

<b>Title</b>	Legal Update - LEGALLY PRIVILEGED
<b>Status</b>	Decision <input type="checkbox"/> Information <input checked="" type="checkbox"/>
<b>Meeting Date</b>	27 September 2018
<b>Agenda Item</b>	6.1(a)

## 1 Purpose

1.1 This paper provides the Board with an overview of key legal matters as follows:

- (a) new matters, or updates on existing matters, since the last Board meeting; and
- (b) matters that may arise in the next month.

## 2 Recommendations

2.1 It is recommended that the ACC Board:

- (a) **Note** the updates on the Torchlight litigation and the Registrations of Interest for external legal representatives;
- (b) **Note** ACC has adopted the New Zealand Law Society and NZ Bar Association's Gender Equitable Engagement and Instruction Policy;
- (c) **Note** on 8 October 2018 the High Court will hear a test case on the scope of cover for treatment injury.

## 3 New matters and updates

9(2)(h)



### **Gender Equitable Engagement and Instruction Policy**

- 3.2 ACC has adopted the New Zealand Law Society's and NZ Bar Association's *Gender Equitable Engagement and Instruction Policy*. The policy is an initiative that seeks to improve the retention and advancement of women within the legal profession.

### **Registrations of Interest for external legal representatives**

- 3.3 ACC has called for registrations of interest in a nationwide panel of legal professionals to represent ACC at reviews and appeals under Part 5 of the Accident Compensation Act 2001 (the AC Act). The Ministry of Business, Innovation and Employment supports this move, acknowledging that the All of Government External Legal Services Panel does not provide sufficient choice of providers with the necessary combination of general litigation and AC Law/Medico-legal experience to efficiently meet ACC's needs. A new panel will also enable us to reset the service level expectations of our external legal representatives. This will ensure clear and consistent expectations as to the quality and cost efficiency of the legal services provided, and that they reflect our organisational and model litigant values.

## **4 Anticipated matters**

9(2)(h)



9(2)(h)



**Written by:**

9(2)(a)

**General Counsel & Company Secretary**

**Endorsed by:**

Deborah Roche,  
**Chief Governance Officer**

UNDER THE  
INFORMATION ACT



<b>Title</b>	Monthly Policy Update
<b>Status</b>	Decision <input checked="" type="checkbox"/> Information <input type="checkbox"/>
<b>Meeting Date</b>	27 September 2018
<b>Agenda Item</b>	6.1(b)

## 1 Purpose

- 1.1 This paper updates the Board on legislative reform issues that will be discussed with the Minister over the next month and seeks the Board's confirmation of ACC's position on the recommended LOPE rate, following additional cost information.

## 2 Recommendations

- 2.1 It is recommended that the ACC Board:

- a) **Note** we will be providing further advice to the Minister over the next month on the following aspects of the legislative modernisation work:
  - i. Consequential injury – following the advice last month on changing weekly compensation entitlements for non-earners, a clarificatory change is needed to the approach to consequential injury
  - ii. Injury prevention test – to give effect to ACC's injury prevention strategy, a recommended enabling change to the legislation to support a broader investment mandate
  - iii. Technical amendments – a set of minor, technical changes that address well-understood operational issues that should be included in the reform programme.
- b) **Note** the injury prevention advice is consistent with the advice the Board has previously seen and the consequential injury advice is a necessary piece of follow up advice following the advice the Board saw last month on earner status changes
- c) **Note** this paper summarises the advice that will be provided to the Minister and we will provide the Board with copies of the briefings for information via the weekly report
- d) **Endorse** ACC's position on the technical issues for inclusion in the legislative programme

- e) **Note**, in preparation for final advice to the Minister on LOPE rates, we have included additional cost information to reflect the Government’s signalled desire to lift minimum wage rates significantly by 2021 (even though they have not yet taken this decision)
- f) **Note** a change to the minimum wage rate would increase the cost impact of all options to change the LOPE rate (including ACC’s preferred one)
- g) **Confirm** ACC’s previous preferred policy option – to increase the LOPE rate to 100% minimum wage – considering this additional information
- h) **Note** an oral update will be provided at the Board meeting on the current Amendment Bill before Select Committee, the Government’s health and disability and welfare system reviews, and the induction for the new ACC Associate Minister.

### 3 Legislative modernisation

#### Ministerial priorities workstream

##### Consequential injury

- 3.1 Earlier this month we provided advice to the Minister on how to implement the extension of weekly compensation entitlements to non-earners. Following that, we need to advise the Minister on the treatment of consequential injuries, which is a related issue.
- 3.2 Historically, “consequential injuries” – that is, injuries that are consequent on another covered injury – were treated by ACC as part of the same claim as the original injury. The 2012 Kingi judgment found that consequential injuries were covered in their own right, and could therefore be treated as separate claims. This meant that someone who had a knee injury as a non-earner but developed consequential post-traumatic arthritis while working could lodge a new claim for the arthritis, and be considered an earner for the purposes of the arthritis claim.
- 3.3 The Kingi judgment overcame the exclusion of certain non-earners from weekly compensation, if their conditions fit the definition of consequential injury; but in doing so, created significant uncertainty for ACC in the following areas:
  - a) Experience rating – if a new claim is lodged for a consequential injury which develops after the original injury, should this claim affect the employer’s experience rating?
  - b) Vocational independence – in assessing whether a customer’s vocational independence has deteriorated, ACC must consider whether the deterioration has occurred “due to injuries that were assessed in the previous vocational independence...assessment”
  - c) Interaction between weekly compensation and New Zealand Superannuation qualifying age, lump sums or independence allowance – customers’ access to certain entitlements may vary depending on whether their condition is identified as a consequential injury.
- 3.4 ACC has not adopted a uniform approach to consequential injury, tending to treat it as a new claim either at a customer’s request or where lodging a new claim would be favourable to the

customer. This inconsistency is exacerbated by uncertainty regarding the limits of consequential injury.

- 3.5 Given the Minister has taken the decision to extend eligibility for weekly compensation to non-earners incapacitated by injury while working, the disparity which was addressed in the Kingi judgment will be removed. ACC therefore has an opportunity to provide necessary clarification on consequential injury, given the uncertainties it has created. Options for addressing this are:
- a) Option one (preferred): Clarify legislation so that consequential injuries are always treated as part of the initial injury claim, applying the same date of injury
  - b) Option two (status quo): Retain current legislation, but treat consequential injuries as linked to the original claim, unless there is a clear reason to do otherwise
  - c) Option three: Retain current legislation, and always treat consequential injuries as separate claims, with a separate date of injury.

- 3.6 The recommended change is intended to provide clarification of cover and will have no additional cost implications.

#### Loss of potential earnings

- 3.7 As signalled at the last Board meeting, we will advise the Minister by the end of September on proposed changes to LOPE rates. The Minister has asked us to consider an increase in the rate to 80% of the median wage as a better measure for an individual's lost life-time earnings. As agreed with the Board, we will advise the Minister not to make this change.
- 3.8 We had previously advised that a shift back to 100% of the minimum wage, as was in place prior to 2010 (from the current 80% of minimum wage), was our preferred option for the following reasons:
- a) On balance, we consider the minimum wage a reasonable basis to compensate for a minimum level of unrealised earnings, recognising that the scheme generally does not attempt to compensate other customers for full earning potential.
  - b) We favour increasing the rate from 80% of minimum wage to 100%, because a significant number of LOPE recipients are not expected to ever enter the workforce and, therefore, paying below the minimum wage as a work incentive is less relevant to this group.
- 3.9 We want, however, to provide the Board with an opportunity to reconsider this position, should you wish to do so, on the basis of full information about potential (but uncertain) cost impacts.
- a) Earlier costings provided to the Board showed that the OCL impact of a shift to 100% minimum wage would be approximately \$199m – refined costings have now increased this figure to \$238m.
  - b) In order to give the Minister a full picture of the total impact of any change to LOPE, we have now also costed the impact of the Government's signalled intention to increase the minimum wage to \$20 by 2021. The Government has not taken this decision formally, so it has not yet been factored into our model and costings, but as they have signalled a

commitment to move in this direction, we intend to provide the Minister with information about the combined impact of this change plus any change to the LOPE rate.

- 3.10 An increase in the minimum wage rate to \$20 by 2021 would have an \$143m OCL impact, regardless of whether the LOPE rate is changed. This means that if the minimum wage was increased and ACC's preferred LOPE option was progressed, the combined OCL impact relative to today would \$381m (\$143m from the minimum wage rise plus \$238 from shifting the rate from 80% to 100% of minimum wage). The 80% median wage option (which we will advise against) is higher – at \$451m total impact.
- 3.11 On the basis that there is uncertainty about this minimum wage commitment, our view is that ACC retains its preferred option and we are seeking the Board's confirmation of this, to enable us to deliver final advice to the Minister by the end of this month.

## Optimisation workstream

### Supporting injury prevention investment

- 3.12 Following earlier advice to the Minister to include consideration of the legislative test for injury prevention within the scope of the project, we will shortly provide the Minister with advice about how best to do this.
- 3.13 Our advice is still being developed but is likely to recommend replacing the Act's reference to achieving an actual or projected reduction in levy rates or expenditure under the Non-Earners' Account with a requirement that injury prevention investment be expected to result in a cost-effective reduction in the incidence and severity of injury. This would better reflect the broad contribution that injury prevention can make to the scheme beyond managing costs.
- 3.14 While our view is that the primary focus of any new investment mandate should be to improve the effectiveness of injury prevention in reducing the incidence and impact of injury, we also consider that any change to the legislation should:
- a) Promote efficient coordination of injury prevention across government. ACC's injury prevention strategy recognises that effective investment over the next ten years will require co-investment with other agencies to address complex, life-long issues, and achieve desired outcomes
  - b) Retain appropriate accountability and transparency for levy-payers on the cost-effectiveness of spend, coordination across agencies, and mitigate scope creep.
- 3.15 It is important to note that the legislative change will be an enabling one – it will permit ACC to invest according to a broader mandate – but further work will be needed to give effect to this mandate by considering what alternative investment tests and/or models should be adopted that assess the costs and benefits of investment decisions. As part of the IP strategy redesign (discussed with the Board in May), a work stream is underway to consider this.

### Technical tidy-ups

- 3.16 Alongside ACC's key priorities through the legislative programme, there is an opportunity to address several technical operational issues which have been identified by areas across ACC



over the past few years. These changes seek to ensure consistent treatment for customers and improve efficiency in scheme governance and administration. The issues are well-understood and have straightforward solutions, with no expected cost implications.

