

Statement of Intent 2010–2013

Our role in helping New Zealanders





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Foreword from the Board Chair

The last year has seen ACC work its way through a number of significant adjustments, and 2011 will be no different. Change will come from a number of directions. The Government's Stocktake of ACC Accounts is due later this year, new legislation will take effect and the organisation itself will continue to refocus its efforts.

What will not change is the core purpose of ACC. That purpose is to get injured people covered by the Scheme ready for productive work or independent living, quickly and at reasonable cost. The changes to date have been to help ACC better achieve this purpose. It is in fulfilling that purpose that ACC offers the greatest possible benefit to individual New Zealanders and society as a whole.

The elements of the purpose are as important as the overall meaning. For example, it talks about 'covered accident victims'. This means ACC will be sticking much more closely to its legislation, and only assisting those genuinely covered by it. There are other agencies available to help those not covered by ACC.

The purpose also includes getting people 'ready for productive work or independent living'. The international evidence is clear that the longer people are away from work or their normal lives the harder it is to return. People who are injured want to get back to normal as far as practicable. However, there is a group of clients whose injuries mean they are likely to be supported by ACC for life, and our approach to them is different.

'Reasonable cost' is not about clients missing out on entitlements. Rather, it reflects our determination to achieve better value for money (especially in health purchasing) and to ensure that ACC delivers its services in a cost-effective way. This is important to levy payers who need to know that rehabilitation is provided at the least cost and in the minimum time. We will continue to have a strong focus on providing quick and efficient rehabilitation for our clients.

Injury prevention will remain very important. As well as the normal work that ACC does, this year we will also contribute more to the whole-of-government injury prevention effort, ensuring that services are coordinated, effective and efficient.

If we can achieve these things then ACC will also continue to move towards financial sustainability. Of course, ACC cannot achieve its goals alone. We need New Zealanders to play their part, whether they are clients, health providers or ordinary people living their lives.

I am buoyed by the progress made to date. We are already seeing signs that some of the more concerning previous trends are beginning to turn around. We must continue that momentum.



John Judge
Board Chair



Peter Neilson
Deputy Chair

ACC at a glance

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

The ACC Scheme manages the existing social contract through which New Zealanders' forego the right to sue for personal injury (other than exemplary damages) in exchange for receiving comprehensive, no-fault personal injury cover.

In recent years, the costs of delivering the Scheme have increased rapidly due to a number of factors, including:

- declining rehabilitation performance, meaning claims are open longer and costing more
- increasing outstanding claims liability partly due to the impact of the global recession
- an increase in the scope of the Scheme due to legislative change and District Court decisions.

The financial impact of these factors has been large enough to bring the long-term affordability and viability of the Scheme into question. In the past year, ACC has undergone a significant transformation as it has shifted its focus towards ensuring the long-term financial sustainability of the Scheme.

ACC is becoming more business-like in its operations. This means that greater attention is being paid to ensuring that value for money is realised from the levies it receives.

The total cost of the Scheme is influenced by ACC's rehabilitation performance, specifically how long clients are on the Scheme and the cost of their rehabilitation. This document outlines ACC's work programme through which it will:

- further optimise the value delivered by the services that it purchases
- develop rehabilitation processes that help clients make an earlier return to independence.

While the outlined initiatives are intended to reduce the growth in costs and liability in the short to medium term, it is important to recognise that the overall size of the liability will tend to increase as the population increases and the number of seriously injured clients grows as the Scheme continues to mature.

ACC must strike a balance between managing financial considerations while ensuring that clients receive effective rehabilitation, and are treated fairly in line with the legislation. Equally the organisation must ensure that it maintains the capability to deliver the performance necessary to return the Scheme to a financially sustainable position.

The Statement of Intent therefore includes both the organisation's immediate performance targets and the medium-term activities through which the organisation will be able to demonstrate progress towards achieving its outcomes.

1. The Scheme covers New Zealand citizens, permanent residents and also all visitors to New Zealand.

ACC's strategic direction

Overarching outcome: ACC contributes to the Government's overarching outcome of improving New Zealand's economic performance by providing an efficient and comprehensive, no-fault, accident insurance scheme.

The no-fault nature of the Scheme has two substantial benefits to the country. First, the costs of litigation required in other jurisdictions are effectively removed. Second, ACC can focus on delivering appropriate rehabilitation without having to wait for decisions about whether a claim is covered to be resolved. This enables ACC both to operate more cheaply than international comparative systems and to get people working again sooner.

Government priorities for the ACC Scheme: The Government has laid out clear expectations for the public sector to demonstrate that it ensures value for money for New Zealanders. This reinforces the need for ACC to make effective use of the funds it receives and to provide accurate information showing how it has used this money.

In addition, the Minister for ACC's Letter of Expectations to the Corporation outlines a number of specific objectives for 2010-2011. These are for ACC to:

- participate, where required, in the Stocktake of ACC Accounts
- complete a review of the New Zealand Injury Prevention Strategy and maintain leadership of the injury prevention sector
- continue progress in improving rehabilitation rates, while ensuring the quality and sustainability of individual client outcomes
- work collaboratively with other agencies.

ACC will also support the review of dispute resolution to be carried out by the Department of Labour.

ACC's outcomes: The three outcomes show what ACC is trying to achieve in the medium term, and are the overarching goals for the Scheme:

- Outcome 1: Ensure the Scheme is financially sustainable and represents value for money
- Outcome 2: Rehabilitate injured people in New Zealand more efficiently
- Outcome 3: Reduce the incidence and severity of injury.

While outcomes in their own right, Outcomes 2 and 3 also support the achievement of Outcome 1. Delivering a sustainable Scheme with affordable levies requires the prevention of injuries and the delivery of effective rehabilitation services at a sustainable cost. Through the achievement of these three outcomes, ACC will support the achievement of the Government's priorities.

Outputs: The outputs are the services through which ACC will deliver its outcomes for New Zealanders. These are:

- levy collection and setting
- investment management
- claims management
- injury prevention.

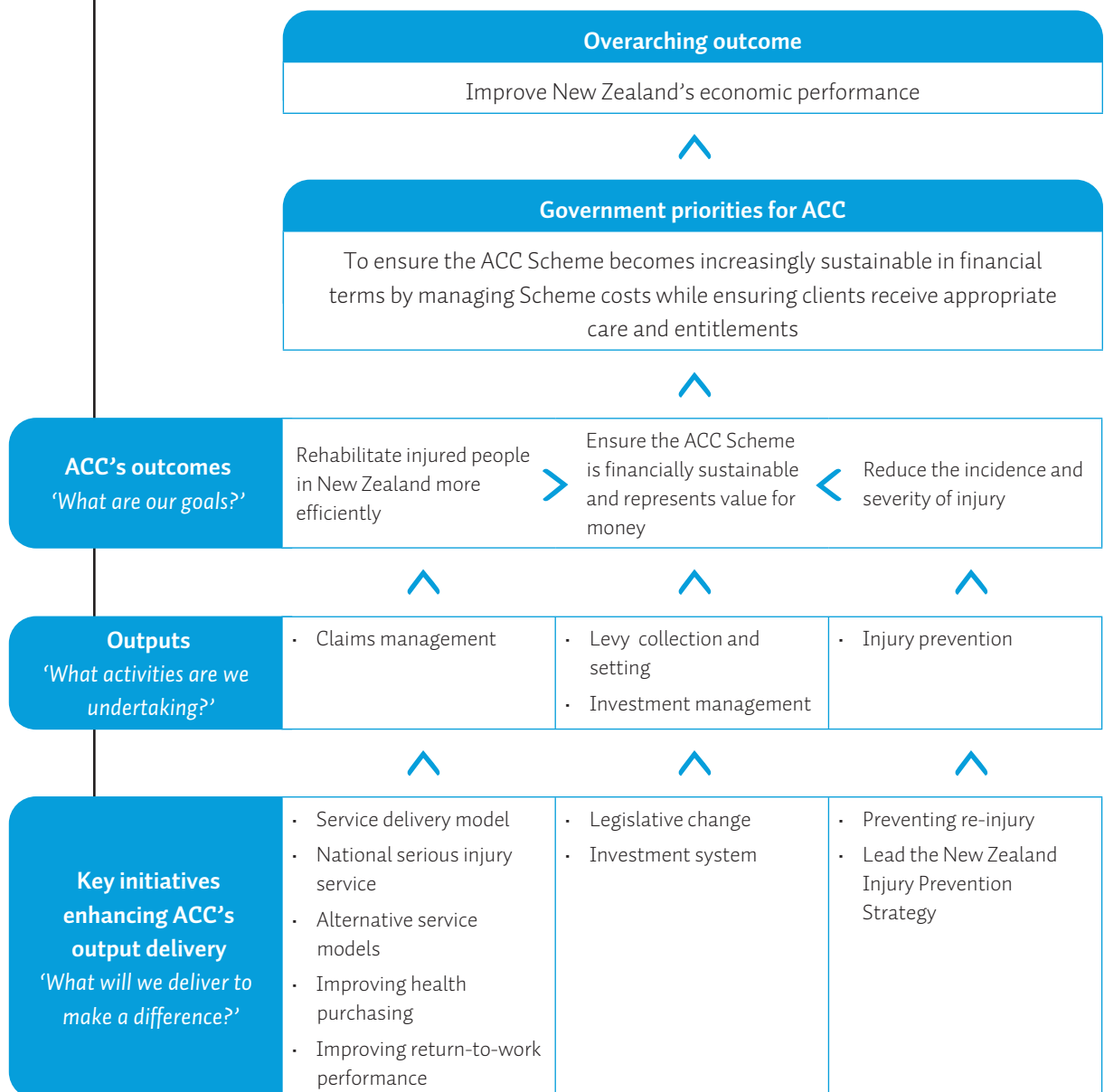
Key initiatives enhancing ACC's output delivery: In the medium term, ACC will deliver a number of key work programmes to make the Scheme more efficient and effective. This includes ACC's major investment programme which constitutes the basis of ACC's capital change.

ACC's values: ACC recognises that managing the Scheme is not just about what it does but how it does it. As such, ACC's organisational values underpin decisions about what it does, how it operates and how it behaves. These values are:

- honour people as People
- freedom to succeed
- pride in what we do.

ACC's strategic direction is encapsulated in the following outcomes framework.

Figure 1: ACC's outcomes framework





Guide to this document

This document outlines how ACC will progress towards achieving its three outcomes.

The outcomes are what ACC is trying to achieve, and are the overarching goals for the Scheme. The outcomes are measured through the outcome measures that are reported in the Annual Report.

The outputs are the services that ACC provides to New Zealand, that contribute to the achievement of the outcomes. Outputs are measured by impact measures which form the basis of reporting to the Minister, the Board and ACC's executive management.

In the medium term, ACC will deliver its major investment programme which includes a number of key initiatives that will improve organisational capability and the delivery of outputs. This will contribute to the overall achievement of ACC's three outcomes.

Nature and scope of the organisation

Introduction

ACC is the Crown entity that manages New Zealand's universal, no-fault accident insurance scheme.

The Scheme was established following the 1967 Royal Commission of Inquiry by the Rt. Hon. Sir Owen Woodhouse. New Zealand was an early adopter of workers' compensation, having introduced a 'no-fault' workers' compensation scheme in 1900.

The 'Woodhouse Report' led to a radical extension of no-fault accident cover to include all injuries to workers (for both work and non-work injuries) and motor vehicle injuries. In addition, the Scheme was extended to cover those not previously covered (including students, non-earners and visitors to New Zealand).

The Woodhouse Report proposed that:

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

The Scheme created a social contract whereby individuals gave up their right to sue for compensatory damages in exchange for comprehensive accident insurance cover and compensation.

Legislation

The Scheme provides a range of entitlements as set out in ACC's governing legislation, the Accident Compensation Act 2001 (the Act). The Act sets out specific provisions for when an injury can receive cover:

- non-work-related personal injuries, e.g. injuries suffered at home, or while playing sport
- motor vehicle injuries
- work-related personal injuries
- work-related gradual process injuries
- work-related diseases and infections
- sensitive (sexual abuse) claims
- injuries that occur as a result of medical treatment.

The Act sets out three core functions for the Scheme: injury prevention, rehabilitation, and compensation.

- **Injury prevention:** ACC has a key role in promoting measures that reduce the incidence and severity of personal injury. However, the Act requires that such measures only be undertaken by ACC itself if they are expected to lead to a cost-effective reduction in levy rates.

- **Rehabilitation:** specific provisions prescribe the entitlements that clients can access. Where a claim has cover, ACC must provide entitlements to the level prescribed in the legislation with the goal of restoring the injured person's independence to the maximum extent practicable. ACC provides the following entitlements:
 - contributions to the costs of treatment
 - social and vocational rehabilitation, and associated ancillary services
 - purchases of aids and appliances to support rehabilitation.
- **Compensation:** the Scheme provides financial compensation to clients for losses due to personal injury. The following forms of compensation are provided:
 - weekly compensation (earnings replacement) for earners, at 80% of earnings for earners who are injured and have not returned to work in a week²
 - lump-sum compensation for significant permanent impairment
 - accidental death benefits.

Table 1 provides a breakdown of ACC's expenditure in the past five years against each of its core functions. It shows the increase in rehabilitation and compensation that has occurred since 2005 and the relatively small spend on injury prevention.

Table 1: Breakdown of ACC's expenditure

(\$000)	Actual 2005–2006	Actual 2006–2007	Actual 2007–2008	Actual 2008–2009	Forecast 2009–2010	Forecast 2010–2011
Injury prevention	41,365	40,007	39,820	39,493	31,935	33,751
Rehabilitation	1,304,931	1,484,553	1,681,961	1,880,409	1,788,276	1,905,997
Compensation	832,704	943,510	1,036,993	1,176,041	1,190,386	1,182,927
Total	2,179,000	2,468,070	2,758,774	3,095,943	3,010,597	3,122,675

The organisation at a glance

ACC employs around 2,800 staff, of whom about 2,000 are directly or indirectly involved in managing claims. There are 26 branches nationwide with processing and call centre operations located in Auckland, Dunedin, Christchurch, Hamilton and Wellington.

Around 250 staff are employed in the product, pricing and distribution group which designs and delivers appropriate products for levy payers. The majority of these employees work at the business service centre in Wellington which processes levy invoices and provides customer service to ACC's business customers.

There are approximately 130 staff employed in the injury prevention group which is engaged in the design and delivery of a range of programmes to reduce the rate at which New Zealanders suffer injuries with serious consequences. While a lower injury rate is a public benefit to New Zealand, it also reduces the costs to the Scheme.

The remaining staff are employed in providing support services to the organisation such as information services, human resources, communications, policy and finance.

2. Weekly compensation payments are capped at a maximum of \$1,692.59 per week. This sum is current to 30 June 2010 and is indexed annually.

Table 2: Number of employees

Staff type	Number of FTEs ³	
	As at 31 March 2009	As at 31 March 2010
Direct frontline staff	1,863	1,827
Indirect frontline staff	279	335
Corporate office staff	757	616
Total	2,899	2,778

3. FTEs include full-time employees and third party contractors.

Funding

This section describes how the Scheme is funded. ACC has three sources of funding: levy income, Government appropriation, and investment income. ACC seeks to collect sufficient revenue to meet the lifetime costs of clients' injuries.

Funding history

Under the previous Act, ACC had a legislative requirement to be fully funded for all pre-1999 injuries by 30 June 2014.⁴ In an amendment to the Act passed in March 2010,⁵ this date was extended to 2019.

Full funding means that there are sufficient assets to meet all of the organisation's liabilities.

