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23 December 2008

Hon Dr Nick Smith, Minister for ACC

PROCESS AND TIMEFRAME FOR THE STOCK-TAKE OF THE ACC SCHEME

Purpose

- 1 At the meeting with officials on 14 December 2008, you requested a short briefing with a proposed process and indicative timeframe for conducting a stock-take of ACC Accounts.

Comment

- 2 The National Party ACC Policy released prior to the Election, states that:

... in 2009, an incoming National Government would conduct a full stock-take of the various components of the ACC scheme, evaluate progress to full funding, and identify areas of cross-subsidy or cost-shifting, and underfunding of newly legislated entitlements

Nature of the Stock-take

- 3 It is envisaged that the stock-take would be in the form of a Departmental or Ministerial review or enquiry (as opposed to a Commission of Enquiry or a Parliamentary Select Committee Enquiry, for example). Keeping the stock-take at this lower level will aid in managing costs and ensure that it is completed in 2009.

Scope of the Stock-take

- 4 While the Department and the Treasury are still considering the scope of the review, and will provide you with more information on this a later stage, it is suggested that the stock-take could cover all or some of the following:
 - Underlying cost pressures
 - Scope of the scheme
 - Recent performance trends in claims duration, rehabilitation and investment; how these trends affect future costs and how they might be managed
 - Structure of the accounts
 - Funding issues
 - Opportunities to improve performance
- 5 The Department and ACC are preparing additional advice on cost drivers across the Accounts and how these might be investigated and managed. A paper on this will be with you in early next year.

Cost

- 6 The likely cost of the stock-take will be dependent on factors such as scope, scale, and duration.
- 7 Depending on these considerations, the cost of the stock-take could be met either within existing baselines, or will either require additional funds, or the re-prioritisation of existing funds. If there is to be any proposal for additional funds then it would need to fit within the budget criteria and be submitted by 5 February 2009. Submitting a budget proposal by this time would be problematic, as a scope and terms of reference for the stock-take will not be complete by then.

Timeframe

- 8 Adequate time needs to be allowed to ensure that both the scope and the terms of reference are sufficiently robust to capture all your goals for the stock-take, and to allow for sufficient consultation with your colleagues and other government agencies that need to be involved.
- 9 The timeframe below indicates the likely time required for the key processes. Note that there is likely to be some variation depending on the scale of the stock-take. Should the government decide that a more formal review is required (for example, a Commission of Inquiry), a full appointments process will need to be undertaken (which could take up to three months). Should the government decide that the scale and scope of the review requires that independent expertise or resources be obtained, time needs to be allowed for these to be sourced. This may require a tendering process (around six weeks).
- 10 A balance needs to be struck between ensuring that any stock-take is robust, follows due process, and delivers valuable and relevant information, and ensuring that any such review is completed in a timely manner that will allow the results to feed into potential legislation in 2010.

Process	Timeframe
<p><u>Options Paper</u></p> <p>Will provide preliminary information on:</p> <ul style="list-style-type: none"> • Potential scope of the stock-take • Scale • Options for coverage • Timeline • Costs <p>The briefing will present options and seek guidance on:</p> <ul style="list-style-type: none"> • The scope of the stock-take • The scale of the stock-take • How the stock-take will be undertaken, and who will undertake it. 	<p>Late February/early March 2009</p>
<p>Draft Terms of Reference, including consultation with Minister for ACC and Minister of Finance.</p>	<p>Late March</p>
<p>Draft Cabinet paper seeking agreement to Terms of</p>	<p>Mid April</p>

Reference	
Cabinet Process (including consultation with relevant Ministers, government agencies etc)	April/May
<u>Appointments/tendering process</u> May include: <ul style="list-style-type: none"> • Cabinet appointment process (if required) • Tender process (if required) 	June
Starting date of review (dependent on nature and scope of stock-take)	1 July

- 11 You may wish to discuss this process and timeframe with officials from the Department early in the new year.

Involvement of ACC

- 12 It would be desirable for ACC to be constructively engaged on the stock-take, as the review will be dependent on receiving the necessary data and information from them. You may wish to give some thought as to how they can best participate. For example, you may wish to consult them on the terms of reference, and/or meet with the ACC Board to discuss the stock-take, and their co-operation with it.

Recommendation

I recommend that you:

- 1 **Note** the suggested process and timeframe for the stock-take, which could result in a starting date of July 2009, depending on the scope and nature of the review.
- 2 **Discuss** the process and timeframe for the stock-take of Accounts with Department of Labour officials in January 2009 if you wish.

Hon Dr Nick Smith
Minister for ACC

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