- 3.17 In the coming month, we will recommend to the Minister that the legislative programme:
- a) ensures that disentitlement consistently applies to all imprisoned customers eligible to receive an independence allowance
  - b) removes the requirement for ACC to release review decisions requested by members of the public
  - c) excludes Veterans' Support Act 2014 weekly compensation top-ups from abatement against ACC's weekly compensation payments
  - d) disestablishes the Non-Compliers' Fund, and
  - e) clarifies that the ACC Board Committees can issue written resolutions.
- 3.18 A table with information on each of these issues is included in appendix 1.

## Next steps

- 3.19 We will provide you with copies of briefings on consequential injuries, IP test, and technical amendments with the Board weekly report and use the weekly report to update you on our discussions with the Minister on these issues.
- 3.20 In next month's Board update, we will provide you with advice on:

### Ministerial priorities work stream

- a) Preferred solutions and implementation for weekly compensation changes

### Optimisation work stream

- b) Preferred solutions and implementation for the set of changes that support ACC's client and business customer changes
- c) Progress update on the six areas of work to reform health purchasing settings

### Structural work stream

- d) Indication on priority changes to be sought through changes to legislative structure.

## 4 Proactive release policy

- 4.1 Last month we advised the Board that we are developing a proactive release policy to cover formal advice sent to the Ministers, OIA responses and any information that is regularly requested under the OIA, and any other information produced that is in the public interest.

- 4.2 Since then a paper on strengthening proactive release requirements for Cabinet papers has been through Cabinet. As a result of this decision, Cabinet Committee papers and papers that are sent directly to Cabinet (not via a Committee) will be subject to a new proactive release policy from 1 January 2019. Further guidance on the policy will be released in October and we will update the Board on the implications for ACC following that.

## 5 Other updates

- 5.1 Oral updates will be provided at the Board meeting on:
- a) The government's health and disability and welfare systems reviews
  - b) The current Accident Compensation Bill before Parliament, which has recently completed Select Committee stage
  - c) Induction of the new ACC Associate Minister (Peeni Henare).

**Written by:**

9(2)(a)

**Manager, Policy**

**Endorsed by:**

Deborah Roche  
**Chief Governance Officer**

Emma Powell  
**Chief Customer Officer**

## Appendix 1: technical legislative changes

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Issue	Discussion	Management view of necessary legislative change
Disentitlement while in prison	<ul style="list-style-type: none"> <li>The current settings in the AC Act mean that ACC is unable to disentitle customers who have lodged a claim under the AC Act 2001, but who receive an independence allowance rather than a lump sum, from receiving the independence allowance if imprisoned. This legislative gap was the subject of an appeal, which was settled by ACC in March 2015.</li> <li>This legislative gap appears to be an unintended drafting error, that creates inconsistent and inequitable treatment of different customers who may have similar injuries.</li> </ul>	Disentitlement during periods of imprisonment should apply to all customers eligible for an independence allowance.
Release of review decisions	<ul style="list-style-type: none"> <li>Section 144(5) requires ACC to release a copy of a review decision to any person who asks for it. In practice this can mean a member of the public can request the review decision of a specific person and receive a copy. Although identifying information would be removed, the requestor would know the identity of the individual.</li> <li>While the Privacy Act 1993 and the Official Information Act 1982 contain the appropriate checks and balances, due to the presence of section 144(5), it overrides the relevant provisions of those Acts that would enable ACC to withhold the decisions where release would breach a customer's privacy.</li> <li>With the removal of section 144(5), the Official Information Act 1982 would allow a member of the public to request a review decision, but would balance public interest against customer privacy in releasing the review decision.</li> </ul>	The requirement to release a copy of a review decision should be removed from the AC Act 2001 to prioritise customer privacy.
Abatement of Veterans' weekly compensation	<ul style="list-style-type: none"> <li>Where a veteran is entitled to weekly compensation under the AC Act 2001 and the Veteran's Support Act 2014, ACC pays weekly compensation at 80% of the veteran's pre-incapacity earnings and the VS Act enables Veterans' Affairs to top up the payment to a higher level of entitlement.</li> <li>Where this top-up increases the veteran's total income over 100% of their pre-incapacity earnings as calculated by ACC, payments are considered as "earnings" under the AC Act 2001, and ACC is required to abate these earnings. Veterans' Affairs is therefore required to top-up payments again. In the end, ACC can end up paying no weekly compensation, with Veterans' Affairs paying the total.</li> </ul>	Exclude VS Act top-up payments from abatement against ACC weekly compensation payments, as the current settings result in cost shifting from ACC to Veterans' Affairs.

<p>Non-compliers' fund</p>	<ul style="list-style-type: none"> <li>• The Non-compliers fund was established to fund customers' statutory entitlements when employers did not meet their obligations to insure. In 2002, the Accident Insurance Regulator's role in relation to the NCF was transferred to ACC. At that time, five claims were transferred to ACC. Three of these claims were closed by 2003.</li> <li>• These claims are funded by, and included in, the Work Account; however, ACC has an ongoing requirement to prepare financial statements for the NCF. This requires ACC finance, actuarial, and auditor resource which creates an approximate cost of \$10,000 per annum. This cost is disproportionate to the remaining liability in the account.</li> </ul>	<p>Disestablish the fund</p>
<p>Board committees written resolutions</p>	<ul style="list-style-type: none"> <li>• The Crown Entities Act 2004 provides a Board with the ability to make written resolutions in lieu of meeting. While the Crown Entities Act 2004 also enables a Board to delegate its powers to an appointed committee, this ability does not explicitly include reference to delegating these Committees of the Board with the ability to make written resolutions. There is merit in seeking a clarificatory change in the Act to explicitly enable the Committees to do this.</li> </ul>	<p>Clarify that Committees of the ACC Board should be enabled to issue written resolutions.</p>

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<b>Title</b>	Health, Safety and Wellbeing Report – Aug 2018
<b>Status</b>	Decision <input type="checkbox"/> Information <input checked="" type="checkbox"/>
<b>Meeting Date</b>	27 September 2018
<b>Agenda Item</b>	6.2

## 1 Purpose

- 1.1 This paper informs the ACC Board about:
- actions underway to mature our safety system and align with ACC’s Health and Safety Strategy
  - ACC’s performance against its health and safety performance metrics.

## 2 Recommendations

- 2.1 It is recommended that the ACC Board:
- (a) **Note** actions underway to mature our safety system, demonstrate safety leadership and strengthen our safety culture.
  - (b) **Note** there were no notifiable events in August 2018.
  - (c) **Note** the health and safety performance indicators.

## 3 Actions underway to reach our health and safety goal

### Leadership

- 3.1 The health, safety and wellbeing work programme for 2018/2019 has been developed and is attached as Appendix 1.
- 3.2 The People Managers Health and Safety toolkit has been updated. This provides guidance to people leaders on their health and safety responsibilities and is the first part of the programme of work planned for this year to deliver a package of leader and location tools to enable our people to confidently delivery their HS&W responsibilities.

- 3.3 ACC continues to contribute to the Government Health and Safety Lead (GHSL) particularly through the Agency Lead Advisory Group. The GHSL have recently released a Good Practice Guide for Public Service Chief Executives and Officers. The programme of work for the GHSL continues through to June 2019.

### **Engagement**

- 3.4 The Health and Safety Representatives toolkit has been updated. This provides guidance to health and safety representatives on their role within ACC and is the first part of the programme of work planned for this year to redevelop the health and safety engagement and participation programme to reflect the organisational structure and ways of working.
- 3.5 ACC representatives attended an industry conference focused on employee engagement in health and safety, using the workshop sessions within the conference to identify development opportunities and strengths within our existing programme.

### **Risk Management**

- 3.6 The HS&W team are working with the Fleet manager to review the current package of controls relating to driver risk, including the incorporation of GPS monitoring systems and associated driver training packages.
- 3.7 The Building Policy and associated guidelines (Physical Security, Access Security, and CCTV) are being updated to keep these current and as part of the preparation to go to market for our security system provider.
- 3.8 An update on the progress related to the seismic status of the Justice Centre as well as the other locations in the ACC branches/network is attached as Appendix 2.

### **Wellbeing**

- 3.9 Planning is underway for Mental Health Awareness Week (8<sup>th</sup> – 15<sup>th</sup> October), building on the ideas suggested by the ACC representatives at the Government Mental Health Conference held in August.
- 3.10 The Wellbeing360 survey is currently available for ACC people to complete and will remain open until the end of September. There has been a very good uptake of the survey which is being promoted in conjunction with the Tika Wellbeing conversation.
- 3.11 The Request for Proposal for ACC's professional supervision services has been released with the expectation that the provider for the new contract will be confirmed in December. The implementation of the new contract will enable the re-positioning of professional supervision as a key control for the risk of harm arising from the impact of work on our people.