From 1 July 1999, accident insurance cover for all workplace injuries was opened to competition and the Scheme was changed from a 'pay-as-you-go' to a fully-funded scheme. Under 'pay-as-you-go' levy income was raised only to cover the costs due to be paid during the levy year. The ongoing cost of existing claims remained an unfunded liability.

All levies from 1999, and from 2001 for the Non-Earners' Account, have been collected on a fully-funded basis. This created an unfunded liability for injuries that occurred before those dates and are still receiving entitlements.

This unfunded liability was included within the residual portion of each Account. Residual claims for the Work Account were funded separately in the Residual Claims Account.

Under the recent legislative changes the Residual Claims Account has been incorporated into the Work Account.

The outstanding claims liability

The outstanding claims liability is an actuarial estimation of the net present value of all the future costs for claims that have already occurred as at the valuation date.

The liability is reassessed twice a year and levy rates are adjusted annually to respond to any changes (including economic factors such as changing interest rates, investment returns and the expected cost of claims) in order to remain on track to achieve full funding.

Based on the last actuarial assessment of the valuation at 31 December 2009, the outstanding claims liability is forecast to be \$24.4 billion inclusive of risk margins⁶ as at 30 June 2010.

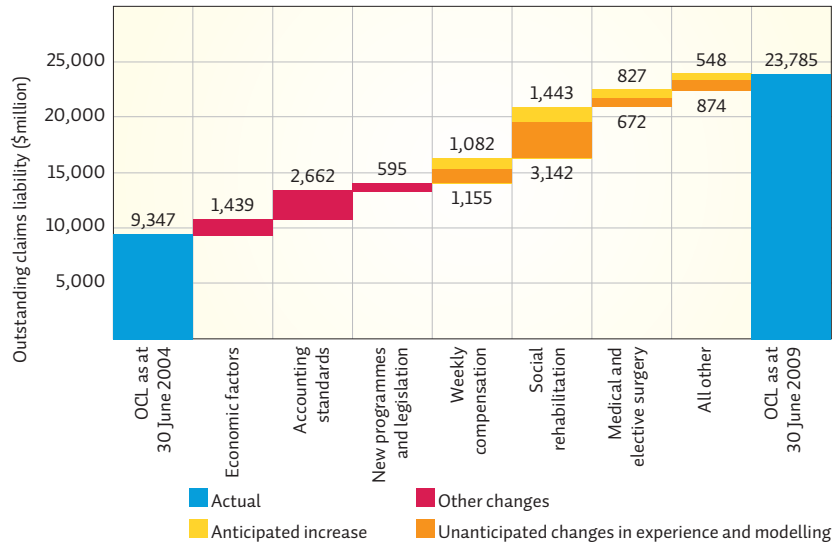
4. *The Non-Earners' Account does not have a full-funding target.*

5. *Accident Compensation Amendment Act 2010.*

6. *ACC is obliged, under the New Zealand equivalents to International Financial Reporting Standards, to operate with a risk margin. The risk margin is an addition to the liability whose purpose is to increase the probability that ACC will have adequate funds to meet its future obligations.*

Figure 2 shows the key factors that have led to the increase in the liability since 2004.

Figure 2: Recent growth in the outstanding claims liability (OCL) to 30 June 2009



Funding structure

The Scheme is managed through five separate Accounts, each maintained for a specific purpose. The Accounts are funded through levies collected to meet the current and future costs of providing rehabilitation services and compensation for claims within each Account. These are shown in the table below.

Table 3: Funding structure

Account	Type of cover	Source of funding	2010–2011 Average aggregate levy (excl. GST)	Forecast 2010–2011 levy revenue (\$million)	Forecast Outstanding claims liability at 30 June 2011 ⁷ (\$million)
Work	Work-related injuries	Employers Self-employed	\$1.47 per \$100 liable earnings	1,223	5,140
Earners'	Non-work injuries to earners (e.g. home, sport)	PAYE income Self-employed	\$1.78 per \$100 liable earnings	1,595	4,723
Non-Earners'	Injuries to non-earners (e.g. students, elderly)	Government appropriation	n/a	1,016	3,949
Motor Vehicle	Injuries involving motor vehicles on public roads	Petrol levy Licensing fee	Composite average levy \$334	995	6,206
Treatment Injury	Injuries from medical treatment	Earners' and Non-Earners' Accounts (Government)	n/a	328	2,103
Total				5,157	22,121

7. The forecast liability is based on the back-to-BASE economic assumptions at 30 June 2009. These assumptions are the baseline used in the calculation of the actuarial release.

ACC managed \$11.1 billion in investment funds as at 30 June 2009. Table 4 shows the forecast growth in the size of ACC's investment funds. Investments will increase as ACC moves closer to its full-funding deadlines.

Table 4: ACC's investment funds as at 30 June (\$ billion)

2007	2008	2009	2010 (forecast)	2011 (forecast)
9.7	10.1	11.1	13.4	14.5

Operating environment and future risks

ACC is facing a number of pressures within its operating environment to which it must respond.

Established pressures

These are long-term pressures facing ACC for which mitigating strategies have been established. They include long-run changes in the population and the rising cost of health care, described in more detail below.

Changes to New Zealand's population

In common with other developed nations, New Zealand's population is ageing and experiencing a growth in chronic conditions such as diabetes, obesity and arthritis. This means that a growing number of ACC's clients are presenting with pre-existing conditions, which tend to make their rehabilitation more complex.

The broader increase in the number of older people has led to an increase in the number of older workers. This group presents challenges for ACC as older workers are more likely to be injured than the average worker.

ACC will be required to implement innovative approaches to manage the changing nature of its client base. This may include the provision of more specialist case management, treatment and rehabilitation services. A key focus for ACC will be on ensuring it has the operational capability to identify and fund only those services that are required as a result of an injury.

Recent changes to ACC's service delivery model show that the organisation is capable of implementing significant change to how it manages claims. Thus, while an increase in the number of complex claims will tend to increase costs, the organisation has demonstrated the capability to respond to changes in its client base.

Rising health care costs

New Zealand's health sector is facing the same pressures as those in other countries in the developed world. In particular, the growth of medical technology and the persistent labour shortage in the sector are increasing costs. Although ACC's total expenditure on medical treatment reduced in 2009-2010, the underlying trend remains for the price of medical services to rise above the rate of inflation.

ACC must continue to deliver existing services and fund appropriate additional services as they become available. While medical technology may have the potential to reduce costs in some areas, the overall pressure on health care costs will continue to increase.

It is essential that ACC can demonstrate that the services it does purchase are necessary and make a difference to clients' rehabilitation.

The claims management and health purchasing and provider relations groups are working towards ensuring that:

- only treatment likely to make a difference to injured clients is approved
- any such treatment represents value for money
- ACC is only funding injury-related treatment.

Current pressures

These are pressures that have arisen more recently and are under active management. They include the impact of the expected economic recovery, the impact of nil budget increases on the organisation and the potential outcomes from the Government's Stocktake of ACC Accounts.

Continued impact of the economic recovery

ACC declared a deficit of \$4.77 billion in the year to 30 June 2009. This was predominantly driven by an increase in ACC's outstanding claims liability and low levels of investment returns. In the year to 30 June 2010, ACC is forecast to make a surplus as investment returns increase and the impact of increases in the levy rates begin to be felt.

During 2009-2010 the number of claims entering the Scheme fell. This was one of the factors leading to a reduction in claims costs. Other factors include improvements in rehabilitation performance and in the management of long-term claims.

Historically, the number of clients receiving weekly compensation has tended to rise during times of economic recovery. A key focus for 2010-2011 will be on maintaining and improving ACC's rehabilitation performance if the number of new claims begins to increase again.

Impact of zero-based budgeting in the public sector

In common with the rest of the public sector, ACC is focused on managing the growth in its operating budgets. Cutting costs needs to be balanced against the need to invest adequately in ACC's staff development and core operating systems to ensure that its workforce continues to improve its performance.

Failure to maintain organisational capability introduces the risk of declining long-term performance. In the short term, ACC may be at risk of losing key employees if more attractive opportunities present elsewhere.

Potential impact of the Stocktake

The Government Stocktake of ACC Accounts is due to report in June 2010. It is possible that this may result in significant future changes in the role and shape of ACC.

In preparation for this, and any other potential change, ACC has implemented a new organisational structure. This will provide the flexibility to make a smoother adjustment to any required changes.

Risk mitigation

The following table describes the key risks facing ACC and rates their potential impact in 2010-2011. A brief summary of the actions being taken to mitigate these risks is also provided.

Table 5: Summary of key risks

Issue	Description of risk	Mitigation	Impact in 2010–2011
Impact of nil budget increases	<p>If investment in staff is not maintained then turnover will increase, especially as the labour market becomes more buoyant</p> <p>If investment in infrastructure and technology is not maintained then systems will, over time, degrade and/or become obsolete</p>	<p>Consistent communications to staff explaining the reasons for change and allowing consultation on proposed change</p> <p>All investments in infrastructure are prioritised through ACC's major investment programme. This identifies and implements significant change projects through which ACC can improve productivity and the quality of its services</p> <p>The programme provides a governance structure to ensure that investments are prioritised, that predicted benefits are realised, and that 'must-do' projects are resourced appropriately</p>	High
Rising health care costs	Increased costs leading to upwards pressure on levies and Scheme affordability	<p>Increased scrutiny by operations staff to ensure that only necessary services are purchased for individual clients</p> <p>Improved management of contracts to ensure that only quality services are being purchased at the best price</p>	Medium
Likely impact of the economic recovery	Increases in claims volumes will affect frontline staff to client ratios, leading to worsening rehabilitation performance	National rollout of the service delivery model will increase productivity (though will not increase frontline staff numbers)	Medium
Potential impact of Stocktake	The results of the Stocktake may lead to significant amounts of organisational change, testing the organisation's ability to maintain existing levels of performance	ACC has completed an organisational restructure, which is designed to give it the flexibility to adjust to potential future change	Medium

Operating intentions

This section contains details of ACC's three outcomes. It includes further explanations of why they are priorities for ACC, the work that will be undertaken to achieve them, and the measures that will be used to track success towards their achievement. In 2010-2011, ACC will focus on the delivery of an actuarial release and on the leadership of the New Zealand Injury Prevention Strategy (NZIPS).

ACC will use the actuarial release as the high-level measure of its success in controlling the costs of the Scheme. Leadership of the NZIPS will support the Government's expectations of greater coordination within the injury prevention sector.

Actuarial release

To demonstrate how it is progressing towards financial sustainability, ACC has set itself the three-year target of realising a \$2 billion actuarial release by 30 June 2012.

The concept of actuarial release allows ACC to measure how operational performance affects the liability.

The calculation of the actuarial release isolates the impact of internal operational performance improvements and removes the impact of external factors such as changes in economic conditions, legislation and other factors beyond the control of management.

The measure therefore provides a link showing how current performance in managing claims and associated expenditure affects the liability and the long-term financial sustainability of the Scheme.

The baseline for the release is the independent valuation of ACC's outstanding claims liability as at 30 June 2009. This valuation includes a forecast of ACC's future costs and outstanding claims liability based on assumptions about ACC's operating environment and performance.

The release is calculated using:

- the difference between a current and previous estimate of the outstanding claims liability, and
- any cash cost savings realised during the period compared with original expectations.

Alignment of impact measures to actuarial release

For those performance measures that contribute to the actuarial release, ACC has set its 2010-2011 targets to achieve the actuarial release target of \$2 billion by 30 June 2012.

Approximately three-quarters of the actuarial release will come from a reduction in the value of the outstanding claims liability. The key levers affecting this part of the actuarial release are the number of clients receiving weekly compensation for more than a year, and the lifetime cost of providing social rehabilitation entitlements to seriously injured clients.

These levers are targeted through specific initiatives measuring reductions in the number of long-term claims and the average cost of social rehabilitation for seriously injured clients.

The remaining quarter of the release will come from savings in claims costs compared with those originally forecast in the valuation of the liability. ACC has therefore set impact measures in line with achieving the actuarial release.

These targets are detailed under Outcome 2: Rehabilitate injured people in New Zealand more efficiently.

Table 6 provides a list of the initiatives that support the delivery of an actuarial release with a brief summary of how their delivery of benefits aligns to the way an actuarial release is calculated.

Table 6: Key initiatives that contribute to an actuarial release

Initiative	Which measures it supports and how	More detail can be found on page
National serious injury service	By improving the management of serious injury clients, this initiative will contribute to the total cash claim costs measure and support the actuarial release target by reducing future liability estimates	25
Improving return-to-work performance	The impact of this initiative will be seen in ACC's return-to-work rates. This will also impact on the total cash claim costs measure and provide a cash saving that will contribute to the actuarial release	27
Preventing re-injury	This initiative will have an impact on the number of new entitlement claims. The reduction in claims will deliver a cash saving that will contribute to the actuarial release	30

Leading the New Zealand Injury Prevention Strategy

ACC's role in injury prevention continues to evolve and in 2010-2011 there will be a broader focus on improving the effectiveness of government-wide injury prevention activities. This reflects the Minister's expectation that ACC will take a leadership role in injury prevention and takes advantage of ACC's ability to influence injury prevention in New Zealand.

ACC houses the secretariat of the New Zealand Injury Prevention Strategy (NZIPS). This strategy provides a framework for government agencies and non-government agencies involved in injury prevention in New Zealand. At a national level, the success of the NZIPS is measured against reductions in the national injury rate.

ACC's actual expenditure on injury prevention activities represents a small proportion of New Zealand's total investment in injury prevention. Consequently, it has a limited ability to directly influence the national injury rate.

National injury prevention targets		
Measure	2010–2011 Target	2009–2010 Target
National fatal injury rate High level indicators of fatal injury rates are measured using the indicators from the NZIPS	Rate of all fatal injury in New Zealand, as measured by the NZIPS Chartbook, is stable at 36.94 ⁸ per 100,000 person years at risk	Rate of all fatal injury in New Zealand, as measured by the NZIPS Chartbook, is stable at 33 per 100,000 person years at risk
National injury rate High level indicators of injury rates are measured using the indicators from the NZIPS	Rate of non-fatal serious injury in New Zealand, as measured by the NZIPS Chartbook, is below 210 per 100,000 person years at risk	Rate of non-fatal serious injury in New Zealand, as measured by the NZIPS Chartbook, is below 218 per 100,000 person years at risk

ACC's actual expenditure on injury prevention activities represents a small proportion of New Zealand's total investment in injury prevention. Consequently, it has a limited ability to directly influence the national injury rate.

As lead agency for the drowning and falls strategies, ACC works towards ensuring that the rate of injury in these areas remains within the baseline targets identified in the NZIPS.

National falls and drowning targets		
Measure	2010–2011 Target	2009–2010 Target
Drowning rate	Rate of drownings, as measured by the NZIPS Chartbook, is below the baseline figure of 3 per 100,000 person years at risk	Rate of drownings, as measured by the NZIPS Chartbook, is below the baseline figure of 3 per 100,000 person years at risk
Falls rate	Rate of fatal falls, as measured by the NZIPS Chartbook, is below the baseline figure of 8 per 100,000 person years at risk Rate of serious non-fatal falls, as measured by the NZIPS Chartbook, is below the baseline figure of 105 per 100,000 person years at risk	Rate of fatal falls, as measured by the NZIPS Chartbook, is below the baseline figure of 8 per 100,000 person years at risk Rate of serious non-fatal falls, as measured by the NZIPS Chartbook, is below the baseline figure of 105 per 100,000 person years at risk

8. The NZIPS injury rates have changed since 2009–2010. This reflects a change in how injury and fatality statistics were calculated over this period.

OUTCOME 1:

Ensure the ACC Scheme is financially sustainable and represents value for money

This outcome reflects the importance of ensuring that ACC is financially sustainable, and therefore able to provide rehabilitation for people with injuries covered by the Scheme now and into the future. Financial sustainability is the platform from which ACC will be able to achieve its other outcomes.

