

There were no significant transfers between Level 1 and Level 2 during the year.

LEVEL 3 SENSITIVITY ANALYSIS

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of reasonably possible changes in one or more of the significant unobservable inputs into the fair values of investments in Level 3, holding other inputs constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in equity.

	2018		2017	
	Impact on net surplus (deficit)		Impact on net surplus (deficit)	
$M	Increase	Decrease	Increase	Decrease
Private equity holdings				
Changes in the calculated share price of private equity investments (10% movement)	54	(54)	45	(45)
Convertible notes				
Change in discount rate (50 basis points movement)	(7)	7	(11)	11
Other investments				
Change in discount rate (50 basis points movement)	(12)	12	(11)	12

All other securities in level 3 are considered not to have a material effect on fair value if alternative reasonable assumptions were used to obtain their fair values.

14. Property, plant and equipment and intangible assets

MEASUREMENT

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition, all items classed as property, plant and equipment are stated at cost less accumulated depreciation/amortisation and any impairment in value.

Internally generated assets are carried at cost less accumulated amortisation. Research costs incurred in the investigation phase of internally generated software are expensed when incurred. Development costs are accumulated as work in progress until the project is completed, at which stage direct project costs are capitalised as an intangible asset.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairments are recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using either a depreciated replacement cost approach, a restoration cost approach, or a service units approach depending on the nature of the impairment.

DEPRECIATION AND AMORTISATION

Depreciation is calculated on a straight-line basis so as to allocate the cost or valuation of assets, less any estimated residual value, over their estimated useful lives.

The estimated useful lives are as follows:

Leasehold improvements	Lower of remaining life of lease, or 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment	5 years
Personal computer equipment	3 years
Computer software	5-7 years
Other assets	5-10 years

$M	Leasehold improvements	Computer equipment	Internally generated software	Other fixed assets	Total
At 1 July 2016					
At cost and valuation	38	73	436	43	590
Accumulated depreciation/amortisation	(28)	(62)	(355)	(34)	(479)
Net carrying amount at 1 July 2016	**10**	**11**	**81**	**9**	**111**
Year ended 30 June 2017					
Opening net carrying amount	10	11	81	9	111
Additions	3	5	38	2	48
Depreciation/amortisation charge	(3)	(5)	(30)	(3)	(41)
Impairment losses and other (including disposals)	–	(1)	(1)	–	(2)
Closing net carrying amount	**10**	**10**	**88**	**8**	**116**
At 30 June 2017					
At cost and valuation	**41**	**77**	**473**	**43**	**634**
Accumulated depreciation/amortisation	(31)	(67)	(384)	(35)	(517)
Accumulated impairment	–	–	(1)	–	(1)
Net carrying amount at 30 June 2017	**10**	**10**	**88**	**8**	**116**
Year ended 30 June 2018					
Opening net carrying amount	10	10	88	8	116
Additions	1	5	71	1	78
Depreciation/amortisation charge	(2)	(5)	(27)	(3)	(37)
Impairment losses and other (including disposals)	–	–	–	(1)	(1)
Closing net carrying amount	**9**	**10**	**132**	**5**	**156**
At 30 June 2018					
At cost and valuation	43	81	535	41	700
Accumulated depreciation/amortisation	(34)	(71)	(403)	(36)	(544)
Net carrying amount at 30 June 2018	**9**	**10**	**132**	**5**	**156**

Impairment and write-offs

The carrying amounts of all intangible assets are reviewed on an ongoing basis. Any impairment in value is recognised immediately.

15. Payables and accrued liabilities

Payables and accrued liabilities are carried at amortised cost and due to their short-term nature are not discounted.