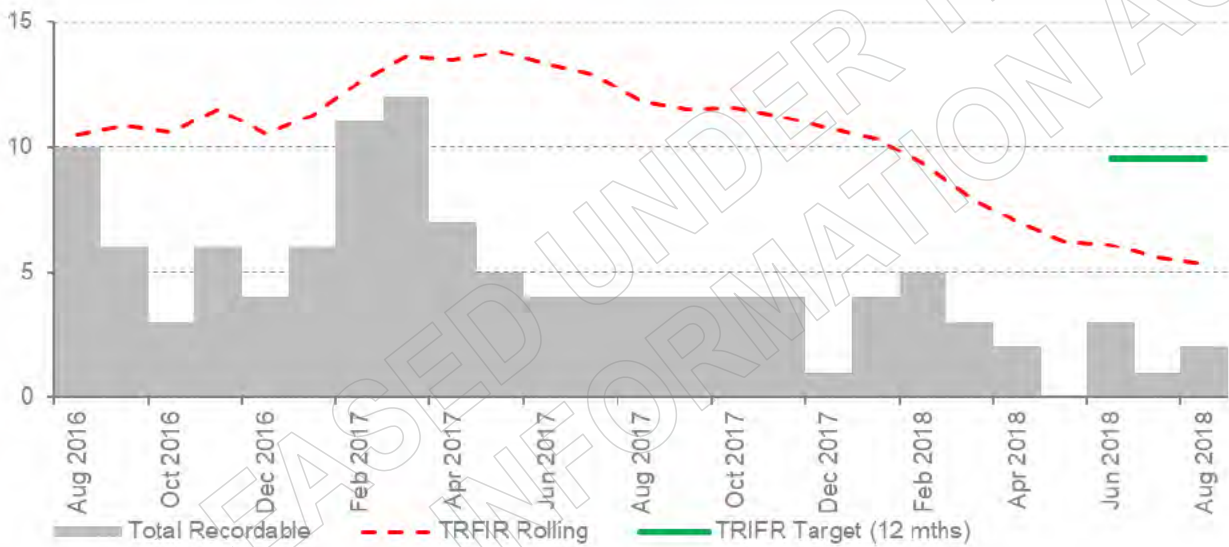


## Health and safety performance indicators

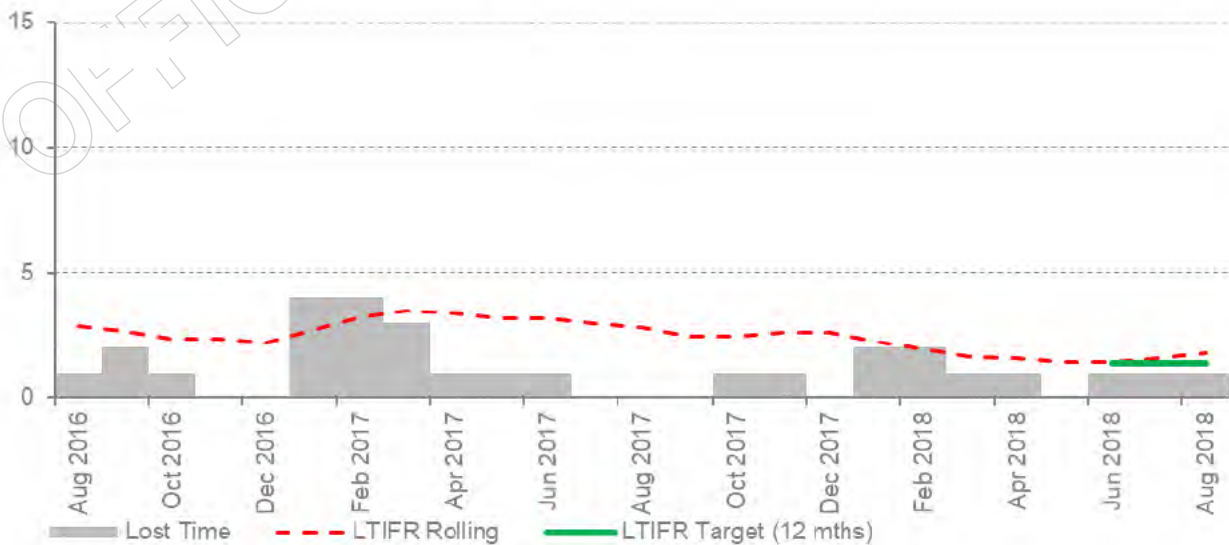
3.12 The following charts show performance against our two organisational indicators. These are total recordable injury frequency rate and lost time incident frequency rate.

3.13 There were two recordable injuries during August, <sup>9(2)(a)</sup> [REDACTED]

**Total recordable injury frequency rate (TRIFR)**  
per million hours worked – rolling 12-month average



**Lost time incident frequency rate (LTIFR)**  
Per million hours worked – rolling 12-month average



- 3.14 The lost time incident severity rate is steady due to the ongoing nature of rehabilitation programmes for two employees, however these are progressing as expected.
- 3.15 The overall incident reporting rate is increasing and close call reports also have an increasing trend. Both of these trends are seen as a positive indication of our people being alert to safety risks and being engaged in our reporting practices.
- 3.16 We are continuing to monitor employee turnover as outlined in the detailed report last month. Unplanned leave has increased during the month consistent with a seasonal trend we experience most years over winter.
- 3.17 We had slightly more work related stress reports during the month than previous months, with 10 reports received during August from across ACC.
- 3.18 Personal and organisational threats remain at a low level with three in total reported for August, although there was an increase in the number of abusive phone calls (10) reported. These continue to be well managed in line with ACC procedures.

It is recommended that the ACC Board:

- (a) **Note** actions underway to mature our safety system, demonstrate safety leadership and strengthen our safety culture.
- (b) **Note** there were no notifiable events in August 2018.
- (c) **Note** the health and safety performance indicators.

9(2)(a)

Head of Health, Safety and Wellbeing

Sharon Champness  
Chief Talent Officer

## Appendix 1 – Health, Safety and Wellbeing work programme

The proposed health, safety and wellbeing work programme for 2018/2019 is set out below.

Objective	Actions	Measure
1. Integrate the SafePlus framework into the ACC health and safety management system to improve leadership, engagement and risk management in workplace health, safety and wellbeing	<ul style="list-style-type: none"> <li>Refresh the ACC health, safety and wellbeing strategy in line with the SafePlus framework</li> <li>Identify and plan the implementation of governance processes in line with the SafePlus framework</li> <li>Undertake a SafePlus audit.</li> </ul>	<i>Organisational health and safety risk result maintained or improved</i>
2. Deliver a package of leader and location tools to enable our people to confidently delivery their HS&W responsibilities	<ul style="list-style-type: none"> <li>Review current package of leader and location health and safety tools and resources</li> <li>Develop and implement new packages through engagement, training and site visits.</li> </ul>	<i>Improvement in scores from self-reviews and HS&amp;W team site visits.</i>
3. Redevelop the health and safety engagement and participation programme to reflect the organisational structure and ways of working	<ul style="list-style-type: none"> <li>Review current arrangements and resources for participation in health and safety</li> <li>Develop desired model with the Organisational Health and Safety Committee and other stakeholders and plan implementation and delivery of supporting resources.</li> </ul>	<p><i>Increased opportunity for our people and health and safety representatives to engage in health, safety and wellbeing</i></p> <p><i>Injury frequency rates maintained or improved</i></p>
4. Mature our health and safety risk management system and gain clarity on control effectiveness for critical risks	<ul style="list-style-type: none"> <li>Review current controls in place for driver risk, implement new/changed risk controls, including the roll out of the GPS monitoring in all ACC owned vehicles</li> <li>Review current controls in place for security risks, support the business to implement and adapt controls for changed working arrangements; select and on-board security system provider and security guard provider</li> <li>Review current controls in place for Home and Community Support Services (HCSS) risk arising from client behaviour, implement new/changed risk controls</li> <li>Respond to the findings from the</li> </ul>	<p><i>Health and safety risk result maintained or improved for critical risks</i></p> <p><i>Injury frequency rates maintained or improved</i></p>

	<p>Assurance audit of third party H&amp;S risk</p> <ul style="list-style-type: none"> <li>Develop our emergency preparedness capability including contribution to crisis response planning and delivery of organisational Shakeout event.</li> </ul>	
<p>5. Deliver the wellbeing strategy to maintain engagement and support our people through change</p>	<ul style="list-style-type: none"> <li>Develop and support the delivery of the wellbeing programme for 2018/2019 to anticipate and respond to the demands of organisational change</li> <li>Select and on-board Professional Supervision provider</li> <li>Work across government and industry to understand current best practice and identify opportunities to leverage industry initiatives</li> <li>Engage Executive and Enterprise leaders, employee reps and other internal stakeholders to develop the wellbeing strategy for 2019 onwards.</li> </ul>	<p><i>Overall eNPS achieved and result from wellbeing related questions improved</i></p>
<p>6. Enhance employee and leader experience of Talent team service</p>	<ul style="list-style-type: none"> <li>Single sign-on for ACctivate wellbeing portal</li> <li>Enhance employee experience of injury management</li> <li>Sauce content review and development of user centric content.</li> </ul>	<p><i>Increased engagement with ACctivate</i></p> <p><i>Greater satisfaction reported from ACC people who have experienced injuries</i></p>



## Appendix 2 – Property Update – Seismic assessments

The table below provides an update on the progress related to the seismic status of the Justice Centre as well as the other locations in the ACC branches/ network. This work continues to be our top priority.

### Justice Centre

Parties involved	Update on actions completed/underway
BECA Engineers	<ul style="list-style-type: none"> <li>BECA have been engaged by us to provide independent advice. They have confirmed their agreement with the 65% of NBS (New Building Standard) rating for the Justice Centre.</li> <li>The have provided confirmation that the current Justice Centre and Podium buildings are well constructed with a sound seismic performance. They did not have any immediate concerns.</li> <li>BECA suggest that we undertake DSA's (Detailed Seismic Assessment) on the Kate Shepperd and Mulgrave towers, however they suggest we wait until MBIE have completed the new guidelines to engineers regarding assessing precast concrete structures. This is targeted for December. We are discussing this with the Landlord and Building owner as they have not yet committed to this work.</li> </ul>
Justice Centre Landlord	<ul style="list-style-type: none"> <li>The construction programme to address the identified issues was targeting completion by end of September. This may be slightly delayed due to some further planning required for impact on services (e.g. plumbing, electrics, etc.).</li> <li>We are requesting an update on the planned works by 26 September and continue to work closely with Ministry of Justice to progress the work as quickly as possible.</li> </ul>

### ACC Branches / Network

Parties involved	Update on actions completed/underway
Aurecon	<ul style="list-style-type: none"> <li>All desktop seismic rating reviews have been completed. The report covering 31 locations will be issued shortly by Aurecon.</li> <li>Aurecon have reviewed the five IEP's (Initial Evaluation Procedure) for the five sites that had less than 67% of NBS and provided the following information: <ul style="list-style-type: none"> <li>Two sites have had their NBS ratings slightly increased (Invercargill from 50% to 55% and 9 Moray Place, Dunedin from 60% to 65%)</li> <li>Aurecon have provided a summary of the factors of significance in arriving at the NBS rating. Where action is recommended, we will be acting on this as quickly as possible in coordination with the respective landlords.</li> <li>Aurecon recommend obtaining DSA's for these five sites to provide a more accurate NBS rating. We are contacting landlords to discuss the seismic assessments and request DSA's for each of these sites. This is expected to take up to 3 months with the work prioritised.</li> </ul> </li> </ul>