Typically, an organisation's funding is considered to be the means through which an outcome is achieved and is not an outcome in itself. However, given ACC's legislative requirement to be fully funded, and its ongoing cost pressures, financial sustainability remains ACC's first outcome.

Why is this a priority?

The Government's most important priority is to ensure the Scheme has a financially sustainable structure that will deliver affordable levies.

ACC's primary role is to provide effective rehabilitation for injured people who are covered. It has an obligation to deliver quality outcomes for clients, while also demonstrating value for money in its use of levy payers' investment in the Scheme.

While delivering successful client outcomes is critical to the Scheme's success, so too is ensuring that these outcomes are achieved at a reasonable cost.

ACC has control of how it manages its operations and administers the Scheme. It can influence costs through:

- claim volumes (through preventing injuries and provider and community education)
- claim costs (through providing early and effective rehabilitation programmes to better manage claim durations)
- the unit costs of health care (through its purchasing arrangements).

Impact measures

The impact measures demonstrate ACC's contribution to the delivery of ACC's outcomes.

Impact measures		
Measure	2010–2011 Target	2009–2010 Target
<p>Funding ratios</p> <p>As a result of the amendment to the Accident Compensation Act 2001, ACC needs to be fully funded by 30 June 2019</p> <p>The funding ratios are a measure of the assets available to each Account as a percentage of that Account's claims liability. The targets represent the percentage of assets required in 2011 to be on track to achieving the full-funding requirement</p>	<p>By 30 June 2011, ACC will have assets that equal at least the following proportion of the liabilities in that Account:</p> <p>Work Account – 81.6%</p> <p>Earners' Account – 76.6%</p> <p>Non-Earners' Account – 39.3%</p> <p>Motor Vehicle Account – 56.8%</p> <p>Treatment Injury Account – 50.5%</p>	<p>Aggregate funding ratio was to be on track to achieve a fully-funded position by 30 June 2014</p>
<p>Actuarial release</p> <p>ACC will be on track to achieve a \$2 billion actuarial release by 30 June 2012. The actuarial release is calculated on a cumulative basis starting from 30 June 2009</p>	<p>ACC's cumulative actuarial release will reach \$1,254 million by 30 June 2011</p>	<p>Targets for actuarial release were under development in 2009-2010</p>
<p>Expenditure against claim costs</p> <p>This tracks how much ACC is spending on rehabilitation, treatment and compensation</p>	<p>Claims costs to be within \$3,095 million (a 4% increase from 2009-2010 forecast)⁹</p>	<p>Expenditure tracked against the drivers of liability and cash costs. Growth in expenditure to be no more than:</p> <ul style="list-style-type: none"> • non-fatal weekly compensation: 8% • social rehabilitation: 7% • medical treatment: 7% • elective surgery: 9% • administration: 0%
<p>Investment returns against market benchmarks</p> <p>This compares ACC's investment performance with the market average as an indicator of relative performance</p>	<p>0.5% above blended market average benchmarks</p>	<p>0.5% above blended market average benchmarks</p>

9. Growth targets are calculated against total expenditure during the financial year. Note that because the Statement of Intent is produced before the end of the financial year, these targets are set against the most current estimates of annual expenditure. These are calculated in March of each year, based on eight months of actual data and forecast expenditure for the remaining four months of the financial year.

Key initiatives to support Outcome 1

The table below summarises the key initiatives which ACC will implement under Outcome 1.

Implementation of the legislative change programme
2010–2011 Budget
\$100,000
Rationale
<p>The legislative change programme involves putting into effect the Accident Compensation Amendment Act 2010. The Amendment Act:</p> <ul style="list-style-type: none">• reduces Scheme costs by repealing recent extensions to the Scheme• extends the deadline by which ACC must be fully funded from 2014 to 2019• enables the introduction of risk sharing and experience rating. <p>To achieve this, the Amendment Act made changes in four key areas:</p> <ul style="list-style-type: none">• extension of the full-funding deadline from 2014 to 2019• amendments to improve ACC’s flexibility to respond to changes in its environment• amendments that rescind unfunded changes made by the previous Government that present cost-containment opportunities• further cost-containment amendments.
Programme summary/benefits
<p>The Amendment Act repealed a number of changes to the Accident Compensation Act 2001 made under the previous Government, which are expected to reduce annual costs by \$69 million.</p> <p>The extension of the full-funding deadline also removes the need for very large levy increases, which would have otherwise been necessary to meet the 2014 deadline.</p>
Deliverables to date
This is a new initiative for 2010–2011.
Deliverables for 2010–2011
<p>To support the implementation of the Amendment Act, in 2010–2011 ACC will:</p> <ul style="list-style-type: none">• develop a process for implementing risk sharing and experience rating in the Work Account• introduce a threshold for cover for noise-induced hearing loss.

OUTCOME 2:

Rehabilitate injured people in New Zealand more efficiently

This outcome aims to ensure people with injuries covered by the Scheme get the rehabilitation necessary to return to work or everyday life.

Why is this outcome a priority?

One of ACC's core functions is to rehabilitate injured people who are covered by the Scheme. The Act states that where injuries occur, the primary focus of the organisation should be on rehabilitation with the goal of achieving an appropriate quality of life for the injured person.

Effective rehabilitation is in the best interests of both the Scheme and clients, when they can make a faster return to independence and the costs of treatment and rehabilitation are reduced.

Additionally, a growing body of international research clearly shows that workplace rehabilitation provides clinical, social and financial benefits for injured workers. Extended periods of time off work are linked to suicide risk, poorer health and decreased life expectancy. During 2009-2010, ACC introduced two new early intervention services, 'better@work' and 'stay at work', that focus on facilitating workplace rehabilitation. They coordinate with general practitioners, clients and their employers to develop and implement appropriate plans for returning to work.

A specialist 'recover independence' service provides specialised case management for clients who have been off work for more than two-and-a-half years. The service, which was established during 2009-2010, focuses on clients who are capable of making a successful return to the workplace.

These new services are expected to contribute to an ongoing improvement in ACC's rehabilitation performance as they are imbedded into the business.

ACC also has a number of seriously injured clients who will never return to work. The national serious injury service (NSIS) works with these clients to ensure they receive appropriate levels of entitlement and supports them to achieve the maximum level of independence practicable.

Impact measures

The impact measures demonstrate ACC's contribution to the delivery of ACC's outcomes.

Impact measures		
Measure	2010–2011 Target	2009–2010 Target
<p>Volume of the long-term claims pool</p> <p>Net change in the number of active long-term weekly compensation claims</p>	<p>The net change in the number of clients who have been receiving weekly compensation entitlements for 365 days to be not less than 1,150 (reduction)</p>	<p>The net change in the number of clients who have been receiving weekly compensation entitlements for 365 days to be no more than +100</p>
<p>70-day rehabilitation rate</p> <p>The proportion of clients receiving weekly compensation entitlements who have been rehabilitated within 70 days</p>	<p>71.1% of clients exit within 70 weekly compensation days paid</p>	<p>69% of clients exit within 70 weekly compensation days paid</p>
<p>273-day rehabilitation rate</p> <p>The proportion of clients receiving weekly compensation entitlements who have been rehabilitated within 273 days</p>	<p>92.3% of clients exit within 273 weekly compensation days paid</p>	<p>91.3% of clients exit within 273 weekly compensation days paid</p>

Key initiatives to support Outcome 2

Service delivery model

2010–2011 Budget

\$8,893,057

Rationale

This programme includes a number of initiatives that form part of the ongoing improvements to ACC's claims management. These include initiatives that:

- increase operating efficiencies, e.g. through automating processes currently reliant on manual operations
- develop tools to assist claims managers, e.g. through better understanding the financial impact of rehabilitation decisions and through earlier involvement when clients are referred for treatment
- maintain the reliability of critical systems
- create a clearing house function that links claims to providers, accredited employers, third party administrators and claim owners
- develop a strategic plan for the service delivery network.

Programme summary/benefits

The initiatives are discussed using the categories given above:

Increase operating efficiencies – ACC will further develop the capability to capture data online. This will enable high-volume health sector and employer transactions to be received electronically and input into ACC's claims management and payment systems. Additional improvements will include the addition of automated cover approval criteria in ACC's systems.

Develop tools to assist claims managers – this includes:

- cost and liability management – provides tools that use claim profile information to forecast the lifetime costs of claims based on proposed rehabilitation. The tools support claims managers to develop optimal rehabilitation processes
- rehabilitation pathways – develops a suite of rehabilitation pathways for common injury types. This will support case managers in making decisions and improve consistency of service
- Informe – the claims management operational policy database will be redeveloped to provide better support for claims managers when making decisions.

Maintain the reliability of critical systems – the current Pathway system which calculates weekly compensation entitlements is approaching the end of its useful life. In 2010-2011, ACC will carry out work to mitigate the risks associated with the possible failure of the Pathway application.

Create a clearing house function – this will be a central point where all providers and claims administrators can submit invoices and other documentation. The clearing house distributes this information to the appropriate owner of the claim, ACC or otherwise, and will improve payment timeliness for provider invoices which are currently often delayed by difficulties in identifying claims managed by accredited employers.

Develop a strategic plan – ACC will identify the optimal structure and location of its service delivery network. This will lead to administrative savings through the reduction in duplication across ACC's branches.

Deliverables to date

To date this programme has delivered the development of tools to assist claims managers:

- standard cost profiles
- a weekly compensation calculator
- modeller for serious injury claims costs.

Service delivery model continued ...

Deliverables for 2010–2011

In 2010–2011 this programme will deliver:

- increased operating efficiencies – the ability to receive treatment extension forms electronically in August 2010
- tools to assist claims managers – integration of liability management tool with ACC’s claims management system
- improved reliability of critical systems – delivery planning is due for completion by the end of May 2011
- a clearing house function – implementation is scheduled for January to June 2010–2011
- a strategic plan – plan completed by 30 June 2011.

National serious injury service

2010–2011 Budget

\$1,250,000

Rationale

ACC is committed to continuing to improve the management of seriously injured clients.¹⁰ This initiative will support the integration of the national serious injury service (NSIS) into ACC’s claims management system (Eos).

ACC will also develop a new set of guidelines for the treatment of spinal injury. Services for the treatment of spinal injury are inconsistent across New Zealand and lag behind international best practice. A strategy is needed to inform and guide the development of new service models that will provide improved outcomes for clients and better value for money.

Programme summary/benefits

The integration of NSIS into ACC’s claims management system will reduce the amount of manual data entry and data checking. This in turn will reduce duplication and increase staff productivity by giving staff more time to spend working with clients.

The new spinal injury guidelines will deliver a clear direction for future service development and purchasing.

Deliverables to date

To date this programme has delivered significant improvements in the lifetime costs of serious injury claims under management. The December 2009 valuation of the outstanding claims liability reduced the liability owing to serious injury clients by \$57 million.

Deliverables for 2010–2011

The initiative will identify system requirements for the NSIS and incorporate these into Eos. This is expected to be completed and handed over to the business in April 2011.

A long-term strategy document for spinal injury is expected to be completed by December 2010. This will guide ACC’s purchasing for spinal injury claims in the next five to ten years.

These initiatives will deliver productivity improvements to the NSIS and will create guidelines to ensure that the costs of spinal injury are better managed in the future.

¹⁰ ‘Seriously injured clients’ are those with an injury sufficiently serious that they are expected to have a life-long relationship with ACC. These are typically spinal and traumatic brain injuries.

Exploration of alternative service models

2010–2011 Budget

\$2,255,000 (not including innovation hubs)

Rationale

ACC is committed to developing the best ways of delivering the highest quality services to its clients. In May 2010, ACC entered into partnerships with a number of third party providers to manage 600 long-term clients. In 2010–2011, ACC will engage third party providers to manage a cohort of newly registered claims.

ACC has also established an ‘innovation hub’ at its Timaru branch, where management and staff are trialling alternative methods of managing claims. Where such methods prove successful, and can be scalable, they may be introduced nationwide.

Programme summary/benefits

This programme will:

- transfer approximately 600 long-term clients from ACC management to third party administrators. This will effectively increase ACC’s capacity and therefore reduce the workload on staff, allowing for more intensive management of the remaining claims. Recruiting and training new staff would take considerable time and could have a negative impact on rehabilitation performance
- provide ACC with an opportunity to benchmark its performance against other service models and to learn from any improvements in how claims are managed
- identify areas where ACC’s processes can be improved (through the innovation hub) and implement these improvements nationally.

Deliverables to date

To date this programme has delivered the implementation of an innovation hub at the Timaru branch.

Deliverables for 2010–2011

In 2010–2011 this programme will deliver:

- the implementation of front-end claims partnering
- the potential selection of a second innovation hub within ACC’s existing branch network.

In the medium term, process improvements that are developed through exploring alternative service models will result in improved rehabilitation performance.

Improving return-to-work performance

2010–2011 Budget

\$2,000,000

Rationale

ACC pays weekly compensation to injured workers covered by the Scheme when they are off work. If they return to work sooner, then the costs of weekly compensation payments will be reduced.

A growing body of international research clearly shows that workplace rehabilitation provides clinical, social and financial benefits for injured workers. For example, research shows that:

- the suicide rate is significantly increased for those out of work
- extended periods off work carry a high health risk and lead to decreased life expectancy
- injuries heal more quickly in the workplace.

By improving return-to-work performance, ACC can achieve better outcomes for clients and reduced expenditure.

Programme summary/benefits

ACC has several initiatives underway or planned to improve return-to-work performance. Better@work is a service that involves partnership between ACC and primary health organisations (PHOs) which helps injured workers to stay at work, where possible, during their recovery. PHO coordinators work with the client's GP and employer to develop return-to-work plans appropriate for the client's injury and their workplace.

Benefits include:

- earlier returns to work
- reduction in ACC's total weekly compensation payments
- improved rehabilitation rates.

Results for the pilot of better@work from March to August 2009 showed a decline in the number of weekly compensation days paid in comparison with the same period in 2007. The pilot has now been extended into four additional PHOs.

In 2009, ACC also rolled out 'stay at work' which involves ACC using its triage process to identify claims where time off work may not be medically necessary. ACC contracts an independent rehabilitation provider to work with the client, employer and GP to facilitate recovery at work.

In 2010–2011, ACC will work on further initiatives to improve return-to-work performance such as piloting a limited vendor model for certifying work capacity.

Deliverables to date

To date the better@work programme has delivered:

- a service established in five pilot sites
- improved return-to-work rates and reduction in weekly compensation costs achieved in the programme pilot.

Deliverables for 2010–2011

In 2010–2011 this programme will roll out the better@work model to more areas.

OUTCOME 3:

Reduce the incidence and severity of injury

ACC is one of a number of government and non-government organisations with a mandate to reduce the incidence and severity of injury in New Zealand. ACC has a special interest as the insurer who provides cover for injuries. ACC also leads the whole-of-government New Zealand Injury Prevention Strategy (NZIPS). Injury prevention is a key part of the Government's medium-term cost-containment strategy.

As noted on page 17 of this document, ACC works to support the achievement of the whole-of-government goal of reducing the national injury and fatality rates.

Under the NZIPS, ACC has specific responsibility for leading the falls and drowning focus areas:

- Preventing Injury from Falls: The National Strategy 2005-2015
- Drowning Prevention Strategy: Towards a Water Safe New Zealand 2005-2015.

ACC also delivers a limited number of injury prevention programmes targeted at areas of high cost to the Scheme. These focus on reducing injuries in the home and workplace, on the roads and in sport and recreation, and constitute a small portion of the total injury prevention activity and spend in New Zealand.