$M	2018	2017
Payables under exchange transactions		
Unsettled investment transactions	671	631
Claims expenditure	21	11
Worksafe New Zealand	5	3
Sundry creditors	3	17
Other accrued expenditure	64	59
Total payables under exchange transactions	**764**	**721**
Payables under non-exchange transactions		
Goods and services tax	5	1
PAYE and earnings-related deductions	12	12
Earners' levy payable	41	–
Total payables under non-exchange transactions	**58**	**13**
Total payables and accrued liabilities	**822**	**734**
Current	822	734
Non-current	–	–
Total payables and accrued liabilities	**822**	**734**

16. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of expected future cash flows and discounted to present value where the effect is material.

$M	2018	2017
Employee benefits	45	45
Leasehold restoration	1	1
Restructuring	3	1
Levy refunds to business customers (Note 22)	131	126
Total provisions	**180**	**173**
Current	161	161
Non-current	19	12
Total provisions	**180**	**173**

MOVEMENTS IN PROVISIONS

Movement for each material class of provision is set out below.

(a) Employee benefits

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued to balance date, annual leave earned but not yet taken at balance date, and long-service leave entitlements expected to be settled within 12 months.

Entitlements that are payable beyond 12 months, such as long-service leave and retirement benefit, are recognised at the best estimate of the expected future cash outflows, discounted using the discount rate applied in determining the actuarial estimate of the outstanding claims liability.

ACC operates a defined contribution plan. Contributions to this are expensed when incurred.

$M	2018	2017
Opening balance	45	42
Paid out during the year	(43)	(37)
Additional provision made during the year	46	42
Reversal of unused provision	(3)	(2)
Closing balance	**45**	**45**

(b) Leasehold restoration

Under certain lease agreements at the end of the lease term, ACC is required to restore leasehold properties to the condition as at the commencement of the lease. A provision of $1 million (2017: $1 million) for the costs of doing this has been made accordingly.

(c) Restructuring

A provision for costs was made arising from the restructuring of business groups to deliver better customer experiences and outcomes.

$M	2018	2017
Opening balance	1	–
Paid out during the year	(4)	(3)
Additional provision made during the year	6	4
Closing balance	**3**	**1**

(d) Levy refunds to business customers

A total provision of $131 million was made for two historical issues with levy invoicing (refer to Note 22).

$M	2018	2017
Opening balance	126	121
Additional provision made during the year	5	5
Closing balance	**131**	**126**

17. Commitments

CAPITAL COMMITMENTS

$M	2018	2017
Investment-related	262	271
Total capital commitments	262	271

ACC has committed to provide a $123.1 million term debt facility to the Wellington Gateway Partnership SPV. As at 30 June 2018, ACC had an undrawn commitment to the SPV of $21.3 million (2017: 41.9 million).

ACC has also committed a $134.6 million debt facility to NX2 LP. As at 30 June 2018, there was an undrawn commitment to NX2 LP of $94.0 million (2017: $120.5 million).

The private equity portfolio includes investments in several venture capital/private equity funds. In these investments, funds seek commitments from investors and only 'call' for the committed funds as they are required. ACC has committed to invest up to a total of $328.6 million (2017: $262.9 million) in these funds. As at 30 June 2018, ACC had undrawn commitments to these funds totalling $146.5 million (2017: $108.2 million).

OPERATING LEASES

ACC leases premises for its branch network and its corporate offices under non-cancellable operating lease agreements. These lease agreements have varying terms and renewal options. Operating lease incentives are recognised as a liability when received and subsequently reduced by an offset to rental expenses and a corresponding reduction to the liability.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

$M	2018	2017
Non-cancellable operating leases		
Within one year	25	20
After one year but not more than five years	70	59
More than five years	39	41
Total non-cancellable operating leases	**134**	**120**

18. Contingent liabilities

Litigation involving ACC arises almost exclusively from challenges to operational decisions made by ACC through the statutory review and appeal process. No accrual has been made for contingent liabilities which could arise, as these disputes are issue-based and ACC's active management of litigation means that it will be either settling or defending, depending on the merits of the issue in dispute. ACC's Board believes the resolution of outstanding appeals will not have any material effect on the financial statements of ACC.