# Matters Arising Report

20 September 2018



Minute Reference	Matters Arising	Responsible Person	Status	Proposed / Actual Date of Completion
BRD.18.08.3.1	Management to add a forecast column to the Key Performance Measures page from half-year	Chief Financial Officer	Pending	28 February 2019
BRD.18.08.3.2	Management to provide information on how Next Gen and the Health Sector Strategy link together	Chief Operating Officer	Pending	21 March 2019
BRD.18.08.4.1	Management to report back to the Board on any additional measures ACC could take to protect sensitive claims data.	Chief Technology & Transformation Officer	Pending	
BRD.18.08.4.2	Management to provide a paper explaining the \$4.5 million annual administration costs for the workplace safety incentives, and how to reduce those costs.	Chief Customer Officer	Pending	
BRD.18.07.3.1	Management to use amber ratings in 4Q report to show where targets were nearly met, consistent with monthly and other quarterly reports	Chief Financial Officer	Pending	30 August 2018
BRD.18.07.5.4	Management to check whether ACC is compliant with Holidays Act	Chief Risk & Actuarial Officer	Pending	25 October 2018
BRD.18.07.5.1	KPMG privacy maturity report to be updated to include context around what it meant to be able to maintain the rating given the level of change at ACC.	Chief Governance Officer	Pending	
BRD.18.06.3.1	In the deep dives, Management to: * Segment the drivers into external environmental factors, external supply chain factors, internal factors, and, where possible, case mix. *Include the '75% external market factors' so the Board can consider causal issues.	Chief Financial Officer	Pending	30 November 2018
BRD.18.05.3.1	Management to circulate a note to the Board on how the proposals for achieving reduced neonatal encephalopathy would be implemented.	Chief Operating Officer	Pending	
BRD.18.04.3.1	Management to provide information about 'telling the ACC story' for the July Quarterly Business Report to the Board. Include an example of another Crown entity, such as IRD, that lifted its public trust and confidence rating.	Chief Customer Officer	Pending	26/07/2018 Moved to October 2018
BRD.18.04.3.2	Management to seek a benchmark from Australian practice for health and safety risk management.	Chief Talent Officer	Pending	20 December 2018
BRD.18.03.4.1	Management to keep the Board informed about a forthcoming Ministerial group which includes the Minister for ACC, in relation to the growing serious injury rate.	Chief Governance Officer	Pending	27 September 2018
BRD.1712.3.1	Management to report back to the Board on ACC's current monitoring and reviewing of consumer products as they relate to injury prevention, and provide advice on the opportunity for further targeting in this area.	Chief Governance Officer	Pending	27 September 2018

Minute Reference	Matters Arising	Responsible Person	Status	Proposed / Actual Date of Completion
BRD.1712.3.1	Management to provide the Board with information on how the Category 1 and 2 privacy breach limits for the financial year were decided	Chief Governance Officer / Head of Privacy	Pending	27/04/2018 Moved to 29/06/2018
<p><b>Agenda Reference Key: Board or Committee. YMMM. Agenda Item</b> – this reference relates to the Board or Committee meeting in which the action arose. For example: BRD.1708.2.1 means the action arose in the Board meeting held in August 2018 during item 2.1.</p>				

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<b>Title</b>	Register of Decisions Made out-of-cycle
<b>Status</b>	Decision <input checked="" type="checkbox"/> Information <input type="checkbox"/>
<b>Meeting Date</b>	27 September 2018
<b>Agenda Item</b>	8.3

## 1 Recommendations

1.1 It is recommended that the ACC Board:

- (a) **Confirm** the one decision that was made out of cycle for the period 24 August 2018 to 21 September 2018.

Written by:

9(2)(a)

Manager, Corporate Secretariat



**Board Decision and Noting Register 2017/18**

At meeting / Out of Cycle	Date (of document)	Topic /Paper Title	Decision made	File accessible in Boardbooks at:
Out of Cycle	1809.05	Claims Front End Establishment Go Live	<p><b>Note</b> that ACC is establishing a new lodgement system which automates the straightforward parts of our current process for registering and approving cover on claims using a combination of business rules and predictive modelling.</p> <p><b>Note</b> that the status of the CFEE project is ready for go-live including the full release of new Claims Lodgement capability and soft launch of the Enterprise Business Rules solution and governance framework.</p> <p><b>Note</b> that planned activities will continue through early life support to mid-October 2018.</p> <p><b>Note</b> the findings of the internal assurance review and the IQA review (TA15)</p>	Sent via email to the Board.

			<p>completed for Claims Lodgement indicate that there are no critical or showstopper issues impacting go-live.</p> <p><b>Note</b> that the final IQA report will be presented to the ACC Board Risk Assurance and Audit Committee's October 2018 meeting.</p> <p><b>Note</b> that there are no residual high risks relating to the project nor expected to be introduced into Business as Usual as a result of the implementation.</p> <p><b>Approve</b> the progression to CFEE go-live, subject to completion of the following:</p> <ul style="list-style-type: none"><li>Final regression tests and approval of the test exit reports;</li><li>Successful conclusion of the dress rehearsal;</li><li>Confirmation of the auto-approval tolerances at go-live and consequential benefit impacts (if any);</li><li>A final Go decision confirmed by the delegated Management</li></ul>	
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			<p>representatives, Gabrielle O'Connor, Mr Peter Fletcher and Mr 9(2)(a) (Acting Chief Operating Officer). <b>Note</b> that Management will confirm to the Board when the conditions in paragraph g) i. to iv. have been met.</p>	
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**Board 2018 Annual Work Programme**

	25 Jan	22 Feb	29 Mar	27 Apr	31 May	29 Jun	26 Jul	30 Aug	27 Sep	25 Oct	30 Nov	20 Dec
<b>Accountability and Public Reporting</b>												
ACC Insurance Policies				✓	✓							
Annual Report				✓				✓	✓			
Budget and Economic Fiscal Update	✓						✓					
External Actuarial Valuation		✓					✓					
Financial Condition Report & Updates		✓			✓			✓			✓	
Levy Consultation & Recommendations			✓	✓		✓					✓	
Minister's Letter of Expectations		✓										
Non-Earners' Appropriation Report											✓	
Quarterly Performance Report	✓			✓			✓				✓	
Service Agreement			✓	✓								
Statement of Intent (SOI)		✓	✓						✓	✓		
Select Committee hearing		✓				✓						
<b>Strategy and Planning</b>												
Health and Safety Strategy			✓									
Injury Prevention Strategy		✓										
Next Generation Case Management		✓	✓									
Risk Appetite Statements				✓								
Privacy Maturity Plan			✓									
ACC's Health Services Strategy					✓							✓
Whāia Te Tika - Maori Strategy			✓						✓			
Legal Strategy												✓
<b>Performance: Delivery and Monitoring</b>												
Chief Executive Report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Health and Safety Report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legal Report and Policy Update		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operational and Financial Performance Report		✓	✓		✓	✓		✓	✓		✓	✓
Risk and Compliance Report		✓		✓			✓			✓		
<b>Governance</b>												
Chief Executive Performance and Succession					✓		✓	✓				
Delegations and Indemnities									✓			
Governance Manual and/or Policy Annexures				✓							✓	
Power of Attorney									✓			
Shamrock Superannuation Ltd:												
(a) AGM Waiver						✓						
(b) Scheme Performance Update											✓	
<b>Committees' Terms of Reference</b>												
(a) Risk Assurance and Audit Committee										✓		
(b) Investment Committee										✓		
(c) Governance and Remuneration Committee			✓									
(d) Shaping Our Future Committee			✓									
<b>Approvals</b>												
<b>Policies</b>												
Code of Conduct		✓										
Identity (Branding)		✓										
Health and Safety			✓									
Information Management Policy								✓				
<b>Contracts</b>												
Home and Community Support Services (HCSS) - contract redesign		✓										
Elective Surgery – Variation Approval			✓									
Non-Acute Rehabilitation (NAR)			✓									
Pain Contract Update				✓								
High Tech Imaging - Variation Approval				✓								
Hand Therapy Contract Renewal						✓						
Artificial Limbs						✓						
<b>Funding Requests</b>												
Analytics		✓										
<b>Site Visits</b>												
Hamilton			✓									



## Board Agenda

To be held on Thursday, 27 September 2018 at the ACC Boardroom, Level 7, Justice Centre, 19 Aitken Street, Wellington at 9.00 am.

Item	Action	Presenter	Min	Time
<b>1 Procedural Business</b>		Dame Paula Rebstock	5	9.00 – 9.05
1.1. Apologies*	To Note			
1.2. Register of Conflicts of Interest	To Consider			
<b>2 Board Only Session –</b>			60	9.05 – 10.05
2.1. Chief Executive's Report	To Note	Mr Scott Pickering	60	10.05 – 11.05
2.2. Strategic risk discussion – Our People	To Note	Mr Herwig Raubal Ms Sharon Champness	15	11.05 – 11.20
<b>3 Health and Safety Walk Around</b>			60	11.20 – 12.20
<b>Lunch</b>			30	12.20 – 12.50
<b>4 Operational Reporting</b>				
4.1. (a) ICIP Reporting (b) Claims Costs (c) Operational and Financial Performance Report	To Note	Mr Herwig Raubal Ms Emma Powell Ms Deborah Roche Mr Mike Tully Ms Sharon Champness Mr Peter Fletcher Ms Gabrielle O'Connor Mr John Healy	45	12.50 – 1.35



<b>5</b>	<b>Board Papers</b>				
5.1.	Risk Appetite Statements	To Approve	Mr Herwig Raubal	20	1.35 – 1.55
5.2.	Annual Report	To Approve	Mr John Healy	10	1.55 – 2.05
5.3.	Powers of Attorney	To Approve	Ms Deborah Roche 9(2)(a)	5	2.05 – 2.10
5.4.	Shamrock Superannuation Appointment of Directors	To Approve	Mr Scott Pickering	10	2.10 – 2.20
<b>6</b>	<b>Performance Reports</b>				
6.1.	Legal Report and Policy Update	To Note	Ms Deborah Roche Ms Emma Powell 9(2)(a)	15	2.20 – 2.35
6.2.	Health, Safety and Wellbeing Report	To Note	Ms Sharon Champness 9(2)(a)	10	2.35 – 2.45
<b>7</b>	<b>Committee Updates</b>			5	2.45 – 2.50
7.1.	Investment Committee (a) Investment Delegations	To Approve	Mr Trevor Janes		
<b>8</b>	<b>Board Administration</b>		Dame Paula	5	2.50 – 2.55
8.1.	Minutes of Meeting Held on 31 May 2018	To Approve			
8.2.	Schedule of Matters Arising	To Consider			
8.3.	Confirmation of Decisions Made Out of Cycle	To Confirm			
8.4.	Annual Work Programme	To Consider			

<b>9</b>	<b>General Business</b>			5	2.55 – 3.00
9.1.	Site Visits*				
<b>Date of Next Meeting</b> – To be held at the ACC Boardroom, Level 11, PwC Tower, 188 Quay Street, Auckland on Thursday, 25 October 2018 at 9.00 am.					
<b>Close</b>					<b>3.00</b>