Why is this outcome a priority?

Injuries are costly, both to individuals and to society. Prevention of injury clearly offers a potential means to reduce these significant ongoing costs. In 2008-2009, ACC spent approximately \$3.1 billion providing rehabilitation and weekly compensation payments – a figure that does not include the social cost of injury which leads to reduced workforce participation, decreased quality of life and poorer health outcomes. The social cost of injury is hard to determine precisely. However, the New Zealand Institute of Economic Research has estimated that the social cost of injuries that occurred within the six priority areas of the NZIPS¹¹ (which account for about 80% of the injury burden) was about \$39 billion in 2008.

The Accident Compensation Act 2001 makes reducing the incidence of injury a priority for ACC if the interventions can be proven to be cost-effective in reducing projected future levies. Therefore, ACC focuses on reducing injuries with serious consequences as these have the greatest impact on Scheme costs. Injuries with serious consequences are defined as those with high individual and Scheme costs (e.g. motor vehicle injuries), high-volume injuries that have a high cumulative cost to the Scheme (e.g. falls, sport-related injuries), and fatalities (e.g. drownings).

There has been a risk of the Government not achieving its overarching injury prevention outcome due to a lack of overall alignment of injury prevention activities across New Zealand. The NZIPS seeks to promote greater collaboration within the injury prevention sector.

11. The six priority areas of the NZIPS are Suicide and Deliberate Self-Harm, Motor Vehicle Traffic Crashes, Assault, Workplace Injuries including Occupational Diseases, Falls and Drowning.

Impact measures

The impact measures demonstrate ACC's contribution to the delivery of ACC's outcomes.

Impact measures		
Measure	2010–2011 Target	2009–2010 Target
<p>Reduction in workplace injuries</p> <p>Number of workplace entitlement claims in five priority areas (agriculture, construction, forestry, manufacturing and health) and 'discomfort, pain and injury'</p>	2% reduction (against forecast)	No equivalent target
<p>Reduction in motorcycle injuries</p> <p>12-month rolling claim rate (accepted new entitlement claims in Motor Vehicle Account) per 10,000 registered motorcycles</p>	Below the 2008-2009 average of 131.89	No equivalent target
<p>Reduction in sports injuries</p> <p>New entitlement-targeted claims in rugby, soccer, netball and rugby league</p>	2% reduction (against forecast)	2:1 positive return on investment in sports programmes

Key initiatives to support Outcome 3

Preventing re-injury

2010–2011 Budget

\$250,000

Rationale

Approximately 85% of people with an accepted claim go on to claim again. However, ACC currently does not capitalise on the opportunity to reduce the occurrence and cost of re-injury to these clients. A programme of work has been developed to reduce the rate of re-injury for those injury types that have the greatest impact on Scheme costs.

Falls and back claims are the initial focus of the project as they equate to 43% of new entitlement claim costs, and there is a high rate of re-injury for these claim types.

When people are experiencing the effects of an injury they are more likely to engage in injury prevention. Using frontline claims management staff to deliver this programme to clients who have just had an injury will enable ACC to reach them when they are more likely to respond. Current injury prevention interventions are almost exclusively delivered via external channels. Delivery of these messages via internal channels will be more cost effective.

Programme summary/benefits

This programme will:

- reduce rates of re-injury
- provide more holistic customer service
- allow more effective targeting of injury prevention services.

Deliverables to date

To date this programme has delivered:

- required changes to IT systems (such as Eos and the data warehouse) to support the identification of clients, the delivery of prevention services and ongoing monitoring
- development of training for case owners, including an online learning module and face-to-face training
- prevention tools and services in place ready for clients to be referred to, and a defined process for referral
- a pilot programme in seven ACC branches and one short-term claims centre
- a programme of evaluation for monitoring success measures.

Deliverables for 2010–2011

In 2010–2011 this programme will deliver:

- pilot results on the feasibility of the approach and any amendments or additional support required for further rollout
- identification of new services that can be offered by client service staff
- development of systems and tools required to support the expansion of existing and new services to other branches and short-term claims centres
- addition of new services.

Organisational capability and capacity

This section outlines what ACC is doing to ensure it has the organisational capabilities to deliver its programmes in 2010-2011. These include changes to staff capability and capacity, and information technology systems to increase staff efficiency and improve the interface with clients and levy payers.

In 2010-2011, a major investment will be made to improve ACC's ability to deliver services to its levy payers. This programme includes the automation of business processes and will allow a wider range of products and services to levy payers to be introduced.

Building ACC's people capability

ACC is committed to being a good employer and is focused on enhancing its people capability in three key areas:

- ensuring staff are engaged, both in their role and in the organisation
- retaining high performers and key staff
- ensuring managers, especially on the frontline, have the skills and business acumen to succeed in the new environment.

Staff engagement – managers are accountable for identifying and making progress on the two or three critical areas in each team that impact on staff engagement. Performance is measured by the Gallup Staff Engagement Survey.

Attrition – a talent management programme is in place to identify key performers at all leadership levels, and is supported by succession and development plans. In 2010-2011, this process will be complemented by a performance management system that better recognises and rewards performance.

Leadership capability – ACC's leadership development programme is being adapted to ensure that new, emerging and experienced managers have the opportunity to enhance their skills in the areas that support increased productivity and improved value for money. Managers are further supported in their development by 360-degree feedback.

Organisational capability measures

Organisational capability measures		
Measure	2010–2011 Target	2009–2010 Target
Staff turnover	The attrition for high performers will be below 10%	The attrition for high performers will be below 10%
Staff engagement	Using the Gallup Staff Engagement Survey, ACC will maintain a grand mean above the New Zealand State Sector 50th percentile	ACC will maintain a grand mean of at least 3.78 out of 5.00 and remain above the New Zealand public sector average
Management capability	20% of managers undertake formal leadership development training during the year	No equivalent measure

Key initiatives to improve organisational capability

Services to levy payers

2010–2011 Budget

\$24,921,000

Rationale

ACC has two initiatives planned for 2010–2011 that will improve services to levy payers. The first is the commencement of a significant change programme enabling ACC to better meet customer needs by delivering a wider range of more flexible product options and services in a more cost-effective and timely way than is currently possible.

This programme will develop and deliver wide ranging changes to core insurance systems, processes and products so ACC can improve the way it provides accident insurance cover to customers.

Recognising that these changes will be delivered in a phased approach over two to three years, a second set of activities alongside them will focus on reviewing products and pricing in the Work and Motor Vehicle Accounts, and introducing changes that align with ACC's strategic direction and deliver early benefits.

Programme summary/benefits

Insurance business programme

This programme will run through to the 2012–2013 planning year and develop ACC's insurance business capability by investing in changes to systems, processes, and product offerings and by developing and supporting staff to operate in this new environment.

The introduction of new technology in core insurance business systems will help deliver efficiency gains as more automated and standardised business processes can be introduced. Product and pricing changes can then be implemented faster and more cost-effectively and the level and choice of servicing for customers will be improved. Levy payers will receive better value for money as a result.

Review of products and pricing (Motor Vehicle and Work Accounts)

The review will consider the products and pricing frameworks, including the implementation of legislative changes such as experience rating, increased risk sharing and merging residual claims with current Accounts. It is expected that some form of experience rating will be delivered for the 2011–2012 levy year. Changes to products and pricing will be phased in over the next two to three years. This may require a number of interim solutions being implemented in advance of the new insurance system (e.g. to support experience rating in 2011–2012).

Deliverables to date

Insurance business programme

To date the programme has:

- developed a revised business operating model that incorporates best practice insurance industry processes and guides the overall change programme, including the requirements for new supporting technology
- identified a range of possible integrated insurance technology solutions
- developed key business strategies that will guide the design and implementation of the system and process changes.

Review of products and pricing (Motor Vehicle and Work Accounts)

Research on experience rating and incentive programmes has been completed on a number of international jurisdictions.

Deliverables for 2010–2011

In 2010–2011 these programmes will:

- develop and start implementing the required change management programme
- design and configure the integrated insurance technology solution to meet business needs and establish ACC's insurance business capabilities
- recommend product and pricing options that support ACC's strategic direction.

Intelligent business

2010–2011 Budget

\$4,461,000

Rationale

The intelligent business project will further improve the quality and accessibility of information across ACC. The focus for 2010–2011 is on providing frontline staff with the information they need to make decisions that lead to cost savings and efficiency gains.

Programme summary/benefits

The project enables the achievement of all of ACC's performance objectives, by helping employees to identify and understand areas where they can improve performance. The project will:

- enable objective, fact-based decision-making
- improve capability to monitor programmes and track progress towards achieving strategic goals
- reduce duplication of data and effort, and improve integration with external data sources
- provide ACC users with access to trusted data and the right support to interpret it.

Deliverables to date

To date the programme has delivered several improvements to how ACC gathers and uses information. Cost savings from these improvements in 2009–2010 are estimated to be at least \$7.5 million.

Deliverables for 2010–2011

In 2010–2011 this programme will deliver improvements to information systems affecting:

- organisational performance improvement (ongoing)
- levy payer information (October 2010 – December 2010)
- Scheme management information (April 2010 – June 2011)
- the branch network toolkit (January 2011 – June 2011).

Investment information technology system

2010–2011 Budget

\$600,000

Rationale

In 2009, the Board commissioned an independent review of ACC's investment strategy. The review recommended that ACC develop a more robust means of recording its investment information. The implementation of a specialist investment system will provide this capability.

Programme summary/benefits

This programme will:

- reduce the risk of errors in ACC's investment information
- allow for better quality and more timely reporting to internal and external clients
- provide a platform to manage the expected increase in funds under management over the next five years.

Deliverables to date

In 2009–2010, an external review of ACC's investment management was undertaken. The findings of the review were considered and a decision was made to implement a new investment information technology system.

Deliverables for 2010–2011

In 2010–2011 this programme will:

- review systems available in the market that could meet ACC's requirements
- carry out the procurement process to identify best value solutions
- complete an implementation plan for the delivery of the selected systems in 2011–2012.

Health purchasing contract management system

2010–2011 Budget

\$1,500,000

Rationale

In 2008–2009, ACC spent \$1.9 billion purchasing health services, over 60% of total expenditure. Improvements in how ACC engages with its suppliers will help the organisation procure services at a fair price and monitor providers to ensure that clients receive quality services.

Programme summary/benefits

The programme will implement an end-to-end contract management system which will:

- provide a comprehensive single data source related to treatment and rehabilitation, general and IT contract management activities
- develop an online engagement channel for providers to manage many of their contractual interactions with ACC
- monitor conformance to contracted deliverables including allowing ACC to effectively assess, record and manage provider performance issues
- improve the overall efficiency of the procurement function and the associated administration.

The system will increase ACC's visibility of providers' services in terms of their relationship, performance and contract management interactions. This information will support ACC to engage with its providers and deliver accurate information related to the quality of services delivered.

Deliverables to date

In 2009–2010, an external review of ACC's contract management approach was undertaken. The findings of the review have been considered and a decision was made to invest in both ACC's operational and information technology capabilities.

Deliverables for 2010–2011

In 2010–2011 this programme will deliver:

- a contract management system for health purchasing, IT purchasing and general procurement – expected to be implemented by December 2010
- the capability for providers to review reports and submit contract information
- the capability for providers to receive feedback on particular aspects of their performance.

More effective measurement of customer satisfaction

2010–2011 Budget

\$774,570

Rationale

Two of ACC's key customer groups are levy payers who fund the Scheme and injured clients who receive rehabilitation. Knowing how well ACC is meeting their needs and expectations is critical to ensuring the Scheme is fit-for-purpose.

Programme summary/benefits

In 2007, the State Services Commission launched the Kiwis Count survey which provides an assessment of how well the public rate the services they receive from government. Supporting this survey is the 'common measurement tool', which provides a set of common questions for agencies to use for their own satisfaction surveys. This information will enable ACC to both gauge its performance against clients' expectations and benchmark performance relative to other government agencies.

Deliverables to date

An external contract is in place to survey ACC's customers using the common measurement tool.

Deliverables for 2010–2011

Based on the results of the first surveys, ACC will be in a position to set customer satisfaction targets and to build a programme of service delivery enhancements in areas where opportunity for improvement exists.

Collaboration and responsibilities

ACC's partnerships with other organisations

To achieve its outcomes, ACC must work with a number of other agencies. This collaboration ensures that services are well aligned and meet the needs of New Zealanders. ACC will continue to engage and work with its partners to achieve quality outcomes.

Department of Labour

The Department of Labour works on behalf of the Minister for ACC and is responsible for monitoring ACC's performance and compliance with the legislation. The Department also supports the Minister to engage in ACC's strategic and business planning processes through their engagement in the Statement of Intent, the output agreement and annual levy setting processes.

The Department also supports the Minister on Board member appointments.

Ministry of Health

ACC directly funds the health sector approximately \$400 million a year, through the Public Health Acute Services agreement with the Ministry of Health. This agreement funds acute care provided in public hospitals to injured people covered by the Scheme. ACC is also a key partner in the New Zealand Primary Health Care Strategy, and is now using primary healthcare organisations to deliver earlier post-injury clinical management and support clients to stay at work after their injury.

ACC and the Ministry of Health work together to address the overlaps of services required by clients who have illness and injury-related needs. For example, clients who enter the Scheme with pre-existing conditions such as arthritis or diabetes are more likely to take longer to recover from their injury, and have health needs that extend beyond those related to their injury.

Ministry of Social Development

ACC and the Ministry of Social Development face similar issues when returning clients to work following an injury or disability. ACC has relationships with the Ministry to increase opportunities for people to participate in the labour market, where work is an appropriate outcome.

The injury prevention sector

ACC relies on partnerships with government and community agencies to prevent injuries. This is particularly important in areas where ACC does not deliver its own injury prevention programmes. A Chief Executives' Injury Prevention Forum, made up mainly of Chief Executives from government agencies accountable for specific injury prevention programme areas, and the NZIPS secretariat are the channels through which ACC can improve partnerships with other agencies, and enhance its ability to reduce the rate of injury in New Zealand.

Under the NZIPS, the following agencies have specific accountabilities for areas of injury prevention:

- Ministry of Transport – motor vehicle traffic crashes
- Ministry of Health – suicide and deliberate self-harm
- Department of Labour – workplace injuries (including occupational diseases)
- Ministries of Justice and Social Development – assault.

Rehabilitation and treatment providers

Successful rehabilitation requires effective and efficient purchasing and provision of services for clients. This requires ACC to work with a variety of providers within the health sector. ACC is changing its approach to engaging with its rehabilitation and treatment providers in order to ensure that its purchasing relationship represents value for money in terms of both cost and outcome for clients.

The business community

Businesses pay levies to ACC to insure their staff against the costs of injury in the workplace. In recent years, ACC has made services more responsive to the needs of these levy payers. This work has included:

- working more closely with a range of employers, employer representatives, industry groups and business intermediaries
- using third party intermediary channels and establishing a specific business relationship team to manage relationships with accountants, tax agents, and other third party intermediaries.

Reporting requirements

Consultation and reporting to the Minister for ACC

The Crown Entities Act 2004 determines ACC's accountabilities to Government. ACC's Board is appointed under this Act and reports to the Minister for ACC. The Board is accountable to the Minister for the performance of the organisation as a whole.

The Department of Labour is the government department responsible for monitoring ACC. In this role, it advises the Minister on ACC's performance and legislative compliance. ACC will continue to work closely with the Department to support the development of strategic policy, and legislative and regulatory changes.

ACC will also continue to consult with the Minister on major strategic initiatives, and on issues that may require a Ministerial response or be discussed in the public arena. This will ensure that the Minister is well informed on the possible implications of ACC decisions.