As at 30 June 2018, there were no contingent liabilities (2017: $nil).

19. Related parties

(A) INVESTMENT IN SUBSIDIARIES

ACC owns 100% (2017: 100%) of Shamrock Superannuation Limited which acts as the corporate trustee for the ACC Superannuation Scheme. Shamrock Superannuation Limited is a non trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at $100 (2017: $100).

(B) RELATED PARTY TRANSACTIONS

Transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies undertaken on the normal terms and conditions for such transactions. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect ACC would have adopted in dealing with the party at arm's length in the same circumstances.

(C) KEY MANAGEMENT PERSONNEL

The compensation for key management personnel is set out below:

	2018	2017
Board members		
Remuneration ($000)	487	437
Full-time equivalent members	8.9	7.7
Executive team		
Remuneration ($000)	5,028	4,162
Defined contribution plans ($000)	320	285
Full-time equivalent members	10.9	9.2
Total key management personnel remuneration ($000)	**5,835**	**4,884**
Total full-time equivalent personnel	**19.8**	**16.9**

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2017: $nil).

ACC did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2017: $nil). ACC did not provide any loans to key management personnel or their close family members.

(D) REMUNERATION OF EMPLOYEES

The number of employees whose remuneration was within specified bands is as follows:

$000	2018	2017
$100 – $110	273	287
$110 – $120	189	149
$120 – $130	107	89
$130 – $140	77	73
$140 – $150	63	50
$150 – $160	38	37
$160 – $170	36	28
$170 – $180	29	22
$180 – $190	19	15
$190 – $200	20	16
$200 – $210	16	11
$210 – $220	9	11
$220 – $230	7	8
$230 – $240	7	4
$240 – $250	5	5
$250 – $260	1	3
$260 – $270	4	4
$270 – $280	5	4
$280 – $290	1	6
$290 – $300	2	1
$300 – $310	4	3
$310 – $320	2	6
$320 – $330	1	1
$330 – $340	3	1
$340 – $350	1	1
$350 – $360	3	1
$360 – $370	1	–
$370 – $380	1	1
$380 – $390	1	–
$390 – $400	1	1

$000	2018	2017
$400 – $410	1	1
$410 – $420	–	–
$420 – $430	–	1
$430 – $440	–	1
$440 – $450	–	–
$450 – $460	–	2
$460 – $470	1	1
$470 – $480	–	1
$480 – $490	–	1
$490 – $500	2	2
$500 – $510	1	–
$510 – $520	2	2
$520 – $530	–	2
$540 – $550	–	–
$550 – $560	–	–
$560 – $570	1	1
$580 – $590	–	1
$590 – $600	2	1
$610 – $620	3	–
$640 – $650	–	1
$660 – $670	1	1
$690 – $700	–	1
$700 – $710	–	1
$710 – $720	1	–
$730 – $740	1	–
$810 – $820	1	–
$820 – $830	1	1
$850 – $860	1	–
	945	**860**
Average remuneration of above employees	**146,339**	**146,224**

145 staff received redundancy payments or settlement payments in 2018, totalling $3,885,509 (2017: 83 staff $2,663,519), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year.

20. Events after balance sheet date

There were no significant events after balance date that require separate disclosure.

21. Explanation of significant variances against budget

The budget figures are those in ACC's Service Agreement 2017/18. The Service Agreement 2017/18 was prepared based on the claims valuation as at 31 December 2016, using discount rates at 31 March 2017.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are un-audited.

Explanations for significant variations from the budgeted figures approved by the Board are as follows:

(A) STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Net levy revenue

Increased levy revenue is the result of increased exposures (number of motor vehicles licensed and petrol volumes). Levy revenue in the Work and Earners' Accounts is marginally above budget. Appropriation for the Non-earners' Account is the same as the budget although a higher proportion was transferred to the Treatment Injury Account to account for the costs of the pay equity settlement.