\*Oral items

\*\* Attending via videoconference or teleconference

**Minutes of a meeting of the Board of the Accident Compensation Corporation held at the ACC Board Room, Level 7, Justice Centre, 19 Aitken Street, Wellington on Thursday, 30 August 2018 at 9.00 am.**

**Present**

Dame Paula Rebstock	Chair	
Mr Trevor Janes	Deputy Chair	
Ms Anita Mazzoleni	Member	
Mr James Miller	Member	
Ms Kristy McDonald QC	Member	
Prof Des Gorman	Member	Via video(until 3.00 pm)
Mr David May	Member	
Ms Leona Murphy	Member	Via video

**In attendance**

Mr Scott Pickering	Chief Executive
Mr Mike Tully	Chief Operating Officer
Mr Peter Fletcher	Chief Technology & Transformation Officer
Ms Deborah Roche	Chief Governance Officer
Mr Herwig Raubal	Chief Actuarial and Risk Officer
Ms Sharon Champness	Chief Talent Officer
Mr John Healy	Acting Chief Financial Officer
Ms Emma Powell	Acting Chief Customer Officer
Ms Gabrielle O'Connor	Head of Client Service Delivery
9(2)(a)	Head of Provider Service Delivery
9(2)(a)	Head of Health and Safety Systems
9(2)(a)	Head of Privacy
9(2)(a)	Head of Workplace Safety & Levies
9(2)(a)	General Counsel and Company Secretary
9(2)(a)	Manager, Corporate Secretariat
9(2)(a)	Senior Associate Company Secretary



# 1 Procedural Business

## 1.1 Apologies

There were no apologies.

## 1.2 Register of Members' Conflicts of Interest Arising

**CONFIRMED:** The Board reviewed the Register of Members' Conflicts of Interest Arising and confirmed that it was not aware of any other matters (including matters reported to, and decisions made by, the Board at this Meeting) which would require disclosure.

# 2 Board only session

## 2.1 Chief Executive's Report

Mr Pickering discussed the following topics with the Board:

- Executive appointments.
- Executive team 2018/19 performance objectives and changes to their structure.
- An industrial relations update.
- The ICIP CE overview, including an update on Analytics, Next Generation Case Management, and the contractual reset with PwC.
- Operational performance with respect to rehabilitation.

**RESOLVED:** The ACC Board resolved to:

**Note** the Chief Executive's report.

## 2.2 Strategic Risk Discussion – Financial Sustainability

Mr Raubal explained that the risk discussion was a continuation of the Board's discussion the previous month. Mr Healy introduced the discussion and the three risk areas to be discussed: delivery of the Integrated Change Investment Portfolio (ICIP), management of operational performance, and management of investment assets, all of which had treatments in place to address the risks being managed.

### *Delivery of ICIP*

Mr Healy explained the key issues, which included that ICIP's governance oversight was evolving, providing transparency and insights into progress. There was regular Board oversight, with regular updates on costs and benefits, and the Board was in control of the release of contingency. ICIP monthly reporting now identified that Management was working toward delivery without use of contingency. Management was aiming to provide a more transparent picture of cost and benefit measurements, and the costs and benefits would be reported on monthly.

Mr Fletcher explained that Management was looking to the future beyond delivery of ICIP, to try to plan for long-term spend on platforms, for financial sustainability and risk management, to ensure ACC would not have to do a full-scale systems change again in the future. ACC needed to be a transforming business and had an opportunity to move to a more iterative model, working with the customer team to feed into the changes.

The Board queried whether the risk would be down to Amber by December, which seemed ambitious. Mr Fletcher explained that there was no reason at this point to suspect the risk would not reduce to Amber by December.

The Board noted that the volume of papers the Board had received could limit the Board's ability to have insight and to engage effectively in some conversations.

### *Management of operational performance*

Mr Healy explained that a treatment that would be discussed later during the meeting related to analysing cost pressures on claims costs with a link to the outstanding claims liability (OCL). Management was trying to be structured about what it could influence and what it had less ability to influence—for example, ACC had less influence over capex for housing modifications, where the client moves and modifications need to be done again in expensive areas like Auckland, but case management of clients or reducing care hours where capital modifications have been done could be worked on more. More transparency needed to be provided over the areas ACC could control. Analytics could help speed that up. The question Mr Healy was asking his team was: why did costs increase by 8% when inflation was only 2%? The answer was likely to be a combination of internal and external factors.

The Board asked Management to take a harder look at external trends when forecasting, for example, the change in case mix with an aging population needed to be included.

The Board commended Mr Healy for the work he was doing.

### *Management of Investment Assets*

The Board requested that key person risk and control environment be added to the risks in this area.

The Board discussed whether the information in the paper was focused on the right area, as it did not cover Scheme net asset to liability risk and what would happen in various economic shock situations. In some situations, the OCL could blow out considerably, and there would be huge impacts on levies and on the Scheme's sustainability. Management should present the risks ACC was facing now, even though it did not have control over some of them. ACC was more exposed to extreme results now than it had been in a long time and this risk should be updated to reflect that.

The Board considered that there was a significant residual risk and ACC should have a plan for engaging early with stakeholders if this risk eventuated.

**ACTIONS:** Management to –

- Add key person risk and control environment to the Financial Sustainability risk.
- Address the Scheme's liability risk, given the impact on returns of potential international and national economic developments.

**RESOLVED:** The ACC Board resolved to:

- (a) **Review and consider** this strategic intention "improve the financial sustainability of the Scheme" using the Five Lines of Assurance approach.
- (b) **Note** that the overall (residual) risk profile for this strategic intention is 'High' with treatment plans and assurance activities in place to reduce this to 'Medium'.

## **3 Operational Reporting**

### **3.1 Operational and Financial Performance Report**

- (a) ICIP Reporting

Mr Fletcher introduced the report:

- It had been a good month for ICIP deliveries with nothing to indicate that either of the overall or yearly spend was at risk. The previous month had been slightly over for the yearly spend.

Management had rearranged priorities, and had been able to come back within yearly spend targets.

- There was work underway on each of the portfolio streams, particularly around dependency management. That work had active engagement from each programme team.
- Items had been identified that sat outside of the key programmes but that would benefit the programmes. Ideally, they should be funded and managed separately, rather than via particular programmes. These items would make it easier to achieve each major programme.
- Regarding the portfolio roadmap, the key issues were the closing out of Juno and the delivery of Claims Front End Establishment (CFEE) which was on track to be delivered on 17 September 2018. The team was currently managing the pre-go-live activities in preparation for Dress Rehearsal.

The Board asked Management to provide assurance to the Board that all requirements were met before go-live, and to provide the Board with a check-in the week before go-live. Mr Raubal noted that Targeted Assessment 15 (TA-15) was expected to be completed around then and that, even if it was incomplete, it could be made available to the Board before a go-live decision needed to be made.

Mr Fletcher reported that all key dependency items in the portfolio dependency report that were due to complete this month had been completed, and projects were on track.

The Board's discussion focused on:

- Defects with Eos 8.8 and the requirement to get Eos 8.8 running before Next Generation Case Management (Next Gen) could be launched, and therefore whether there was anything in Eos 8.8 that could cause a delay. Mr Fletcher acknowledged the dependency and reported that all the Severity 1 and 2 defects found to date had been resolved. Mr Raubal reported that the assurance finding concurred with that.
- Progress on Analytics. Mr Fletcher reported that it had been a tough month for progress. While ACC had a commitment from SAS to deliver on time, internal personnel movement had slowed the team down. ACC was in the toughest part of the project now. There were mitigation measures in place, including that the critical outputs had been identified (of the 210 identified, 170 were critical for March 2019) and the team had the ability to ramp up delivery teams to produce those outputs. The potential impact could be a delay to Eos 8.8 implementation—and

there was a reasonable risk of that happening—and potentially Client Payments or Next Gen. Mr Fletcher would have a clearer view on that by mid-September. Once that was determined, Management could turn its mind toward other mitigations or alternative delivery plans. In terms of other key milestones with Analytics where ACC might fall into the trap of ‘not knowing what it didn’t know’, Mr Fletcher considered that one of the biggest challenges was replacing the legacy warehouse environment which had at least 15 years of developments on reporting and, in some cases, ACC had little understanding about how that information worked or was collected. It was likely that some issues would arise.

- The run rate for spend, which was about \$11 million to \$12 million per month.

The Board indicated its appreciation for the transparency of reporting for the Board.

**ACTION:** Management to provide the Board with TA-15 and check-in with the Board on the Proceed framework before CFEE go-live.

**RESOLVED:** The ACC Board resolved to:

**Note** the ICIP report.

(b) Claims Costs

Mr Healy explained the movement of costs between FY2017 and FY2018 set out in Appendix 1 of the Report. Key issues identified were:

- A 4.5% increase for Public Health Acute Services (PHAS) spending. The Ministry of Health (MoH) had indicated to ACC that the figure could have been larger if MoH had undertaken a detailed analysis. The Board queried how the PHAS increase compared with MoH's own budget—if it received a 1% increase from the government, for example, why would it receive a 4.5% increase from ACC through PHAS funding. Mr Healy reported that he had discussed this issue with the Treasury and had asked about reviewing the transparency of costs.
- Counselling service volumes, and therefore costs, had increased, largely because of sensitive claims. However, the average cost had come down, since the claims were usually short term.
- Road ambulance costs would be increasing as they moved away from single-crewing. Air ambulance costs would also increase as the fleet was renewed and the emergency response requirements were revised.

- For rehabilitation, there were areas where ACC could influence the cost and areas where it could not. For instance, while around half of personal support payments were linked to pay equity, there had also been a 6% increase in hours per claim. Management was investigating why this was happening; whether it was increased complexity or something else that ACC could manage. The link between capital expenditure and vocational rehab would also be looked at. The question was whether capital expenditure should result in fewer care hours.
- Another area that had seen increased costs was concussion services. This was expected, as ACC had improved the service and increased the volume of early interventions. The main focus was on sports, and the Board queried whether the service should be promoted in other areas, such as violence and with cyclists.

In response to a Board query regarding whether ACC modified rental houses, Mr Healy answered affirmatively and noted that ACC modified rental properties every time a client had to move; this could be a policy or legislative area to discuss in the future. The Board discussed whether ACC should be playing a bigger role in submitting on legislative proposals in relation to housing and rental property, as ACC could be quite influential.