The Minister for ACC has highlighted the importance of effective collaboration with other agencies in his Letter of Expectations to the Board Chair for 2010-2011.

Reporting

The Board's accountability to the Minister is captured annually in the Statement of Intent, which is developed in consultation with the Minister and the Department of Labour. In addition, the Department also prepares the Service Agreement with the Minister for ACC and the Non-Earners' Purchase Agreement.

ACC will continue to report quarterly to the Minister against the key performance indicators contained in the Service Agreement. All impact measures and performance results are reported in the Annual Report and the Annual Financial Conditions Report.

ACC also works with Treasury on the preparation of its annual budget estimates. Financial performance reports are submitted to Treasury on a monthly basis.

Investment statement

ACC's key investment objective is to achieve the appropriate trade-off between the competing objectives of maximising long-term returns and minimising risk.

Key aspects of ACC's investment policies and procedures are set out in ACC's Investment Statement, a document which also describes ACC's investment benchmarks.

ACC defines investment risk in terms of how investment returns could affect ACC's higher level objectives of avoiding increases in levy rates and achieving full funding by the legislative deadline. To achieve these objectives, ACC aims to:

- avoid near-term investment loss
- ensure it has investment portfolios that will tend to rise in value if the real long-term New Zealand dollar interest rates decline (which would cause an increase in the amount of funds required to meet ACC's claims liability).

ACC measures the performance of its various investment activities against the relevant benchmarks described in the Investment Statement and measures its overall investment return against a composite benchmark. The risk-adjusted performance of each investment portfolio is compared against these benchmarks to measure how the management of portfolios is contributing to overall investment objectives.

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. In particular, ACC will:

- not invest in activities which it believes are repugnant to the laws of New Zealand or regarded as unethical by a vast majority of the New Zealand public
- require all internal and external fund managers to make purchases and sales of investments in an ethical manner
- instruct internal and external fund managers to avoid investing in companies which:
 - have a culture of disregard for laws, regulations, good governance procedures or interest of shareholders, unless the manager believes that direct contacts with the management of the company and/or proxy voting will result in improvements to this culture
 - have been identified by ACC as being contrary to its ethical policy. This includes companies:
 - > whose primary business is to produce, sell or distribute tobacco products
 - > actually or potentially involved in the production of landmines which are not compliant with the Ottawa Mine Ban Treaty
 - > involved with the design, testing, assembly and/or refurbishment of nuclear explosive devices
- encourage internal and external managers to cast proxy votes consistent with the above.

ACC subsidiaries

The following two companies are wholly-owned subsidiaries of ACC.

Dispute Resolution Services Limited

Dispute Resolution Services Limited (DRS) is a wholly-owned subsidiary, established in 1999 to manage an independent dispute resolution service. The company has its own Board of Directors and a separate management structure.

DRS's founding purpose is to engage reviewers to adjudicate ACC decisions disputed by clients, levy payers or health professionals. Reviewers are required by law to act independently in conducting reviews of ACC's cover and entitlement decisions. Decisions reached by reviewers may be appealed by parties to the review process. Review appeals are administered by the District Court.

DRS also provides alternative dispute resolution (ADR) services such as mediation and facilitation to ACC, other Crown entities and large companies. Demand for ADR services is growing and in time services to the wider health and social services sector will assist 'whole-of-government' aims.

Catalyst Risk Management Limited

Catalyst Risk Management Limited (Catalyst) was established in 1999 as a wholly-owned subsidiary with a founding purpose of being a New Zealand-wide third party provider of injury management services allied to the core business provided by ACC. Catalyst gave (and continues to give) ACC a commercial presence in a competitive environment. It provides product flexibility and development opportunities, and ensures access to market intelligence.

On 1 July 2004, Catalyst acquired the injury management assets of CRM Group Limited. The legal name was changed to Catalyst Risk Management Limited. The merged entity continues to be a wholly-owned subsidiary of ACC.

The mission of the restructured company is to provide injury management services of the highest standard to existing and new clients. Its operations are diversifying as opportunities arise in the wider areas of absence management, health and safety services, and injury prevention.

There is particular emphasis on developing products and services, including ancillary services attractive to ACC's accredited employers and other organisations.

Statement of forecast service performance

This section sets out the outputs ACC is funded to provide and the standards against which it assesses operational performance.

While outcomes are the overarching objectives of the Scheme, outputs are the actual deliverables ACC provides to its stakeholders. Aligning outputs to outcomes ensures that day-to-day activities support the Government's objectives for the ACC Scheme.

The following table breaks down ACC's 2010-2011 budget against its output classes.

Table 7: Breakdown of budget against output class

Budget 2010-2011	Administration costs (\$million)	Claims paid (\$million)	Revenue (\$million)
Output class 1 – levy collection and setting	75		5,158
Output class 2 – investment management	44		567
Output class 3 – claims management	330	3,095	
Output class 4 – injury prevention	47		
Total ACC Parent	496	3,095	5,725
Other activity (e.g. subsidiaries)	1		5
Total ACC Group	497	3,095	5,730

OUTPUT CLASS 1:

Levy collection and setting

What is levy collection and setting?

For ACC to deliver services it must collect revenue. Through its levy setting process, ACC calculates its future revenue needs in each Account. These are consulted on with levy payers and provided to Cabinet for consideration. ACC must ensure that it recommends levies are sufficient to cover the cost of claims incurred in that year and that they are sufficient to keep it on track to meet its fully-funding requirements by 2019.

Levies are collected from a variety of sources as described in Section 2.

How does levy collection and setting support ACC's objectives?

This output ensures that ACC has sufficient funds to provide rehabilitation services (Outcome 2) and injury prevention programmes (Outcome 3). A key element within this output is ensuring that the Scheme provides value for money to levy payers while remaining on track towards its full-funding obligations (Outcome 1).

How does levy collection and setting work?

In 2010-2011, ACC is projected to receive \$5.2 billion in levy revenue (and Government appropriation). The collection of these levies is either outsourced to a third party (such as Inland Revenue for the collection of the earners' levy) or managed by ACC. The Government appropriation to fund the Non-Earners' Account is managed in coordination with the Department of Labour and Treasury.

Operationally, this output is managed through:

- levy setting and consultation
- managing the Non-Earners' Appropriation through Vote ACC
- levy invoicing and the collection of revenue
- managing the delivery of levy products and services
- coordinating and monitoring stakeholder relationships
- developing and monitoring new and existing levy products and services
- improving the collection and quality of levy payer information.

What is the scale of levy collection and setting?

The table below shows the size of each Account, including: how many funders pay levies in each Account, how much revenue is collected and what it costs to collect. The funder varies according to each Account, for example, the motor vehicle levy is calculated on the basis of the number of registered vehicles. More detail on how each Account is funded is provided in Table 3 on page 11.

Table 8: Quantity indicators for output class 1

Account	Measure	Forecast 2009–2010	Forecast 2010–2011
Work Account	Number of employed and self-employed	1,657,899	1,649,695
	Levy revenue	\$976m ¹²	\$1,223m
Earners' Account	Number of earners	2,065,042	2,054,400
	Levy revenue	\$1,424m	\$1,692m
Motor Vehicle Account	Number of vehicles	3,150,253	3,188,263
	Levy revenue	\$859m	\$995m
Non-Earners' Account	Number of non-earners	2,218,000	2,238,000
	Government appropriation	\$1,263m	\$1,247m

How is the money spent?

The table below shows how much ACC is budgeted to spend on collecting revenue in the Work, Earners' and Motor Vehicle Accounts.

Table 9: Expenditure indicators for output class 1

Account	Measure	Budget 2009–2010 (\$million)	Forecast 2009–2010 (\$million)	Budget 2010–2011 (\$million)
Work Account	Cost of collection (ACC administration costs)	18	18	17
Earners' Account	Cost of collection (includes payment to Inland Revenue)	18	18	18
Motor Vehicle Account	Cost of collection (includes payment to the New Zealand Transport Agency and the New Zealand Customs Service)	12	12	12

How efficient is levy collection?

ACC's levy collection efficiency is expressed as the total levy collection costs as a proportion of total levy revenue (excluding appropriations).

Table 10: Levy collection efficiency

Activity	Budget 2009–2010	Forecast 2009–2010	Budget 2010–2011
Total levy collection costs	\$48m	\$47m	\$47m
Levy collection costs as a proportion of total levy revenue	1.5%	1.4%	1.2%

¹² This includes the Residual Account levy which was incorporated into the Work Account as part of the changes made to the Accident Compensation Act 2001.

How effective is levy collection and setting?

Effectiveness in levy collection is calculated using two measures. Voluntary compliance is a measure of the relative proportions of employers and self-employed who either make levy payment in full or make alternative arrangements for payment within the invoice deadline.

The overall amount of debt written off is measured as a proportion of total expected revenue in the Work Account. The voluntary compliance measure provides an important indicator of those invoices that ACC expects to be paid in full.

Levy payers who do not meet the voluntary compliance criteria have their debt actively pursued. Levy debt is only written off once all practical steps have been taken to recover the outstanding amount.

Table 11: Levy collection effectiveness

Activity	Target 2009–2010	Actual 2009–2010	Target 2010–2011
Voluntary compliance rate	≥ 65%	73% (March 2010)	≥ 60%
Levy debt write-off as a proportion of total expected revenue (in the Work Account)	2.1%	2.1%	2.1%

How good is ACC's service quality?

ACC has measured the satisfaction of its levy payers for a number of years. As reported in its 2009 Annual Report, levy payer satisfaction for the 2008–2009 year was 63%.

In line with a movement towards the Kiwis Count methodology, ACC is changing its levy payer satisfaction survey to the 'common measurement tool'. This will allow ACC to benchmark its service quality against similar government agencies over time.

Table 12: Satisfaction indicators for output class 1

Activity	Target 2009–2010	Actual 2009–2010	Target 2010–2011
ACC is implementing the common measurement tool for measuring the satisfaction of ACC's business levy payers	Measure under development	Measure under development	Measure under development

OUTPUT CLASS 2:

Investment management

What is investment management?

Each year, ACC aims to collect sufficient levies to provide for the future costs of injuries in that year. However, many injuries require ongoing rehabilitation, medical care or earnings replacement for several years or decades after the injury occurs. As a result, ACC needs to set aside funds from levy receipts to provide for the future costs of these claims. In the meantime, ACC maintains and grows the value of the funds under its management. ACC's investment portfolio consists of funds that have been put aside over the past several years to provide for the future costs of injuries that have already occurred but which continue to require ongoing expenditure.

This fund is invested by ACC's in-house investment management team. By achieving market returns, investment management helps address the solvency gap without requiring higher levies and appropriations. Once the Scheme is fully funded, the investment returns will be used to offset future levies and appropriations.

How does investment management support ACC's objectives?

Consistently strong investment returns, over the long term, support ACC's achievement of its funding requirements (Outcome 1).

How does investment management work?

ACC has an in-house investment management team that invests its reserves in a variety of markets and asset classes.

The investment portfolios are managed to balance the objectives of optimising returns (which allows ACC to increase its level of solvency and, in time, lower levy rates) and managing the risk that ACC could have to significantly increase levy rates in order to meet its long-term obligations to clients. ACC therefore needs to consider the risk of a growth in the difference between the value of investment assets and the value of the claims liability, rather than just focusing on the value of assets in isolation. By holding long-term assets that will tend to appreciate in value when real interest rates decline, ACC can reduce the risk of a significant deterioration in this gap; even though these long-term investments may increase the apparent volatility of investment returns.

What is the scale of investment management?

The following table provides a summary of ACC's funds under management and the cost of ACC investing.

Table 13: Quantity indicators for output class 2

Activity	Budget 2009–2010 (\$million)	Forecast 2009–2010 (\$million)	Budget 2010–2011 (\$million)
Funds under management (average)	10,847	12,262	14,435
Investment costs	38	37	44

How efficient is investment management?

ACC's investment management efficiency is measured by expressing total investment management costs as the proportion of total funds under management.

Table 14: Efficiency indicator for output class 2

Activity	Budget 2009–2010 (\$million)	Forecast 2009–2010 (\$million)	Budget 2010–2011 (\$million)
Investment management costs as a proportion of total funds under management (%)	0.35	0.30	0.30

How effective is investment management?

At a Scheme level, investment management effectiveness is measured in terms of actual returns against budget. As an output, effectiveness is measured as returns relative to similar investment funds (relative returns). This is done through the use of a blended market average benchmark which provides a like-with-like comparison against other funds.

Table 15: Effectiveness indicator for output class 2

Activity	Target 2009–2010	Actual 2009–2010	Target 2010–2011
Investment management performance relative to benchmarks	0.5% above blended market average benchmarks	1.72% (March 2010)	0.5% above blended market average benchmarks

How good is ACC's investment management service quality?

ACC operates an ethical investing policy and avoids investing in activities that are either repugnant to the laws of New Zealand or regarded as unethical by a substantial majority of New Zealanders. ACC is a signatory to the United Nations Principles for Responsible Investment which provides a general framework for ethical investment and cooperates with other Crown financial institutions on investment issues, such as the New Zealand Superannuation Fund, Government Superannuation Fund Authority and the Earthquake Commission.

As funds management is an internal service, measures of service quality are not included in this document.

OUTPUT CLASS 3:

Claims management

What is claims management?

ACC's claims management seeks to rehabilitate injured people covered under the Scheme by providing appropriate medical treatment, social and vocational rehabilitation services and compensation to ensure a swift return to work, independence or everyday life.

How does claims management support ACC's objectives?

The claims management output seeks to support clients to achieve independence (Outcome 2). Achieving this objective efficiently also supports financial sustainability (Outcome 1) by delivering client outcomes at the lowest practicable cost.

How does claims management work?

ACC manages claims that range from the relatively minor (requiring some primary health services such as a one-off visit to a GP) to claims from individuals who suffer serious injuries requiring life-long services and support.

Operationally, claims are managed by:

- processing and assessing new claims
- providing telephone-based support and management of low-complexity claims through short-term claims centres and inquiry service centres
- providing face-to-face claims management for higher-needs claims through the branch network
- providing specialist claims management for targeted cohorts of claims, e.g. seriously injured and long-term clients.

In order to rehabilitate clients, ACC must purchase a wide range of health and rehabilitation services. Operationally, this is achieved through:

- identifying the most appropriate and effective services
- procurement and monitoring of health providers
- provider relationship management.

What is the scale of claims management?

The ACC Scheme is entitlement-based. That means each claim is evaluated to determine whether it meets the legislative standards. ACC does not have the ability to ration its services as demand is determined by the number of covered injuries that occur and whether those who are injured seek treatment. Therefore, measures of the quantity of services delivered are not meaningful.

The following table provides a summary of ACC's forecast demand to provide an indicative scale of services.

Table 16: Quantity indicators for output class 3

Activity	Forecast 2009–2010	Forecast 2010–2011
The number of new registered claims accepted	1.68m	1.70m
The number of new entitlement claims accepted – claims that go on to receive an entitlement	112,000	117,000
The number of new weekly compensation claims accepted – claims that go on to receive an income replacement payment	61,000	64,500
Number of staff involved in the delivery of claims management	2,005	1,948

How is the money spent?

The following table provides a breakdown of the money ACC spends on rehabilitation and compensation. The numbers do not constitute measures per se but provide an indication of how the total funds spent under this output are divided.

Table 17: Cost indicators for output class 3

Activity	Budget 2009–2010 (\$million)	Forecast 2009–2010 (\$million)	Budget 2010–2011 (\$million)
Non-fatal weekly compensation costs (includes weekly compensation payments made to injured workers)	1,068	984	980
Medical treatment costs (includes the costs of primary care such as visits to GPs and physiotherapists)	612	536	549
Hospital treatment costs (includes the costs of elective surgeries carried out at hospital)	283	242	254
Social rehabilitation costs (includes medical support to clients such as providing home help, transport support and equipment)	556	454	505
Vocational rehabilitation costs (includes support for clients to return to and find employment)	85	49	65
Other (includes entitlements for fatal injuries, lump sums and other entitlements)	732	724	742
Total claims paid	3,336	2,989	3,095

How efficient is claims management?