Investment revenue

Investment income can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC budgets for investment income based on a projected twenty year median rate of return. This means that ACC expects to exceed budget for ten out of the next twenty years, and similarly to achieve lower returns than budget for ten out of the next twenty years.

Investment income was substantially higher than budget due to movements in investment markets.

Claims paid

Claims paid were 1.8% lower than budget. Claim registrations grew by 2% over the year compared to expected growth of 3.5% at the time the budget was approved.

Treatment Services had favourable variances driven mainly from elective surgery and several primary care services where generally volumes were lower than anticipated. Offsetting these were unfavourable variances in counselling and psychiatric services with volumes continuing to grow at rates exceeding budget.

Rehabilitation costs had a favourable variance mostly from personal support payment increases coming in lower than expected due to conservative pay equity assumptions in the budget. Capital costs offset these favourable variances with the average cost of claims exceeding budget.

Weekly compensation costs were below budget due to a lower increase in claims volume of 5.2% compared to budget expectations of 7.5%.

Increase in outstanding claims liability

The approved budgeted change in outstanding claims liability ('OCL') was based on the December 2016 actuarial valuation of claims liability and economic factors (such as interest rates) at 31 March 2017. The actual change in OCL was based on the June 2018 actuarial valuation of claims liability using economic factors at 30 June 2018.

The actual increase in the OCL was higher than the budgeted increase. Interest rates decreased significantly, which were not anticipated at the time the budget was approved, increased the OCL by $2.8 billion over the year. Other significant factors impacting on the OCL were a decrease in inflation assumptions ($0.1 billion decrease), impact of change in claims experience and modelling, mainly decreased elective surgery costs due to lower inflation assumptions, partly offset by increased weekly compensation costs, ($0.2 billion decrease) and impact of legislative changes, relating to social rehabilitation, reflecting revised expectations and rates ($0.5 billion decrease). A change in the basis of the valuation, undertaken by new consulting actuaries Taylor Fry, resulted in a decrease in the OCL of $0.2 billion.

Movement in unexpired risk liability

The unexpired risk liability ('URL') is the shortfall, if any, by Account between the levy income that ACC will earn for a future period where the rate of levy income has been fixed and the actuarially calculated costs of claims arising over the same future period. The forecast increase in URL was the difference between the forecast calculation of the URL at 30 June 2017 and the forecast calculation of the URL at 30 June 2018.

The actual increase in URL was higher than the budgeted increase in URL primarily because the unanticipated future cost of claims impacting the OCL (refer comments above). This factor increased the shortfall between future levy income and claims costs.

B) STATEMENT OF FINANCIAL POSITION

Receivables

The receivables balance is higher than budgeted. The major component of the change in receivables is money owed to ACC for unsettled investment transactions such as the sale of equities and bonds. These transactions are settled within a few days in accordance with market rules.

ACC actively trades its investments to maximise income based on real-time assessments of investment opportunities by the Investment team. The volume of daily investment sales, and consequently the size of the receivables balance, varies substantially over time as these assessments change. At the time the budget was approved market opportunities suggested that there would be less investment sales with a correspondingly lower short term receivables balance; however as at 30 June 2018, market conditions resulted in slightly higher investment sales than anticipated when the budget was approved fifteen months earlier.

Intangible assets

The value of intangible assets (primarily software) is higher than budget. ACC is in the process of replacing and upgrading major information technology systems as part of its transformation programme which requires higher capital investment than planned in the budget.

Investments

The net investment asset balance is higher than budget reflecting the higher than budgeted investment income earned over the financial year due to the movements in investment markets as well as higher levy revenue receipts and lower costs than anticipated in the budget.

Payables and accrued liabilities

The payables and accrued liabilities balance is lower than budgeted. The major movement in payables and accrued liabilities is money owed by ACC for unsettled investment transactions such as the purchase of equities and bonds. Investment market conditions resulted in lower investment purchases in the days immediately before 30 June 2018 and therefore a lower short term payables balance than anticipated when the budget was approved.