In response to Mr Healy's comment on the current volatility of claims volumes, the Board discussed the conversion rate to weekly compensation (WC) claims. Mr Raubal explained that the compelling analysis related to the drivers of WC, as the conversion rate was not useful information.

The Board indicated that it found the report very useful, and was looking forward to gaining new insights as Mr Healy undertook the deep dives.

**RESOLVED:** The ACC Board resolved to:

**Note** the Claims Costs Report.

(c) Operational and Financial Performance Report

Mr Healy explained the new layout of the Summary page of the Key Performance Measures, which simplified the overview of performance against targets. The status indicator showed whether ACC was on track. Reds would appear only if Management considered there was little chance of recovering to the target position. Hence the indicators tended to be ambers. In future reports, Mr Healy would add the 2017/18 actual numbers for comparison.

The Board queried the Next Gen Launch Pad metrics against targets. Ms O'Connor explained that, when comparing Launch Pad to ACC's business-as-usual metrics, the latter, which were duration-driven, were performing better. She explained that Management did not believe that duration measures were a good reflection of ACC's performance or of the wellness of injured people. The Board queried whether Next Gen had the right performance measures. It would be difficult to move from duration measures without being very sure. It was expected that Next Gen's longer-duration rehab rates would improve. There was discussion regarding whether, at rollout time for Next Gen, there would be useful information on the long-term rate. Ms O'Connor responded that there would not. The Board noted that this was a risk for ACC. Ms O'Connor explained that Launch Pad was integrating longer-term claims into the new environment to better understand how the measures worked with all cohorts. The Board reassured Ms O'Connor that it was not backing down from its commitment to Next Gen.

Mr Tully, responding to a business satisfaction question that had been raised by the Board at the July 2018 Board meeting, explained that external factors, such as general business confidence in the government, could explain part of the decline. Management was doing what it could to raise business confidence, but it would take time to get it back and separate ACC from views held about the government. Ms Powell would provide to the Board the results of ACC's last quarter survey of business customers. The report had good insights and information about what was driving business sentiment.

Mr Tully reported on the decline in the number of reviews, and the Request for Information for new reviewer providers.

**ACTIONS:** Management to add a forecast column to the Key Performance Measures page, from half-year.

**RESOLVED:** The ACC Board resolved to:

**Note** the Operational and Financial Performance Report.

### **3.2 Next Generation Case Management Stage Gate 3 Results and Rollout Plan**

Ms O'Connor thanked the Board for the challenge it had issued in June 2018 to see if Next Gen could move faster or if the rollout time could be compressed. It had caused the team to push against some of its own assumptions and barriers, with the following results:

- Management had committed to providing the Board with the Stage Gate 3 results. All measures tracked in Launch Pad were ahead of target.
- Stretch targets had been set, over and above the benefits shown in the Business Case, against which Management could be held to account. Ms O'Connor considered there were additional benefits amounting to c.\$26 million.
- Three options for reducing the period of uncertainty for staff and clients had been considered, and the recommendation was to adopt Option C which called for five hubs to be established in two tranches: a small tranche in May 2019, with the remainder in July 2019. December 2019 would mark the end of the full rollout, but the actual deployment should be completed by around September 2019, with people in new roles and trained in the new ways of working.

The Board queried the big risk identified in the paper – rollout exceeding capacity to change. Ms O'Connor explained that it was not just about Next Gen landing, it was also Eos 8.8, Client Payments, and the consultation that needed to happen before everything else in Next Gen. She believed that the right controls were in place and the right connections were in place with employees, but it was still the greatest area of risk. Ms Champness added that doing a smaller tranche in May 2019 had the advantage of allowing Management to test how the business managed the change.

Ms Champness further explained that Management was waiting for the PSA to ratify the agreement that had been negotiated, but she was confident ratification would occur. The process had been positive and well managed from a relationship perspective.

In response to the Board's queries, Ms O'Connor explained that:

- FTE would change at the time of each of the tranches going live: people would start leaving in May 2019, with the full change completed by September 2019. Morale needed to be watched closely and Management would continue to visit every site. The uncertainty remained real, and sharing indicative information had increased anxiety for some while reducing it for others.
- The non-financial benefits were expected to remain constant, as Net Trust Score, and customer and employee engagement, may not be able to move materially over the already high targets.
- There had been no change in cost.
- The Board reporting going forward would include reports in September, October, and December 2018, and likely in March 2019.
- The two main reasons rollout could not start before May 2019 were:



- o People implications. Doing right by ACC's employees meant genuinely consulting with them. Given the amount of change, May 2019 was the best date possible, especially since Management considered it would be unfair to stagger the consultation before and after Christmas. In addition, there needed to be time to consider the feedback from some 2,500 employees from the consultation, and then sufficient time to consider the Expressions of Interest from staff and to make selections.
- o Technical reasons. There were important technology enablers that needed to be in place for Next Gen to succeed: having an Eos system with a single view of the claim was necessary to work in the Assisted way, for instance, and an Analytics platform to do exception-based reporting. The sequencing of the other projects was considered very important for the success of Next Gen and also helped manage Next Gen migration risks with clients.

The Board requested that a future report provide information on the links with the Health Sector Strategy. Ms O'Connor explained that there was good work occurring to understand the integration of the two programmes.

The Board Chair mentioned that when she had been speaking with Branch Managers the previous day they had said they were up for going faster with change.

**ACTION:** Management to provide information for a future Board paper on how Next Gen and the Health Sector Strategy linked together.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the Launch Pad has performed well against Stage Gate 3 performance measures, that no systemic issues exist across the metrics that would prevent Launch Pad from achieving its benefits case and that performance reinforces the decision to proceed with roll out of Next Generation Case Management.
- (b) **Note** the \$26 million of incremental benefits that Management believes are achievable over and above the business case approved in June 2018.
- (c) **Approve** the implementation approach (Option C) that will roll out Assisted and Enabled Recovery to five hubs (Auckland, Hamilton, Wellington, Christchurch and Dunedin) and implement Supported and Partnered Recovery in branches in two tranches starting in May 2019 and completing in December 2019.

## 4 Board Papers

### 4.1 Cloud Data Storage

Mr Fletcher explained that the paper was a follow-up to the Board's approval of the Analytics programme in May 2018, when Management had reported that moving to the Analytics platform would mean putting health data in the cloud. Management recognised the sensitivity of the data and Mr Fletcher assured the Board that moving data to the cloud was not aimed at cost or efficiency gains. It was, instead, the way to best secure the data. The level of controls that would be in place was in line with the sensitivity of the data. ACC's Privacy team had been involved, as had other government agencies.

The Board's consideration focused on the following:

9(2)(g)(i)

- Australia's rules for data moving across its borders. 9(2)(a) explained that Australian privacy law would not apply to ACC data, but the wider Australian privacy practice told a good story about why ACC felt comfortable holding its information there. The key was the public perception of the issue, and 9(2)(a) agreed that more education was needed. The data would be encrypted and ACC would hold the encryption keys. Management had considered the possibility of anonymising data before putting it in the cloud, but that would not be practical, as the platform could not operate on anonymised data.

9(2)(g)(i)

- Whether Mr Fletcher could assure the Board that ACC held no data that it should not (e.g., private information that was no longer necessary to hold). Mr Fletcher agreed he could not.

- ACC's ability to close off data in the cloud if a hacker accessed ACC's data. Mr Fletcher noted that ACC needed to, and would, practice those scenarios regularly.
- Whether the New Zealand government had ever considered putting together an RFP for having a cloud platform based in New Zealand. Mr Fletcher explained that the government had asked Microsoft to explore the possibility, twice over the past five years, and that Microsoft's feasibility study found that the proposal would not be financially feasible.
- Comparisons with Australia. Mr Fletcher reported that a comparison of cloud controls between an Australian counterpart and ACC had occurred between both organisations' Chief Information Security Officers; it had confirmed that ACC's controls were at the same level as the Australian party's.
- New Zealand comparators. MSD was not at ACC's level of information maturity and Inland Revenue, the closest to ACC in terms of maturity, was moving to a cloud-based environment.

**ACTION:** Management to report back to the Board on any additional measures ACC could take to protect sensitive claims data.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that ACC recognises the sensitivity of some elements of our data and we are committed to ensuring it is held and managed in the most secure way possible
- (b) **Note** that ACC has a cloud first strategy which aligns with Government expectations to accelerate use of the public cloud to realise the benefits of security, cost and accessibility
- (c) **Note** that the use of public cloud services is critical to the continued success of our Transformation Programme objectives and future operating model
- (d) **Note** that the overall risk profile of ACC's cloud strategy is lower than our current on premise data storage and provides enhanced security and improved resilience
- (e) **Note** that ACC is already using public cloud services hosted in Australia to support our Business Customer Service Delivery model, MyACC and key Digital Enablement capabilities
- (f) **Note** that the next step in ACC's cloud strategy is the Analytics 2.0 programme which will see all client and staff data replicated into cloud services hosted in Australia

- (g) **Note** that ACC's use of cloud services complies with the Privacy Act, the Health Information Security Framework and GCDO standards for government cloud services.
- (h) **Note** that Microsoft and Amazon contracts both contain clauses that require them to notify ACC of any data breach or near breach and provide unlimited liability in relation to privacy or confidentiality breaches. Also, should there be a failure of the platform (such as denial of service or insolvency), the contract can be terminated and we can request support in finding a new provider.
- (i) **Note** that ACC will be holding a data breach table top exercise later this year that will encompass cloud storage.

9(2)(g)(i)

## 4.2 Workplace Incentives

Ms Powell introduced the paper. She reminded the Board that two approvals were being sought: one for the targeted financial incentives, and the other to make decisions on the Experience Rating (ER) and No Claims Discount proposals. This was in preparation for the levy consultation discussion which was next on the Agenda, and would determine whether they would be included in the proposals being put to the Minister.

The Board queried whether the Minister had to agree on what ACC consulted on. Ms Powell explained that there were elements that the Minister consults on and there were elements ACC chooses to consult on and elements ACC was obliged to consult on. The Board sought clarification on whether, at this consultation phase, the Minister already had a say on what ACC could consult on. Ms Roche explained that legally it was the Board's consultation process. The Minister wanted to use ACC's consultation process to consult on other issues such as Vehicle Risk Rating (VRR). The Board questioned how this would look, since the Minister wanted to consult on removing VRR, a move ACC disagreed with. It would need to be clear that ACC was consulting on the Minister's behalf regarding VRR.