Claims management costs predominantly consist of staff salaries and overheads. ACC's staffing numbers do not change in response to short-term claiming trends making measures such as the administrative cost per claim inappropriate.

ACC's claims management efficiency is measured by expressing total claims handling costs as the proportion of total claims expenditure.

Table 18: Efficiency indicators for output class 3

Activity	Budget 2009–2010	Forecast 2009–2010	Budget 2010–2011
Claims handling costs as a proportion of total claims paid	9.6%	10.8%	10.6%

How effective is claims management?

The effectiveness of claims management is measured by the rate at which it returns clients to work and/or independence. These measures are covered in detail under Outcome 2 (Rehabilitate injured people in New Zealand more efficiently) on page 22 of this document.

How good is the claims management service quality?

Service quality has two measures. The first looks at the way ACC delivers its services to clients and is measured through client satisfaction surveys. ACC has measured the satisfaction of its clients for a number of years. As reported in its 2009 Annual Report, overall client satisfaction for the 2008-2009 year was 82%. In line with a movement towards the Kiwis Count methodology, ACC is changing its client satisfaction survey to the common measurement tool. This will allow ACC to benchmark its service quality against similar government agencies over time.

The second measure is the proportion of reviews of ACC decisions that are contested and found in ACC's favour. This measure ensures that ACC is making appropriate decisions within its legislative mandate.

Table 19: Service quality indicators for output class 3

Activity	Target 2009–2010	Actual 2009–2010	Target 2010–2011
ACC is implementing the common measurement tool for measuring client satisfaction	Measure under development	Measure under development	Measure under development
Review uphold rate – the percentage of formal reviews of ACC decisions that are found in favour of ACC	Not measured	72% (to April 2010)	70%

OUTPUT CLASS 4:

Injury prevention

What is injury prevention?

ACC's injury prevention outputs fall into two broad categories. First, ACC provides leadership of the whole-of-government New Zealand Injury Prevention Strategy (NZIPS) and, second, it carries out a number of targeted injury prevention programmes in areas of accountability under the NZIPS and areas that carry a significant risk to the ACC Scheme.

How does injury prevention support ACC's objectives?

ACC has the objective of contributing to the reduction of national injury rates (Outcome 3). Achieving this objective also supports financial sustainability (Outcome 1) by reducing the number of compensable claims which reduces both current and future Scheme costs.

How does injury prevention work?

ACC leads the whole-of-government NZIPS and provides support for its governance body, the Chief Executives' Forum.

ACC has accountability for two of the NZIPS's priority areas, falls and drowning, and undertakes activities in these areas targeted at reducing the risk of injury. In addition, ACC's injury prevention activities also target areas that carry a significant risk to the ACC Scheme such as work, road, home and sport.

Operationally, injury prevention is managed through:

- the management of the NZIPS secretariat
- the delivery of injury prevention interventions
- the delivery of workplace safety interventions
- the delivery of public safety programmes
- business intelligence and support to facilitate injury prevention work.

What is the scale of injury prevention?

Injury prevention is relatively small compared to ACC's claims management function. The following table provides a summary of the number of staff involved in injury prevention activities.

Table 20: Quantity indicators for output class 4

Area	Forecast 2009–2010	Forecast 2010–2011
Number of staff in the NZIPS secretariat	5	5
Number of staff in the injury prevention group	128	119

How is the money spent?

As per ACC's legislative requirement, ACC can only spend money on injury prevention where it can be confident of delivering a saving to the Scheme. As such, ACC only invests in injury prevention programmes where there is a high probability of success as demonstrated by a robust evidence base.

The following table provides a breakdown of ACC's direct programme costs in four areas of activity: home, road, work and sport. Direct programme costs include costs of research commissioned, the development and production of marketing collateral and other external costs. It does not include the costs of ACC staff that design and deliver these programmes.

Table 21: Direct programme costs for injury prevention initiatives

Area	Budget 2009–2010 (\$000)	Forecast 2009–2010 (\$000)	Budget 2010–2011 (\$000)
Home – this includes initiatives targeted at the 25–64 year-old population as well as ongoing falls prevention programmes for older adults	6,813	4,560	4,094
Road – this includes a range of road safety initiatives with a particular current focus on reducing the number of high-cost motorcycle injuries	2,735	2,256	2,349
Work – this includes interventions across five targeted industry groups as well as the discomfort, pain and injury programme which aims to reduce the number of musculo-skeletal injuries in the workplace	5,254	4,442	4,873
Sport – this includes specific injury prevention initiatives in sports including netball, rugby union, rugby league and soccer	1,419	1,398	1,391
Safety culture – this programme aims to use the workplace as a channel to deliver injury prevention initiatives that affect employees outside the workplace (i.e. at home, on the road or playing sport)	757	443	616
Preventing re-injury – this programme is detailed on page 30	418	282	200
Total direct programme costs	17,396	13,381	13,522

Reconciliation of injury prevention programme costs with total injury prevention budget

The table above does not include staffing costs. ACC employs a nationwide team of injury prevention staff who implement injury prevention initiatives nationwide and a team of programme managers who design these initiatives. The costs of running the NZIPS secretariat are also recorded separately.

Finally, a number of activities carried out by other parts of the business are classified under the injury prevention output, such as patient safety initiatives to reduce treatment injuries.

Table 22: Total injury prevention costs

Area	Budget 2009–2010 (\$000)	Forecast 2009–2010 (\$000)	Budget 2010–2011 (\$000)
Total direct programme costs	17,396	13,381	13,523
NZIPS secretariat	618	601	701
Staffing and administration costs (injury prevention business group)	12,299	11,413	11,418
Injury prevention costs incurred by other business groups	6,828	5,540	7,949
Total injury prevention costs	37,141	31,935	33,751

How efficient is injury prevention?

To maximise the efficiency of its injury prevention programmes, ACC targets its initiatives at specific sub-populations who carry a disproportionate share of the overall risk. The following table summarises the target groups for each injury prevention area.

Table 23: Efficiency indicators for output class 4

Area	Targeted group									
Home	ACC will be targeting all 25–64 year-olds through its home safety programmes. These programmes are aimed at reducing injuries incurred through alcohol, violence, falls and/or other home-related injuries. This target group is approximately 52% of the population This segment of claims has experienced significant growth in the last five years. Claims in the Earners' Account are a major cost driver because of the entitlement to weekly compensation									
	Year									
	<table border="1"> <thead> <tr> <th></th> <th>2005–2006</th> <th>2006–2007</th> <th>2007–2008</th> <th>2008–2009</th> </tr> </thead> <tbody> <tr> <td>New registered Earners' Account claims</td> <td>562,241</td> <td>612,094</td> <td>662,668</td> <td>665,070</td> </tr> </tbody> </table>		2005–2006	2006–2007	2007–2008	2008–2009	New registered Earners' Account claims	562,241	612,094	662,668
	2005–2006	2006–2007	2007–2008	2008–2009						
New registered Earners' Account claims	562,241	612,094	662,668	665,070						
Road	ACC will be targeting 30,000 recreational riders and commuters through its motorcycle programmes ACC works with injury prevention partners to reduce road injuries. While the number of injuries is relatively low the cost of injuries is high. Therefore a decrease in the number of motor vehicle crashes would substantially reduce the costs in the Motor Vehicle Account									
	Year									
	<table border="1"> <thead> <tr> <th></th> <th>2005–2006</th> <th>2006–2007</th> <th>2007–2008</th> <th>2008–2009</th> </tr> </thead> <tbody> <tr> <td>New registered Motor Vehicle Account claims</td> <td>43,161</td> <td>44,130</td> <td>43,135</td> <td>39,990</td> </tr> </tbody> </table>		2005–2006	2006–2007	2007–2008	2008–2009	New registered Motor Vehicle Account claims	43,161	44,130	43,135
	2005–2006	2006–2007	2007–2008	2008–2009						
New registered Motor Vehicle Account claims	43,161	44,130	43,135	39,990						
Work	ACC's workplace injury prevention programmes target all employers and employees from targeted priority industries. The priority industries are agriculture, construction, forestry, health and manufacturing. ACC also promotes its discomfort, pain and injury programme and health and safety representative training via these industries. These target industries employ approximately 34% of the working population ACC has targeted these industries given the relatively high frequency and severity of injuries. Further, the organised nature of the workplace provides an effective channel through which ACC can successfully deliver injury prevention interventions									
	Year									
	<table border="1"> <thead> <tr> <th></th> <th>2005–2006</th> <th>2006–2007</th> <th>2007–2008</th> <th>2008–2009</th> </tr> </thead> <tbody> <tr> <td>New registered Work Account claims</td> <td>212,693</td> <td>206,384</td> <td>204,898</td> <td>190,495</td> </tr> </tbody> </table>		2005–2006	2006–2007	2007–2008	2008–2009	New registered Work Account claims	212,693	206,384	204,898
	2005–2006	2006–2007	2007–2008	2008–2009						
New registered Work Account claims	212,693	206,384	204,898	190,495						
Sport	ACC's sport programmes target all league and rugby coaches, all rugby union referees, 3,500 netball coaches, 1,000 netball umpires and 2,000 soccer coaches. They also target all rugby union and league players, 20,000 netball players and 22,000 soccer players									
	Year									
	<table border="1"> <thead> <tr> <th></th> <th>2005–2006</th> <th>2006–2007</th> <th>2007–2008</th> <th>2008–2009</th> </tr> </thead> <tbody> <tr> <td>New registered sports claims</td> <td>27,798</td> <td>24,687</td> <td>26,505</td> <td>n/a</td> </tr> </tbody> </table>		2005–2006	2006–2007	2007–2008	2008–2009	New registered sports claims	27,798	24,687	26,505
	2005–2006	2006–2007	2007–2008	2008–2009						
New registered sports claims	27,798	24,687	26,505	n/a						

How effective is injury prevention?

Effectiveness is measured as a reduction in the number of injuries against forecast and the return on investment from ACC's injury prevention spend. All of the measures in the table below are built on the premise of a \$1.10 saving per dollar invested.

Table 24: Effectiveness indicators for output class 4

Activity	Measure
Home	12-month rolling claim rate (accepted new entitlement claims) per 10,000 for the working age population (25–64) will be below the historical two-yearly average (July 2007 – June 2009) of 215.64
Road	12-month rolling claim rate (accepted new entitlement claims in Motor Vehicle Account) per 10,000 registered motorcycles will be below the 2008-2009 average of 131.89
Work	2% reduction (against forecast) in workplace entitlement claims in five priority areas (agriculture, construction, forestry, manufacturing and health) and discomfort, pain and injury
Sport	2% reduction (against forecast) in new entitlement-targeted claims in rugby union, soccer, netball and rugby league

How good is ACC's service quality?

Injury prevention is not a service. As such, measures of service quality are not included in this document.

Forecast financial information

Forecast financial information 2010–2011

Introduction

The information below sets out the 2010-2011 budgets for the ACC Group which comprises ACC and its subsidiaries Catalyst Risk Management Limited (Catalyst) and Dispute Resolution Services Limited (DRS). Comparative information is based on the forecast financial results for the year to 30 June 2010, prepared as at 31 March 2010.

Results

The budgeted surplus for 2010-2011 is \$968 million compared with the forecast surplus of \$2,189 million for 2009-2010. The budgeted surplus reflects:

- an increase in levy revenue of \$636 million as a result of changes in levy rates and increases in levy bases
- a \$106 million increase in claims paid as a result of slight increases in rehabilitation costs, and claim numbers
- an increase in the year of the outstanding claims liability of \$1,211 million
- a decrease in the year of the unexpired risk liability of \$41 million
- investment income of \$567 million, compared with the forecast income of \$1,544 million during 2009-2010. The recovery in global investment markets has significantly increased investment income during 2009-2010.

Consolidated income statement

Item (\$million)	Budget 2010–2011	Forecast 2009–2010	Variance F/(U)
Net levy revenue	5,158	4,522	636
Claims paid	3,095	2,989	(106)
Claims handling costs	330	323	(7)
Increase in outstanding claims liability	1,211	835	(376)
Total claims incurred	4,636	4,147	(489)
Increase in unexpired risk liability	(41)	(418)	(377)
Net operating costs	41	36	(5)
Injury prevention costs	34	32	(2)
Levy collection costs	47	47	0
Underwriting results	441	678	(237)
Investment income	567	1,544	(977)
Investment costs	44	37	(7)
Other costs	1	1	(0)
Other income	5	5	0
Surplus	968	2,189	(1,221)

Levy revenue

Rates

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

Account	2010–2011	2009–2010
Motor Vehicle	\$334 per vehicle through licensing fees and petrol levy	\$287 per vehicle through licensing fees and petrol levy
Earners'	\$1.78 per \$100 liable earnings	\$1.51 per \$100 liable earnings to 31 March 2010 \$1.78 per \$100 liable earnings from 1 April 2010
Work	\$1.47 per \$100 liable earnings	\$1.16 per \$100 liable earnings to 31 March 2010 \$1.47 per \$100 liable earnings from 1 April 2010

Revenue

Levy revenue has been projected based on:

- the approved levy rates on earnings effective from 1 April 2010
- liable earnings of employees, shareholder-employees and self-employed that are projected to increase by 2.9% when compared to the 2009-2010 year
- the approved motor vehicle levy rates effective from 1 July 2010
- a reduced Non-Earners' Account appropriation within Vote ACC.

The main changes when compared with forecast 2009-2010 in net levy revenue by Account reflect the following:

- Motor Vehicle Account – a \$136 million increase due to increases in the ACC component of motor vehicle licence fees
- Non-Earners' Account – a \$37 million decrease due to the estimated net appropriation for 2010-2011 within Vote ACC

- Earners' Account – a \$277 million increase due to increases in the liable earnings base and the levy rate
- Work Account – a \$247 million increase due to increases in the liable earnings base and the average levy rates
- Treatment Injury Account – a \$13 million increase largely due to the estimated appropriation for 2010-2011 within Vote ACC.

Non-Earners' Account appropriation

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

Output expense	2010–2011 Budget (\$million)	Relevant ACC activity	Relevant ACC output classes
Claims management and supporting services	65	Setting, invoicing and collection of levies – the Vote ACC appropriation process	1 – levy collection and setting
		Management of investment assets	2 – investment management
		Lodgement of new claims and making cover decisions. The costs of determining, processing, paying and monitoring payments to treatment and service providers and clients Also includes the cost to ACC of managing claims with the goal of returning clients to independence	3 – claims management
		Development and delivery of programmes to reduce the incidence and severity of injury	4 – injury prevention
Claim entitlements and services	639	Payments to providers for services, including social rehabilitation, medical treatment and vocational rehabilitation	3 – claims management
Public health acute services	266	Funding via the Ministry of Health to provide services to injured people in hospitals during the acute phase of their treatment	3 – claims management
Benefits and other unrequited expenses	267	Direct payments of entitlements to clients including weekly compensation, independence allowance and lump sum payments. Also includes funding for the Treatment Injury Account	3 – claims management
Adjustment to 2010–2011 appropriation to reflect wash-up of 2008–2009 pay-as-you-go appropriation	10		
Total	1,247		

Claims paid

Expenditure by category (\$million)	Budget 2010–2011	Forecast 2009–2010	Variance F/(U)
Rehabilitation			
Medical treatment	549	536	(13)
Hospital treatment	254	242	(12)
Public health acute services	427	405	(22)
Dental treatment	27	27	0
Conveyance for treatment	79	75	(4)
Treatment total	1,336	1,285	(51)
Vocational rehabilitation	65	49	(16)
Social rehabilitation	505	454	(51)
Rehabilitation total	1,906	1,788	(118)
Compensation			
Income maintenance	980	984	4
Independence allowances	45	55	10
Lump sums	51	47	(4)
Death benefits	107	105	(2)
Compensation total	1,183	1,191	8
Miscellaneous claims costs	6	10	4
Total claims paid	3,095	2,989	(106)

Total claims paid are budgeted to increase by \$106 million (4%) to \$3,095 million in 2010–2011. This reverses the 2% reduction forecast in claims paid in 2009–2010 compared with 2008–2009. However the 4% budget increase is significantly less than the equivalent 13% increases reported in 2008–2009 and 2007–2008.