Outstanding claims liability

The actual outstanding claims liability ('OCL'), based on the June 2018 actuarial valuation of claims liability using economic factors at 30 June 2018, is higher than the budgeted OCL based on the December 2016 actuarial valuation of claims liability and economic factors at 31 March 2017.

The most significant factor impacting the OCL is the reduction in interest rates between March 2017 and June 2018. Additionally, there have been revisions to pay equity and regularisation costs, higher costs recognised in weekly compensation and a reduction in elective surgery costs.

Unexpired risk liability

The unexpired risk liability ('URL') is the shortfall between the expected future levy income and future costs.

The actual increase in URL was higher than the budgeted increase primarily because of the unanticipated future cost of claims impacting the OCL. As a result, there was a larger shortfall than budgeted between future levy income and future costs which increased the URL above the approved budget.

(C) STATEMENT OF CASH FLOWS

Net cash inflow from operating activities was higher than budget mainly due to lower cash claim costs than anticipated and levy revenue cash received above expectations due to higher exposures in the Work, Earners' (liable earnings) and Motor Vehicle Accounts (number of licensed vehicles and petrol volumes).

Higher investment income realised through net purchase and sales of investments also contributed to the positive cash inflow.

22. Prior year adjustments

ACC has adjusted its comparative year financial statements for the year ended 30 June 2017 to correct two prior period errors.

During 2017/18, ACC identified two historical issues with levy invoicing:

- Employers and shareholder-employees that paid provisional invoices and subsequently ceased trading within the levy period and therefore should not have paid the entire amount of the provisional invoice. The estimated refund to these customers is $90 million of which $5 million relates to the 2016/17 year and $85 million to years prior to the 2016/17 year.
- First time self-employed customers who were invoiced in their first year inconsistent with regulations. The estimated refunds due to these customers is $36 million which relates to years prior to the 2016/17 year.

The financial statements for 2017, which are presented as comparative information in the 30 June 2018 financial statements, have been adjusted to include correction of the prior period error. The adjustments are shown in the table below:

	Actual 2017 Earners' Account			Actual 2017 Work Account			Actual 2017 Total		
$M	Before adjustment	adjustment	After adjustment	Before adjustment	adjustment	After adjustment	Before adjustment	adjustment	After adjustment
Revenue									
Levy revenue	1,532	–	1,532	791	(5)	786	4,106	(5)	4,101
Net surplus	**150**	**–**	**150**	**453**	**(5)**	**448**	**607**	**(5)**	**602**
Liabilities									
Provisions	–	–	–	–	–	–	47	126	173
Account reserves									
Opening balance (deficit)	956	(20)	936	2,548	(101)	2,447	(1,865)	(121)	(1,986)
Closing balance (deficit)	1,106	(20)	1,086	3,001	(106)	2,895	(1,258)	(126)	(1,384)
Solvency ratio	**114.3%**		**114.0%**	**148.2%**		**146.5%**			

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Accident Compensation Corporation group (the Group). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of EY, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 101 to 151, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 28 to 46 and 85 to 99.

In our opinion:

- the financial statements of the Group on pages 101 to 151:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 28 to 46 and 85 to 99:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
  - complies with generally accepted accounting practice in New Zealand.