9(2)(a) explained that the Minister's expectation was that ACC would consult on his behalf. The Board asked that the consultation document be clearly delineated into three parts: areas ACC must consult on for the levy-setting process; areas ACC was consulting on for the Minister, but

making clear that the views in that document were the Minister's; and areas ACC wanted to consult on but was not required to.

It was unclear whether the Minister knew that ACC disagreed with his decision to remove VRR. The Board suggested that the consultation document clearly identify what the result of its removal would be, at least in ACC's part of the document.

The Board discussed the proposals for workplace safety incentives. Ms Powell explained the grants and subsidies proposals, the proposed changes to ER which would remedy issues that had been raised by customers and MBIE, and the proposed removal of the No Claims Discount which had created no real difference in performance. The Board was broadly supportive of the subsidy and grant proposals, provided robust controls were in place especially where funding would go toward research, and provided ACC had robust results measures. There was discussion about the types of research that would be eligible for grants.

There was discussion about the lack of proposals for micro- and small businesses. In light of some of the other levies proposals, such as distance charges, the Board was concerned that those businesses may feel hard hit. <sup>9(2)(a)</sup> explained that business associations would be eligible for the grants and that many micro- and small businesses belonged to associations (e.g., Master Builders, Master Plumbers, etc); they would benefit from their associations' access to the grants.

The Board queried the \$4.5 million identified in the paper for annual administration costs to run the programmes, noting that ACC needed to be careful about signing itself up for such high annual administration charges, and querying whether it was typical that a third of the costs would be on administration and set up.

The Board asked whether the proposed removal of the No Claims Discount had been covered in the co-design process ACC had undertaken. <sup>9(2)(a)</sup> explained that it had not specifically been discussed. The Board suggested that this meant small businesses would be hit with the No Claims Discount disappearing after already having lost WSD and WSMP last year. The Board expressed concern about taking away the No Claims Discount with nothing to replace it; it would be better to signal in this levy round that the No Claims Discount would be removed in the next levy round, but that further work on something to replace it would be done before the No Claims Discount was cancelled. The Board noted that it had expressed its discomfort when the last incentives were removed and considered that the lesson should be learned that if ACC wanted to do something like this, it must front foot it and have something lined up to replace it. The Board was not prepared to remove the No Claims Discount at this point.

The Board suggested that the consultation document commence each proposal with what ACC's customers were saying. This would show that ACC listened to its customers.

**ACTION:** Management to provide a paper for a future Board meeting, explaining the \$4.5 million annual administration costs for the workplace safety incentives, and how to reduce those costs.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that ACC has completed a co-design process with more than 500 customers, workers and other key stakeholders over an 18-month period to improve the effectiveness of ACC's workplace safety incentives.
- (b) **Approve** funding of \$34 million for the five years to July 2023 to deliver targeted financial incentives to the market (made up of \$22 million in workplace injury prevention subsidies and grants, \$7.6 million in establishment costs including design and trial costs, technology solutions, and the contingency of \$1 million, and \$4.4 million of operational costs), and that the funding would come from the Injury Prevention budgets for 2018/19 to 2022/23.
- (c) **Note** that the Targeted Financial Incentives Business Case is available on request to 9(2)(a) [REDACTED], Manager Corporate Secretariat.
- (d) **Approve** ACC consulting the Minister for ACC about using the September 2018 levy consultation to also consult on the proposal to improve Experience Rating by making enhancements and to signal removing the No-Claims Discount.
- (e) **Note** the proposed average Work Account levy rate for 2019-21 is \$0.66 per \$100 of liable earnings, assuming no changes to Experience Rating.
- (f) **Note** that the proposed enhancements to the Experience Rating Programme for medium to larger businesses would increase the proposed average Work Account levy rate for 2019-21 by \$0.01 per \$100 of liable earnings.
- (g) **Note** that later in 2018, the Board will be asked to consider a proposal to improve the Accredited Employers Programme should the Minister for ACC decide there is a continued role for self-insurance in the accident compensation scheme.

### 4.3 Levy Recommendations

Mr Raubal explained the changes to the rates. The biggest increase was in the Motor Vehicle Account and the Earner's Account was increasing by 3 cents instead of 1 cent, due to the Board's decision at the July 2018 meeting regarding increasing the contractual amount for the Home and Community Support Services contract and to refinements to the expected ICIP benefits.

In response to a Board query, Mr Raubal explained that removing VRR would not affect the average rate, only how it was distributed: cars with higher safety ratings would have an increase while other cars would have decreases in levy payments.

The Board discussed:

- Increasing motorcycle levies proportionally with the Motor Vehicle Levy, while noting that motorcyclists were being heavily subsidised by other vehicle users and paying about one-quarter of what they should be paying. The dollar value of the increase for motorcycles would be about \$25-\$30.
- The petrol levy and whether it should be changed in view of the government's proposal to remove VRR. The Board considered it was too late to consider changing the petrol levy proposal.
- Being careful in how the consultation document parts were written, to ensure ACC did not appear to support the plan to remove VRR.
- Being clear about what ACC was consulting on and having a separate part to the document for the Minister's consultation.
- The options to provide discounts to motorcyclists who complete Ride Forever training. Those were not matters that ACC was required to consult on in this levy round. The \$100 incentive for Ride Forever seemed large, however programmes that kept people from dying or being injured were worthwhile.
- Multi-vehicle discounts and distance based levying. These were being consulted on now for insights for the next levy round's proposals – not for inclusion in the current levy changes.
- Pre-consultation. The Board disagreed with pre-consultation and would not seek the Minister's permission undertake it. The Board suggested providing an early embargoed copy to certain organisations on the day of public release of the consultation document, if Management wished to take that route.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that the upcoming consultation on the 2019/21 levies period will comprise three parts:
- i. changes to levy rates, which the Board is legally required to consult on,
  - ii. changes to levy settings and other levy proposals, which the Board is not legally required to consult on, but which are included in this consultation to socialise with our customers.
  - iii. changes to levy policies, which are the Minister's proposals.

*Board's proposals where consultation is legally required*

- (b) **Agree** to the following average levy rates for public consultation:
- i. For the Motor Vehicle Account, an increase to \$127.68 per vehicle.
  - ii. For the Earners' Account, an increase to \$1.24 per \$100 of liable earnings.
  - iii. For the Work Account, a decrease to \$0.67 per \$100 of liable earnings, based on the Board's decision to retain the No Claims Discount.
- (c) **Agree** that Motor Vehicle levies for motorcycles should be increased in proportion to the average vehicle levy increases for 2019/21.
- (d) **Agree** that the petrol levy should increase from 6 cents per litre to 7.9 cents per litre so that current funding split across petrol charges (45%) and registration fees (55%) is maintained.
- (e) **Agree** that the Motorcycle Safety Levy should be maintained at \$25 per vehicle.
- (f) **Agree** that ACC should include the following proposals, which take effect in the coming levy period, in the consultation in order to seek customer feedback:
- i. Updating minimum and maximum liable earnings.
  - ii. Updates to fees and discounts for the Accredited Employer Programme.

*Board's proposals where consultation is not legally required*

- (g) **Agree** that ACC should include the following proposals, which take effect in the coming levy period, in the consultation in order to seek customer feedback:



- i. An incentive programme for riders that complete Ride Forever course.
  - ii. New injury prevention initiative funding.
- (h) **Agree** that ACC should include the following proposals in the consultation in order to seek customer feedback:
- i. Shifting to distance based levying.
  - ii. Discounts for multiple vehicles.
- (i) **Note** that these two proposals are more exploratory in nature and would not be implemented in the coming levy round.

*Minister's proposals*

- (j) **Note** that ACC will be consulting on behalf of the Minister, subject to his approval:
- i. Classification Unit/Levy Risk Group changes.
  - ii. Experience rating changes.
  - iii. Aligning the income year and levy year for self-employed levies.
  - iv. Maintaining Fleet Saver discounts at current levels.
  - v. Consultation process
- (k) **Delegate** sign out of the consultation Cabinet paper to the Board Chair and Mr Miller.
- (l) **Delegate** to the Board Chair and Mr Miller the release of the consultation document to the Minister.
- (m) **Note** that Management will consider public submissions and make recommendations to the Board on final levy rates in November 2018.
- (n) **Note** that Management intends to discuss public consultation with the Minister for ACC prior to formal noting by Cabinet in September 2018.
- (o) **Note** that the following papers are available on request from <sup>9(2)(a)</sup> [REDACTED]
- i. Draft Actuarial pricing reports

- ii. Proposed 2019-21 Work Levy Rates (ACC Workplace Cover and ACC CoverPlus)
- iii. Proposed 2019-21 CoverPlus Extra rates
- iv. Proposed 2019-21 AEP Partnership Discount Plan Discount rates
- v. Consultation on 2019/21 and 2020/21 ACC levies Cabinet paper and appendices
- vi. How ACC is funded A3 (to support the Cabinet paper)

#### 4.4 Annual Report

Mr Healy presented the draft annual report, thanked the Board Members for their feedback over successive earlier iterations, and noted that there were still some actions to be closed off such as including the Minister's forward and obtaining Māori translations of the forwards.

The Board suggested that the ACC Snapshot in the report should have a line stating the percentage of ACC money "invested in the New Zealand economy", instead of the references to investments in bonds and equities. It would also be good to say ACC was the entity most invested in the New Zealand share market.

The Board noted the Environmental, Social, and Governance section and thanked Mr Healy for including it.

The final version would be signed out at the Board's September 2018 meeting and would be provided to the Minister in early October. The Chair of the Board Risk Assurance and Audit Committee noted that the only substantive changes would relate to the Taylor Fry valuation. She also asked Management to turn its mind to any subsequent events that would need to be included.