This reflects the impact of investment in a number of initiatives that are focused on managing the outstanding claims liability and the growth of claim payments.

Rehabilitation costs

Treatment costs are budgeted to increase by \$51 million (4%) to \$1,336 million in 2010–2011:

- medical treatment is budgeted to increase by \$13 million (2%). Normal volume and price increases are offset to some extent by the full-year impact of reforms to funding arrangements for primary care services provided by physiotherapists, and price reductions in respect of imaging services
- hospital treatment (elective surgery) is budgeted to increase by \$12 million (5%) due to an LCI price increase and increases in the cost of implants, and, to a lesser extent, increased volumes
- the public health acute services payment is budgeted to increase by \$22 million (5%) as costs of treatment increase and the cases attributable to ACC increase with population growth.

Vocational rehabilitation costs are budgeted to increase by \$16 million (33%) to \$65 million due to increasing use of the 'better@work' and 'stay at work' programmes and in the 'recover independence service' which are all aimed at achieving reduced expenditure on weekly compensation.

Social rehabilitation costs are budgeted to increase by \$51 million (11%) to \$505 million driven mainly by price increases which include the increase in the minimum wage, and increases in the volume and duration of inpatient rehabilitation stays associated with an ageing population.

Compensation costs

Compensation costs are budgeted to decrease by \$8 million (1%) to \$1,183 million:

- weekly compensation is budgeted to reduce slightly as increases due to wage rate inflation are offset by improved (i.e. reduced) claim duration

- independence allowances are budgeted to decrease by \$10 million due to the high volumes experienced in 2009-2010 in line with the five-yearly commutation cycle
- lump sums are budgeted to increase by \$4 million as this relatively new benefit matures.

Increase in the outstanding claims liability

The future costs of claims incurred are estimated allowing for future inflation (including superimposed inflation for certain benefit types) and payment decay/continuance rates derived from Scheme experience. Those costs are discounted back to present value using a series of forward discount rates.

Outstanding claims liability (\$million)	Budget 2010-2011	Forecast 2009-2010	Variance F/(U)
Liability at the start of the year	24,621	23,786	
Liability at year end	25,832	24,621	
Increase in liability	1,211	835	(376)

The budget 2010-2011 increase in the outstanding claims liability of \$1,211 million includes the net growth in future claims costs resulting from claims newly incurred during the year. The forecast increase for 2009-2010 is lower than originally budgeted as it reflects the favourable impact of claims experience during the year reflected in the 31 December 2009 valuation.

Increase in the unexpired risk liability

A liability adequacy test is performed to assess whether the unearned levy liability is sufficient to meet all expected future cash flows relating to future claims against current insurance contracts. Any shortfall in the unearned levy liability is taken up in the balance sheet as an unexpired risk liability and the movement for the year recognised in the income statement.

Unexpired risk liability (\$million)	Budget 2010-2011	Forecast 2009-2010	Variance F/(U)
Liability at the start of the year	146	564	
Liability at year end	105	146	
Increase in liability	(41)	(418)	(377)

The forecast reductions in the unexpired risk liability at 30 June 2010 and 2011 reflect the improved adequacy of the current levy rates relative to new claims to be incurred in future periods, for which levy revenue has been accounted at those dates. The liability at 30 June largely relates to the adequacy of levy rates for the following nine months in the Earners' and Work Accounts.

Administration costs

Administration costs comprise the costs (classified as claims handling, injury prevention, investment, levy collection, and net operating costs) incurred by ACC in carrying out its responsibilities under the Act and the operating costs of its subsidiaries Catalyst Risk Management Limited (Catalyst) and Dispute Resolution Services Limited (DRS).

ACC's 2010-2011 budget for administration costs is consistent with the business activity documented in this Statement of Intent, subject to an over-riding consideration that the baseline ACC Parent administration costs budget for 2010-2011 be consistent with the focus on value for money adopted in the 2009-2010 forecast of \$475 million.

The ACC Parent baseline administration costs for 2010-2011 have been reduced to \$464 million. The budget administration costs of \$495 million allow for an additional fund of \$31 million which is earmarked for initiatives designed to access further actuarial release.

No specific provision has been made for the cost of currently unspecified change initiatives during 2010-2011 that will emerge as ACC's operating environment evolves. The exact shape and implications of that environment are not yet known. The cost of restructuring during 2010-2011 has been offset to nil by cost savings to be achieved by any restructuring.

Expenditure by classification (\$million)	Budget 2010-2011	Forecast 2009-2010	Variance F/(U)
Claims handling	330	323	(7)
Injury prevention	34	32	(2)
Investment	44	37	(7)
Levy collection	47	47	0
Other	42	36	(6)
Total administration costs	497	475	(22)

Expenditure by category (\$million)	Budget 2010-2011	Forecast 2009-2010	Variance F/(U)
Computer	44	38	(6)
External levy collection	34	35	1
Investment expenses	38	32	(6)
Marketing and promotions	8	8	0
Miscellaneous expenses	17	2	(15)
Motor vehicle	2	2	0
Occupancy	19	19	0
Personnel	213	214	1
Postage and stationery	10	10	0
Professional expenses	13	13	0
Programme expenses	19	17	(2)
Research and development	1	1	0
Telecommunications	5	5	0
Travel, accommodation	4	5	1
Depreciation and amortisation	54	60	6
Catalyst	4	4	0
DRS	12	10	(2)
Total administration costs	497	475	(22)

The main categories with change in ACC Parent administration costs are:

- computer costs increase by \$6 million due to support for new applications resulting from 2009-2010 initiatives and development costs of new initiatives during 2010-2011
- external investment expenses increase by \$6 million reflecting increased funds under management and the reclassification of investment expenses (\$2 million) previously netted against investment income
- depreciation and amortisation (of computer software) costs decrease by \$6 million reflecting write-offs of software during 2009-2010
- the increase in miscellaneous expenses reflects that proportion of the additional fund of \$31 million relating to yet to be identified initiatives aimed at achieving further actuarial release.

Investment income

Future investment income is calculated using forecast returns based on an average of government bond and swap rates. It is considered prudent to budget for returns in the 2010-2011 year at the rate of 3.9%.

Investment income for 2010-2011 is budgeted to be \$567 million, compared with the forecast income of \$1,544 million during 2009-2010. The recovery in global investment markets has significantly increased investment income during 2009-2010.

Consolidated balance sheet

The changes within the balance sheet mainly relate to the movement of investment assets and the claims liability.

The forecast surplus for 2010-2011 of \$968 million is reflected in the reserves movement.

The increase in investments reflects the build-up of reserves consistent with full funding of new claims and the progress towards full funding of the residual claims.

Value by item (\$million)	Budget 30 June 2011	Forecast 30 June 2010	Variance F/(U)
Total reserves (deficit)	(9,594)	(10,562)	968
Assets			
Investments	14,523	12,479	2,044
Other assets	4,620	4,405	215
Total assets	19,143	16,884	2,259
Liabilities			
Outstanding claims liability	25,832	24,621	(1,211)
Other liabilities	2,905	2,825	(80)
Total liabilities	28,737	27,446	(1,291)
Net liabilities	(9,594)	(10,562)	968

Capital expenditure

Category (\$million)	Budget 2010-2011	Forecast 2009-2010	Variance F/(U)
Property plant and equipment			
Maintenance capital	10	10	0
Property	11	3	(8)
Motor vehicles, equipment	1	1	0
Total	22	14	(8)
Intangible assets			
Project capital	40	35	(5)
Maintenance capital	6	5	(1)
Total	46	40	(6)
Catalyst, DRS	1	0	(1)
Total capital budget	69	54	(15)

The proposed 2010-2011 capital expenditure budget of \$69 million is \$15 million higher than the \$54 million forecast for 2009-2010. This reflects the fit-out costs of new corporate office premises (\$10 million) and increased expenditure on capital projects (\$5 million).

The capital expenditure budget for 2010-2011 includes any expenditure approved before 1 July 2010 but unspent prior to that date.

Financial forecasts to 30 June 2014

Financial forecasts have also been prepared for the three years ending 30 June 2012 to 30 June 2014.

The forecasts have been prepared on the following basis:

- levy income has been set using currently approved rates and estimated appropriations
- claims paid have been forecast based on analysis of recent trends in claim volumes and known and projected cost increases for each entitlement, adjusted for the expected impact of initiatives and projects aimed at making a material difference to future claims costs
- the outstanding claims liability is calculated using economic assumptions (e.g. wage and cost inflation, discount rates) as at 31 March 2010
- administration costs are based on the budget for 2010-2011 plus:
 - salary inflation of 3.0% and general inflation of 2.5% in the years from 2011-2012 to 2013-2014
 - the \$31 million funding for initiatives designed to access further actuarial release reduces by \$15 million at the end of 2011-2012
 - depreciation and amortisation costs in line with forecast capital expenditure levels
 - no real increases in levy collection, injury prevention and operating costs
 - increasing investment fees consistent with increasing funds under management
- investment income is based on the projected investment balance as at 30 June 2011 and forecast cash flows using average investment return rates of 5.4% for 2011-2012, 6.0% for 2012-2013 and 6.4% for 2013-2014.

Actuarial release

Actuarial release is a calculation of the difference between the previously estimated and currently forecast cumulative cash claims costs (claims paid plus claims handling costs) and outstanding claims liability. Both the original estimation and the current projection use the same discount rate.

The forecasts for the three years ending 30 June 2012 reflect an actuarial release of \$2 billion over that period compared with the forecasts within the 30 June 2009 valuation of the outstanding claims liability.

Financial risks

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

A major risk is the effect of economic factors which are not controlled by ACC (e.g. wage and cost inflation, and interest rates) on future claims payments, investment income and the projected outstanding claims liability.

Forecast financial statements

Parent income statement

ACC Parent financial statements relate to the activities of the Accident Compensation Corporation in carrying out its responsibilities under the Accident Compensation Act 2001.

Budget for the year ending 30 June 2011 (\$'000)	ACC Parent	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account
Net levy revenue						
Levy revenue	3,910,622	995,230	–	1,692,439	1,222,953	–
Revenue appropriated	1,246,891	–	1,246,891	–	–	–
Funding of Treatment Injury Account	–	–	(231,028)	(97,322)	–	328,350
Total net levy revenue	5,157,513	995,230	1,015,863	1,595,117	1,222,953	328,350
Claims incurred						
Claims paid						
Rehabilitation costs						
Vocational rehabilitation	65,482	8,220	1,471	32,634	22,218	939
Social rehabilitation	505,239	148,591	157,021	57,807	102,871	38,949
Medical treatment	548,799	23,338	206,030	216,200	97,656	5,575
Hospital treatment	254,174	16,501	55,085	117,555	52,135	12,898
Public health acute services	426,024	63,048	247,860	81,384	30,084	3,648
Dental treatment	27,301	1,515	13,416	8,373	3,846	151
Conveyance for treatment	78,978	14,456	41,047	16,524	6,371	580
Total rehabilitation costs	1,905,997	275,669	721,930	530,477	315,181	62,740
Compensation costs						
Income maintenance	980,036	147,114	11,704	406,343	384,714	30,161
Independence allowances	45,054	6,420	21,107	7,606	7,665	2,256
Lump sums	51,344	10,164	9,159	8,407	15,757	7,857
Death benefits	106,493	35,036	8,443	40,008	19,287	3,719
Total compensation costs	1,182,927	198,734	50,413	462,364	427,423	43,993
Miscellaneous claim costs	5,880	1,637	1,432	637	977	1,197
Total claims paid	3,094,804	476,040	773,775	993,478	743,581	107,930
Claims handling costs	329,503	36,901	48,438	136,086	96,216	11,862
Increase in outstanding claims liability	1,211,369	271,136	224,476	421,595	97,000	197,162
Total claims incurred	4,635,676	784,077	1,046,689	1,551,159	936,797	316,954
Movement in unexpired risk liability	(41,492)	(85,771)	–	35,640	8,639	–
Net operating costs	40,726	6,801	2,851	10,996	19,386	692
Injury prevention costs	33,751	5,974	4,793	7,054	15,255	675
Levy collection costs	47,332	12,070	–	17,986	17,276	–
Surplus/(deficit) from underwriting activities	441,520	272,079	(38,470)	(27,718)	225,600	10,029
Investment income	566,729	156,905	68,601	140,707	154,009	46,507
Investment costs	43,686	12,713	5,286	11,227	10,834	3,626
Other income	1,971	333	151	783	672	32
Net surplus/(deficit)	966,534	416,604	24,996	102,545	369,447	52,942
Account reserves – opening balance	(10,574,019)	(3,549,706)	(2,861,011)	(1,334,821)	(1,480,166)	(1,348,315)
Net surplus/(deficit)	966,534	416,604	24,996	102,545	369,447	52,942
Account reserves – closing balance	(9,607,485)	(3,133,102)	(2,836,015)	(1,232,276)	(1,110,719)	(1,295,373)
Claims liability	25,832,777	7,244,229	4,675,815	5,268,632	6,025,692	2,618,409
% cover for claims liability	62.8%	56.8%	39.3%	76.6%	81.6%	50.5%

Consolidated income statement

ACC Group financial statements relate to the activities of the Accident Compensation Corporation and its subsidiaries Catalyst Risk Management Limited and Dispute Resolution Services Limited.