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Our audit was completed on 27 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004, the Public Finance Act 1989 and the Accident Compensation Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's service agreement.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 25, 50 to 84, 100, and 156 to 161, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

EY
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In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out independent quality assurance services related to information technology projects being undertaken by the Corporation, information technology maturity assessment, accounting advice, probity and assurance for actuarial tender review, provision of market data for actuarial remuneration and attendance at EY procurement excellence awards , which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Grant Taylor
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

Other performance measures

Measure	Rationale	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
Staff turnover.	Overall staff turnover is an important measure of ACC as an employer. Low turnover supports the delivery of improved customer services.	11.4%	15.0%	14.7%	✓
High achiever turnover.	A 'high achiever' is someone who has scored a 5/5 in their annual performance review. Turnover of high achievers leads to costs due to lost productivity, recruiting and training, and also to losses of overall organisational knowledge and leadership	7.5%	10.0%	11.0%	✗
Ratio of engaged staff to actively disengaged staff.	Organisations with highly engaged staff have high levels of performance and productivity.	6.0:1	6.0:1	6.0:1	✓
Overall operational system availability.	Our systems need to be available so that we can deliver the services our customers expect.	99.9%	99.5%	99.9%	✓

Asset performance measures

Cabinet Office Circular CO(15)5 introduced expectations for agencies to report investment performance:

- Paragraph 61: Agencies must report on relevant asset performance indicators in their Annual Reports.
- Paragraph 62: Agencies must capture and use in internal management and decision-making processes, relevant indicators of past and projected asset performance, such as asset utilization, condition and fitness for purpose.

In May 2016, Treasury published the Annual Report Guidance for Crown Entities. The Guidance is Treasury's interpretation of CO(15)5. It establishes new, mandatory requirements for the reporting of asset performance. 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). We are required to report our performance targets for the next four years in our Service Agreement and actual performance results in our future Annual Reports.

ASSET PERFORMANCE MEASURES

	Measure	Rationale	Actual 2016/17	Target 2017/18	Actual 2017/18	Target met?
ICT	Utilisation: Average claims management system transaction time.	Measuring the time that it takes to complete a claim management transaction is a good indicator of whether our ICT asset portfolio is reaching maximum capacity.	372.5ms	≤525ms	370ms	✓
ICT	Condition: Percentage of time key applications and network were able to perform required functions.	This measure demonstrates the reliability and therefore condition, of the underlying assets.	99.9%	99.5%	99.9%	✓
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 in the delivery of functionality, and is able to be compared with that of peer groups to ensure that it is appropriate.	$18,112	$24,300	$19,173	✓
ICT	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.	15.7 m^2	12–16m^2	17.3m^2	✗
Property	Condition: Percentage of total leased area with a current code of 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%	✓
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%	✓

Glossary

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.

Accredited employer
This is an employer who has signed a contract with ACC to take responsibility for the management and costs of their employees work-related injuries and work related gradual process, disease or infection claims for a specific period of time, in exchange for a levy reduction.

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.

Durable-return-to-work rate
A measure of the percentage of clients who have returned to work and have remained at work.

Earners' Account
The Account by those earning a salary or wage for injuries that occur outside work (e.g. at home or playing sport).

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).

Integrated Services for Sensitive Claims
Services designed to assist clients who would like therapy for mental injuries as a result of sexual abuse. The client and their family and whānau are at the centre of the ISSC which comprises a range of service types that can be tailored to meet a client's individual needs.

Labour cost index
A measure of the increase in 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.

Long Term Claims Pool
Clients who have received weekly compensation payments for more than 365 days.

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). Scores range from −100 to +100.

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). Scores range from -100 to +100.

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

Outstanding claims liability
An estimate of the present-value of expected future payments on all existing ACC claims and an estimate of incurred but not reported 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).

Public Health Acute Services (PHAS)
Acute services provided to ACC clients by DHBs are funded under PHAS. ACC pays for these services through a bulk payment that's made, via the Treasury, to the Ministry of Health.

Rehabilitation
This is a process of active change and support to help a person regain their health and independence and therefore their ability to participate in their usual activities as far as possible.

Return from insurance operations
The return from insurance operations measures ACC's financial performance without the impact of external factors. External factors can cause significant variations in reported results year to year.

Review rights
A client has the right to have a decision made by ACC about their claim independently reviewed with a specified timeframe. ACC is required by its legislation to tell clients that they have the right to a review and what the review timeframe is.