**RESOLVED:** The ACC Board resolved to:

**Note** the draft 2018 Annual Report.

#### 4.5 Government Priorities in Primary Care

9(2)(a) briefed the Board on the paper which responded to the current government's policy decisions. For ACC, it would mean some changes to the rural GP and urgent care contracts. ACC did not have the same levers under the Cost of Treatment Regulations to put in guaranteed price reductions, but experience showed there would be around 85% compliance with full pass through. The Board discussed the alignment of the proposal with ACC's strategic direction. The Board

accepted that the sooner people can obtain care, the more likely it is to minimise the impact of injury, which is aligned with ACC's strategic direction.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the ACC Minister has agreed to align with Ministry of Health policy by implementing Community Services Card (CSC) rates and extending fee-free visits to under 14 year olds for clients' injury related presentations.
- (b) **Note** implementation of CSC rates and extending fee-free visits to under 14 year olds requires amendments to the Cost of Treatment Regulations and to ACC's Rural General Practice and Urgent Care contracts.
- (c) **Note** the additional annual cash claims costs for implementing the proposed changes into Cost of Treatment Regulations is \$5.8m.
- (d) **Note** the additional annual cash cost of the proposed changes under the Urgent Care Contract and Rural General Practice contracts are \$4.1m and \$2.6m respectively.
- (e) **Note** cash costs of these initiatives across Cost of Treatment Regulations, Rural General Practice and Urgent Care Contracts are included within the 2018/19 financial year budget and Outstanding Claims Liability forecasts.
- (f) **Note** that, as the Whole of Life Costs (WoLC) is greater than \$30 million for both the Urgent Care and Rural General Practice contracts, under Schedule B4.1 of ACC's Corporate Delegations the Board is required to approve the change. Anticipated WoLC costs inclusive of the proposed changes are:
  - (g) \$561m for the Urgent Care Contract period 1 July 2016 to 30 June 2023.
  - (h) \$272.38m for the Rural General Practice contract period 1 April 2004 to 31 March 2019.
- (i) **Approve** the changes for the Urgent Care and Rural General Practice contracts to include the CSC rates and extending fee-free visits to under 14 year olds.
- (j) **Approve** engagement with the Minister for ACC via MBIE to implement inclusion of the CSC rates and extension of fee-free visits to under 14 year olds under Cost of Treatment Regulations.

- (k) **Note** the changes are compliant with ACC's Procurement Policy and the Government Rules of Sourcing.

## 4.6 Policies

- (a) Health and Safety

Ms Champness explained that Management had refreshed the policy with a robust framework. The Board complimented Ms Champness on the bowtie analysis, but cautioned that the Board should have clarity around the cluster analysis and overlapping health and safety duties. The Board preferred to be told where the boundaries were, rather than being told only that Management knew where the boundaries were. The Board requested that future policy reviews include a marked-up copy to allow the Board to more clearly see what had changed.

**RESOLVED:** The ACC Board resolved to:

**Approve** the Health, Safety and Wellbeing Policy.

- (b) Information Management

Mr Fletcher explained that the policy was in line with Management's commitment to maturing its information management functions and responsibilities. The Board noted that the definition of 'our information' in the policy did not match up with the definition in the Privacy Policy and should be amended to clarify ways in which information should be used, with reference back to the Privacy Policy.

The Board requested that the policy not be aspirational in content. From employees' perspective, the policy should be a guide of what they were expected to do in the current environment.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the proposed changes to the Information Management Policy.
- (b) **Note** that a revised policy would be presented to the Board at its next meeting.

- (c) Privacy

The Board discussed the Privacy Policy.

**RESOLVED:** The ACC Board resolved to:

**Approve** the Privacy Policy.

#### **4.7 Tranche 1 Close Out Report**

Mr Pickering presented the paper, noting that it had arisen from the Board's discussion in June 2018. Since then, Management had changed the tone of the report to reflect what had happened and the lessons that had been learned. The report had also incorporated the EY Post Implementation Review recommendations.

In response to a query from the Board, Mr Pickering explained that the report was already serving a useful purpose and was a reminder to be open, transparent and up-front. Tranche 1 should not be considered a failure; much had been achieved to change ACC to a transforming environment.

The Board complimented Mr Pickering on the rewrite; it was very balanced. Any further revision must accurately reflect the EY review.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the changes made to the End Programme Report: Transformation Tranche 1, which include:
  - i. Revision of the language and tone through the document.
  - ii. Inclusion of key findings from EY's PIR have been included in the Lessons Learned section of the document.
  - iii. The factual capture of programme decision points has not changed.
- (b) **Approve** the End Programme Report: Transformation Tranche 1.
- (c) **Approve** sharing the End Programme Report: Transformation Tranche 1 with the Minister and Treasury.

## **5 Performance Reports**

### **5.1 Health and Safety Report**

Ms Champness introduced the Report. Discussion focused on the targets for the year and staff turnover. In response to questions from the Board, Ms Champness explained that –

- For sensitive claims the main issue was difficulties in recruiting replacement staff for the unit in Wellington. That issue had been resolved by setting up two new teams in Hawke's Bay.
- There was a plan for high performers during the Next Gen transition phase. While high performer turnover had previously been over 10%, it had decreased to around 8%.

Mr Pickering thanked Mr May for attending, judging, and presenting at ACC's Safe Kiwi Awards at the beginning of August 2018. Mr May reported that he had enjoyed the judging and seeing the team spirit across the network.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** actions underway to mature our safety system, demonstrate safety leadership and strengthen our safety culture.
- (b) **Note** there were no notifiable events in July 2018.
- (c) **Note** the health and safety performance indicators.

## 5.2 Policy Update and Legal Report

The General Counsel update the Board on three matters:

- Torchlight: A hearing was due to take place on 10 September 2018 concerning the judge's proposal to publish his judgment. A communications approach would be necessary in the event of publication.
- In the aftermath of the Bazley Report on Russell McVeagh, ACC had reconsidered whether it should keep its current practice of using lawyers from Russell McVeagh. None of the lawyers ACC used were implicated in any of the allegations, and ACC was satisfied it could continue using the firm. However, ACC would not issue a statement until after MBIE had decided what to do with the firm regarding the All of Government contracts for legal services.
- ACC was seeking a registration of interest in ACC's appeals work. The General Counsel was hopeful that a new Panel would be in place by December 2018.

**RESOLVED:** The ACC Board resolved to:

**Note** the legal report.

Ms Roche presented the policy report, explaining the issues to be discussed with the Minister on the ACC legislative reform issues.

The Board discussed:

- Hearing loss and agreed to support the status quo approach.
- Volunteers and work-related cover for volunteers. ACC was suggesting the definition of volunteer should match the definition in the Health and Safety at Work Act, as that clearly defined the boundaries; the funding would need to be provided through the Non-Earners' Account.
- The State Sector Act reform to be launched on 4 September 2018. Ms Roche summarised the points from the SSC's pre-consultation documents. There were a number of areas of the consultation where the reach of proposals was unclear. SSC was inviting submissions from agency Boards and staff separately. The Board's view was that ACC, if it chose to submit on the consultation, must speak with one voice.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the Board has previously supported the following issues being included within the legislative reform programme – extension of weekly compensation entitlement to non-earners who are earners when incapacitated, extension of work-related cover to volunteers, and changes to loss of potential earnings (LOPE) rate.
- (b) **Note** we will be providing further advice to the Minister over the next month on:
  - i. Earners status – the specific incapacity test that would be applied to non-earners in order that they would be eligible for weekly compensation and account allocation for funding
  - ii. Loss of potential earnings – reconfirming previous advice on recommended rate following further work the Minister requested
  - iii. Work-related cover for volunteers – the definition of volunteer which would apply for the extension of cover and account allocation for funding
  - iv. Hearing loss – additional options on the threshold for hearing loss cover and whether to retain the age-scale for determining the level of age-related hearing loss.

- (c) **Note** this paper summarises the advice that will be provided to the Minister and we will provide the Board with copies of the briefings for information via the weekly report.
- (d) **Note** we continue to work with the actuaries as options are developed to refine the costs of the changes. Costs here are latest estimates based on work-to-date.
- (e) **Note**, given the timetable for legislative change, costs are not expected to impact the current levy setting time period.
- (f) **Note** that in September the Minister will seek Cabinet's agreement to the scope of the legislative programme and to issuing drafting instructions to the Parliamentary Counsel Office to begin the re-write process.
- (g) **Note** the Board has reviewed this Cabinet paper and we will provide you with a final version of the paper for information following Ministerial consultation.

## 6 Committee Updates

### 6.1 Investment Committee

Mr Janes updated the Board on the matters considered at the Investment Committee meeting on 29 August 2018, including the discussion that had been had on the KiwiBank valuation. He recommended that Management and all Board Members read Mr Paul Dyer's qualitative paper on investment risks. The Committee had approved investing \$65 million in Crown Infrastructure Partner's Milldale project. The Board Chair noted her interest in that matter.

**NOTED:** The ACC Board **noted** the Investment Committee update.

### 6.2 Risk Assurance & Audit Committee

Ms Mazzoleni updated the Board on the papers considered at the Risk Assurance and Audit Committee meeting on 29 August 2018. The key items were:

- The annual report and accounts.
- The ESCO ratings which were provisionally the same as for the past year, but there was a clear path noted to move to very good next year on all but financial control environment which could take a longer time as manual processes needed to change.



- The audit was unqualified, but the Taylor Fry report was still awaited.
- In the risk monitoring report, the two front of mind issues were business continuity planning and cyber security in Investments.
- The KPMG compliance review, which provided a fit-for-purpose rating, but noted areas where ACC needed to achieve a step change.
- There had been a good report from Integrity Services regarding progress with its change process.
- The assurance plan had been pulled, but would be brought back.

## **7 Board Administration**

### **7.1 Minutes of Meeting held on 26 July 2018**

**APPROVED**: The Board resolved to approve the minutes of the Board meeting held on 26 July 2018.

### **7.2 Schedule of Matters Arising**

The Board noted that a number of actions were outstanding.

### **7.3 Confirmation of Decisions Made Out of Cycle**

**Note** that there were no decisions made out of cycle.

### **7.4 Annual Work Programme**

**NOTED**: The ACC Board **noted** the annual work programme.

## **8 General Business**

The Board congratulated Ms Powell on being appointed to the position of Chief Customer Officer.

The Board thanked Professor Gorman and expressed appreciation for his six years on the Board, and especially for his contribution to the Health Sector Strategy.

The Board Chair noted she would be attending the Trans-Tasman cyber-security delegation in Dublin in September 2018 and that she would report back upon her return.

The Board Chair informed the Board she had attended a signing ceremony with the Acting Chair of WorkSafe to sign the Agreement for Injury Prevention Measures.

**RESOLVED:** The ACC Board resolved to:

**Note** that the Board Chair signed the Agreement for Injury Prevention Measures undertaken by WorkSafe and ACC, the funding for which the Board approved at its February 2018 meeting.

**Appoint** Mr Miller to the Governance and Remuneration Committee.

## 9 Confirmation of Next Meeting

To be held at the ACC Board Room, Level 7, Justice Centre, 19 Aitken Street, Wellington on Thursday 27 September 2018 at 9.00 am.

### Closure

The meeting closed at 4.25 pm.

Approved

Chair .....

Date .....