For the years ending 30 June 2011 to 2014 (\$'000)	Budget 2010–2011	Forecast 2011–2012	Forecast 2012–2013	Forecast 2013–2014
Net levy revenue				
Motor Vehicle Account	995,230	1,059,260	1,070,273	1,082,023
Non-Earners' Account	1,015,863	1,068,457	1,129,251	1,203,302
Earners' Account	1,595,117	1,655,708	1,718,078	1,785,726
Work Account	1,222,953	1,280,182	1,326,751	1,375,722
Treatment Injury Account	328,350	298,552	289,461	289,634
Total net levy revenue	5,157,513	5,362,159	5,533,814	5,736,407
Claims incurred				
Claims paid				
Rehabilitation costs				
Vocational rehabilitation	65,482	76,668	75,336	72,264
Social rehabilitation	505,239	539,028	574,392	615,696
Medical treatment	548,799	587,880	642,024	695,184
Hospital treatment	254,174	269,904	283,560	298,020
Public health acute services	426,024	442,044	459,600	478,752
Dental treatment	27,301	27,708	28,152	28,680
Conveyance for treatment	78,978	81,288	81,756	82,512
Total rehabilitation costs	1,905,997	2,024,520	2,144,820	2,271,108
Compensation costs				
Income maintenance	980,036	996,660	1,026,948	1,074,384
Independence allowances	45,054	43,128	41,664	72,552
Lump sums	51,344	55,428	59,640	63,804
Death benefits	106,493	110,748	111,576	115,860
Total compensation costs	1,182,927	1,205,964	1,239,828	1,326,600
Miscellaneous claim costs	5,880	5,736	5,652	5,592
Total claims paid	3,094,804	3,236,220	3,390,300	3,603,300
Claims handling costs	329,503	339,557	340,422	347,694
Increase in outstanding claims liability	1,211,369	1,552,190	1,872,242	2,084,660
Total claims incurred	4,635,676	5,127,967	5,602,964	6,035,654
Movement in unexpired risk liability	(41,492)	69,309	90,644	85,338
Net operating costs	40,726	41,968	42,074	42,973
Injury prevention costs	33,751	34,679	35,633	36,613
Levy collection costs	47,332	50,633	52,026	53,457
Surplus/(deficit) from underwriting activities	441,520	37,603	(289,527)	(517,628)
Investment income	566,729	905,487	1,161,275	1,419,330
Investment costs	43,686	47,329	51,077	54,019
Other costs	1,561	1,765	1,877	2,037
Other income	5,529	5,798	6,010	6,265
Surplus/(deficit) before tax	968,531	899,794	824,804	851,911
Income tax expense	116	667	717	762
Net surplus/(deficit) after tax	968,415	899,127	824,087	851,149
Total reserves – opening balance	(10,562,057)	(9,593,642)	(8,694,515)	(7,870,428)
Net surplus/(deficit)	968,415	899,127	824,087	851,149
Total reserves – closing balance	(9,593,642)	(8,694,515)	(7,870,428)	(7,019,279)
Claims liability	25,832,777	27,384,967	29,257,209	31,341,869
% cover for claims liability	62.9%	68.3%	73.1%	77.6%

Balance sheet

As at 30 June 2011 to 30 June 2014 (\$000)	Parent Budget 2011	Group Budget 2011	Group Forecast 2012	Group Forecast 2013	Group Forecast 2014
Account reserves					
Motor Vehicle Account	(3,133,102)	(3,133,102)	(2,754,770)	(2,402,931)	(2,065,108)
Non-Earners' Account	(2,836,015)	(2,836,015)	(2,824,188)	(2,812,869)	(2,781,368)
Earners' Account	(1,232,276)	(1,232,276)	(1,127,978)	(1,043,630)	(949,320)
Work Account	(1,110,719)	(1,110,719)	(712,674)	(307,427)	128,994
Treatment Injury Account	(1,295,373)	(1,295,373)	(1,290,304)	(1,320,640)	(1,371,327)
Total Account reserves	(9,607,485)	(9,607,485)	(8,709,914)	(7,887,497)	(7,038,129)
Subsidiaries reserves	–	4,789	6,345	8,015	9,796
Revaluation reserves	9,054	9,054	9,054	9,054	9,054
Total reserves (deficit)	(9,598,431)	(9,593,642)	(8,694,515)	(7,870,428)	(7,019,279)
Represented by:					
Assets					
Cash and cash equivalents	912,135	917,540	920,232	922,617	924,863
Receivables	685,788	687,608	737,256	781,315	860,191
Accrued levy revenue	2,776,252	2,776,252	2,887,387	3,005,273	3,185,585
Investments	14,522,574	14,522,574	16,947,612	19,686,692	22,584,460
Investment properties	39,434	39,434	39,434	39,434	39,434
Investment in subsidiaries	3,450	–	–	–	–
Property, plant and equipment	58,138	59,420	50,017	40,330	29,320
Intangible assets	137,605	140,345	169,278	144,571	111,673
Deferred tax asset	–	–	–	–	–
Total assets	19,135,376	19,143,173	21,751,216	24,620,232	27,735,526
Less liabilities					
Deferred tax liability	–	224	286	356	434
Payables and accrued liabilities	251,248	254,032	254,852	243,355	231,578
Unearned levy liability	2,544,716	2,544,716	2,631,251	2,724,721	2,830,567
Unexpired risk liability	105,066	105,066	174,375	265,019	350,357
Outstanding claims liability	25,832,777	25,832,777	27,384,967	29,257,209	31,341,869
Total liabilities	28,733,807	28,736,815	30,445,731	32,490,660	34,754,805
Net liabilities	(9,598,431)	(9,593,642)	(8,694,515)	(7,870,428)	(7,019,279)

Statement of cash flows

For the years ending 30 June 2011–2014 (\$'000)	Parent Budget 2010–2011	Group Budget 2010–2011	Group Forecast 2011–2012	Group Forecast 2012–2013	Group Forecast 2013–2014
Cash flows from operating activities					
Cash was provided from:					
Levy income	5,100,455	5,100,455	5,287,970	5,465,339	5,583,141
Interest	321,200	321,200	390,100	468,100	555,600
Dividends	188,100	188,100	228,800	293,900	347,300
Goods and services tax (net)	3,244	3,243	–	–	–
Other income	1,971	5,605	5,632	5,777	5,906
Cash was applied to:					
Payments to injured persons, suppliers and employees	3,560,333	3,562,090	3,687,930	3,851,933	4,078,676
Goods and services tax (net)	–	–	3,719	3,161	3,831
Taxation paid	–	–	–	–	–
Net cash movement from operating activities	2,054,637	2,056,513	2,220,853	2,378,022	2,409,440
Cash flows from investing activities					
Cash was applied to:					
Payment for investments (net)	1,986,383	1,986,383	2,138,106	2,339,452	2,380,894
Payment for property, plant and equipment (net)	18,353	19,338	8,435	8,365	6,633
Payment for intangible assets (net)	49,900	50,100	71,620	27,820	19,667
Net cash movement from investing activities	(2,054,636)	(2,055,821)	(2,218,161)	(2,375,637)	(2,407,194)
Cash flows from financing activities					
Net cash movement from financing activities	–	–	–	–	–
Cash flows from other activities					
Net cash movement from other activities	–	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	1	692	2,692	2,385	2,246
Cash and cash equivalents – opening balance	912,134	916,848	917,540	920,232	922,617
Cash and cash equivalents – closing balance	912,135	917,540	920,232	922,617	924,863

Summary of significant accounting policies

a) Reporting entity

The financial statements are those of the Accident Compensation Corporation (ACC – the ‘parent’) which is designated as a Crown Agent under the Crown Entities Act 2004.

ACC and its subsidiaries comprise the ACC Group (the ‘group’).

ACC is the Crown entity in New Zealand that manages New Zealand’s accident compensation scheme. All ACC’s subsidiaries are incorporated in New Zealand.

The financial statements have been prepared in accordance with the:

- Crown Entities Act 2004
- Financial Reporting Act 1993
- Accident Compensation Act 2001 (previously called the Injury Prevention, Rehabilitation, and Compensation Act 2001 and referred to hereafter as ‘the Act’)
- Accident Compensation Amendment Act 2010.

b) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.

The group presents its balance sheet broadly in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the group.

c) Basis of preparation

The financial statements are prepared on the basis of historical cost except where modified by the revaluation of land and buildings, investment properties, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and the actuarial quantification of claim liabilities.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

d) Consolidation of subsidiaries

Subsidiaries are those entities over which ACC has control, through its direct or indirect interest. The consolidated financial statements comprise the financial statements of ACC and its subsidiaries as at 30 June each year, which have been consolidated using the purchase method. Where there is a loss of control of a subsidiary, the financial statements include the results for only the part of the reporting year during which ACC has control.

Consistent accounting policies are applied to the subsidiaries' financial statements and are prepared for the same reporting period as the parent entity.

All inter-company transactions, balances and unrealised surpluses are eliminated on consolidation.

ACC's investment in its subsidiaries is carried at cost in ACC's own 'parent entity' financial statements. The trading subsidiary companies are Catalyst Risk Management Limited and Dispute Resolution Services Limited.

e) Levy

During 1998 and 1999 the basis of setting levies moved from a 'pay-as-you-go' basis to a full-funding basis for all levy payers other than the Government in respect of the Non-Earners' Account.

Levies are now set on a full-funding basis for the Motor Vehicle, Earners' and Work Accounts. The Non-Earners' Account has been fully funded by the Government from 1 July 2001 in respect of claims incurred from that date. Claims before that date continue to be funded on a 'pay-as-you-go' basis.

In addition to the above, residual amounts as specified by the Minister for ACC are to be fully funded by 31 March 2019 in respect of the Motor Vehicle, Earners' and Work Accounts.

The Treatment Injury Account is funded by the Earners' and Non-Earners' Accounts in proportion to the earner status of Treatment Injury claims, and reflects the funding bases of those Accounts.

f) Source and application of levy revenue

The Act requires ACC to record levy revenue by individual Accounts. The source and application of levy revenue for each Account are as follows:

Motor Vehicle Account

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.

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

Non-Earners' Account

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

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

Earners' Account

The Earners' Account derives its funds from:

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

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

Work Account

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

These funds are applied in accordance with the Act in respect of:

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

Treatment Injury Account

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

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

g) Levy revenue

All levy revenue is recognised in the period to which it relates.

The proportion of levies not earned at the reporting date is recognised in the balance sheet as unearned levy liability.

h) Investment income

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

- dividends on equity securities are recorded as revenue on the ex-dividend date
- interest income is recognised as it accrues taking into account the effective yield on the investments
- the realised gain/loss on disposal of an investment asset represents the difference between the proceeds received and its carrying value
- unrealised gains/losses on fair value investment assets represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

i) Lease expense

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the income statement over the lease term as an integral part of the total lease expense.

Commitments under lease agreements are disclosed in the statement of commitments.

j) Allocation of indirect income and expenditure

Indirect income and expenditure are allocated to each Account as follows:

(i) Investment income

Each investment portfolio is 'owned' in differing proportions by the various Accounts. These proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment income from each investment portfolio is allocated between Accounts each day, based on the Accounts' proportionate 'ownership' of the portfolios from which the investment income is derived. Some derivative positions are allocated directly between Accounts rather than to investment portfolios. Income from these positions is directly allocated to the Accounts in proportion to their ownership of those derivative positions.

(ii) Administration costs

Administration costs, which comprise claims handling, levy collection, injury prevention, investment and net operating costs, are allocated based on the operating activities undertaken for each Account.

k) Income tax

ACC is exempt from payment of income tax under section 259(5) of the Act. The subsidiary companies are, however, liable for income tax.

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of taxable temporary differences arising from differences between the tax base of assets and liabilities, and its corresponding carrying amount for financial reporting purposes.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

l) Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, current accounts with banks, deposits on call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts. The carrying value of these items is equivalent to their fair values.

m) Receivables

Receivables are stated at their fair value (refer to note y). Due to the short-term nature of these assets the recoverable value, that is, allowing for impairment, will generally be the fair value.

The carrying value of receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

n) Investments

All investments, other than investment properties, are classed as financial assets at fair value through profit or loss.

Purchases and sales of investment assets are recognised on the trade-date, the date in which the group commits to purchase or sell the asset.

Investments are recognised initially at cost being the fair value of consideration given. All transaction costs and management fees for ACC's investment assets are expensed through the income statement. All investments are subsequently carried at fair value. Any changes in fair value are recognised in the income statement in the period in which they arise.

Fair value for investment assets is determined as follows:

- listed shares and unit trusts are valued at the quoted bid price at the close of business on the balance sheet date
- non-listed equity investments (private equity and venture capital) are recognised at initial cost of investment and adjusted for performance of the business since that date. This is consistent with the "International Private Equity and Venture Capital Valuation Guidelines"
- New Zealand and overseas bonds are valued at bid yield
- unlisted unit trust investments are valued based on the exit price rather than the entry price
- for investments with no active market, fair values are determined using valuation techniques. Such techniques include arms length transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

o) Derivative financial instruments

ACC uses various derivative financial instruments such as foreign currency contracts and interest rate swaps to reduce its exposure to movements in foreign currency exchange rates, interest rates and equity markets. Derivatives may also be used temporarily in lieu of purchasing bonds, equities or currency. The use of financial instruments is covered by investment policies which control the risk associated with such instruments.

Derivative financial instruments are held for trading and classed as financial assets at fair value through profit or loss. Any changes in fair value are recognised in the income statement in the period in which they arise.

Fair value for derivative financial instruments is determined as follows:

- forward exchange contracts are valued with reference to current forward exchange rates for contracts with similar maturity profiles
- the fair value of interest rate swaps contracts is calculated using quoted market yields at the end of the financial year. The quoted market yield for valuing interest rate swaps is the closing bid yield.

Derivatives are reported in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

p) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, that are not occupied by ACC. Investment properties are initially recognised at cost including transaction costs. Subsequent to initial recognition they are stated at their fair value, which is the market valuation, supported by a qualified external valuer.

Depreciation is not charged on investment properties. Changes in fair value are recognised in the income statement in the period in which it arises and recorded within investment income as an unrealised gain or loss.

q) Foreign currencies

Both the functional and presentation currency of ACC and its subsidiaries is New Zealand dollars.

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. At balance date foreign currency monetary assets and foreign currency forward contracts, designated as economic hedges, are translated at the rate ruling at balance date with exchange valuations arising from the translation process recognised directly in the income statement.

r) Property, plant and equipment

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition land and buildings are carried at their revalued amount. The revalued amount is net of any impairment losses and, for buildings, less depreciation accumulated since the asset was last revalued. All other items classed as property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Revaluations

Fair value is determined with reference to market-based evidence provided by an independent valuer. Any revaluation increase is credited to the asset revaluation reserve for that asset, except to the extent it reverses a revaluation decrease of the same asset previously recognised in the income statement. A decrease in carrying amount arising from the revaluation of land and buildings is recognised in the income statement unless it directly offsets a previous surplus in the same asset in the asset revaluation reserve.

Depreciation

Freehold land is not depreciated. 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:

Buildings	50 years
Freehold improvements	10 years
Leasehold improvements	Up to 10 years*
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment	5 years
Personal computer equipment	3 years
Motor vehicles	5 years

* Leasehold improvements are depreciated over the lower of the remaining life of the lease, or 10 years.

s) Intangible assets

Computer software

Computer software assets, most of which are internally generated arising from capital development projects, are carried at cost less accumulated amortisation and accumulated impairment.

Research costs incurred in the investigation phase of these projects 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.

Amortisation is calculated on a straight-line basis. The amortisation period for computer software is five to seven years.

t) Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the group would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If the asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the income statement.

u) Employee benefits

Short-term 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 to, but not yet taken at balance date, long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it is anticipated that it will be used by staff to cover those future absences.

Long-term benefits

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.

Defined contribution plans

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

v) 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.

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

w) Unexpired risk liability

At each balance date, ACC reassesses whether the unearned levy liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test and is performed for each Account.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned levy liability less intangible assets and related deferred acquisition costs then the unearned levy liability is deemed to be deficient. 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.

The entire deficiency is recognised immediately in the income statement. The deficiency is recorded in the balance sheet as an unexpired risk liability.

x) Outstanding claims liability

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 may reopen after the valuation date
- the costs of managing reported but unsettled, re-opened, and IBNR (incurred but not yet reported) claims.

The accrued outstanding claims liability is the central estimate of the present value of expected future payments on claims occurring on or before the valuation date, plus a risk margin to ensure the accrued 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 Act states a person is considered injured when:

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

The 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 giving rise to the claim occurred. Under 'claims made' policies, an insurer only has liability for reported claims.

y) Assets backing insurance liabilities

ACC has designated financial assets held in portfolios that match the expected future cash flows arising from insurance liabilities, as assets backing insurance liabilities.

Assets which back insurance liabilities are initially recognised at fair value and subsequently measured at fair value through profit or loss.

These assets and their fair value are listed as follows:

- cash assets and bank overdrafts are carried at face value which approximates fair value
- investments (see note n)
- derivative financial instruments (see note o)
- investment properties (see note p)
- receivables (see note m).

z) Changes to accounting policies

There have been no changes in accounting policies.





Te Kaporeihana Āwhina Hunga Whara

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