Rate of serious injury
The number of new serious injury and fatal claims per 100,000 new registered claims.

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

Sensitive claims
For clients who've been injured by specific sexual crimes, ACC covers mental injuries as well as any physical injuries. These are confidential in nature and ACC's national Sensitive Claims Unit specialises in managing these claims.

Short-term Claim Centre
ACC has Short-term Claim Centres in Christchurch, Dunedin, Hamilton, and Wellington. These typically manage claims involving mild injuries, or injuries from which clients would usually make a complete recovery within several weeks.

Social rehabilitation
Helps clients to regain their independence in daily living activities as much as possible. Includes home and community services, equipment for independence, training for independence, modification of vehicles or home, and education support.

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 (2015-2019). This document has been updated and will be released later in 2018 covering intentions from 2018-2022.

Superimposed inflation
Increased costs over and above baseline.

Surplus (deficit) from underwriting activities
The underwriting result is determined as the amount obtained by deducting the sum of claims costs and underwriting costs from the levy revenue.

Treatment

Includes physical rehabilitation, cognitive rehabilitation and an examination to provide a medical certificate and the provision of it.

Treatment Injury Account

The Account for injuries caused as a result of treatment provided by, or at the direction of, one or more registered health professionals.

Vocational rehabilitation

Helps clients maintain or obtain employment, or regain or acquire vocational independence. Employment must be appropriate to the client's capacity to function, and to their training and experience.

Weekly compensation

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

Whaia Te Tika

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

Work Account

The Account for injuries that occur in the workplace.

Directory

Corporate office

information@acc.co.nz	+64 4 816 7400	PO Box 242, Te Whanga-nui-a-Tara/Wellington 6140
Accident Compensation Corporation		
Level 2, Justice Centre		
19 Aitken Street		
Te Whanga-nui-a-Tara/Wellington 6011		

Claims

claims@acc.co.nz	PO Box 242, Te Whanga-nui-a-Tara/Wellington 6140	
Claims helpline	0800 101 996	
Treatment Injury Centre	0800 735 566	PO Box 430, Ōtepoti/Dunedin 9054
Sensitive claims	0800 735 566	***sensitiveclaims@acc.co.nz*** PO Box 1426, Te Whanga-nui-a-Tara/Wellington 6140
Accidental death	0800 222 075	
Deaf community fax	0800 332 354	***deaf@acc.co.nz***
Overseas callers	+64 7 848 7400	

Business and levies

business@acc.co.nz	PO Box 795, Te Whanga-nui-a-Tara/Wellington 6140	
Business Service Centre	0800 222 776	
Employers	0800 222 776	
Self-employed	0508 426 837	
Agents and advisors	0800 222 991	
Overseas callers	+64 4 816 7880	
Debt management	0800 729 538	PO Box 3248, Te Whanga-nui-a-Tara/Wellington 6140

Providers

providerhelp@acc.co.nz	PO Box 90341, Tāmaki-makau-rau/Auckland 1142
Provider helpline	0800 222 070

Injury prevention

information@acc.co.nz	PO Box 242, Te Whanga-nui-a-Tara/Wellington 6140
Publications	0800 844 657
ACC injury prevention unit	+64 4 816 7400

Injury management (for employers)

returntowork@acc.co.nz	Private Bag 9000, Heretaunga/Hastings 4156
Injury management team	0800 101 996

Concerns and complaints

customerfeedback@acc.co.nz	Freepost 264, PO Box 892, Kirikiriroa/Hamilton 3240
Customer resolution	0800 650 222
Overseas callers	+64 7 848 7403

Preventing fraud

collection.collation@acc.co.nz	
Preventing fraud	0508 2223 7283

Media

media@acc.co.nz	PO Box 242, Te Whanga-nui-a-Tara/ Wellington 6140
Media enquiries	+64 27 493 6858

Directory

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

Te Kaporeihana Āwhina Hunga Whara

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