

Minutes of a meeting of the Board of the Accident Compensation Corporation held via videoconference on Thursday, 24 January 2019 at 1.30 pm.

Present

Dame Paula Rebstock	Chair
Mr Trevor Janes	Deputy Chair
Ms Anita Mazzoleni	Member
Mr James Miller	Member
Ms Kristy McDonald QC	Member
Mr David May	Member
Ms Leona Murphy	Member

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
Mr John Healy	Chief Financial Officer
Ms Emma Powell	Chief Customer Officer
Ms Gabrielle O'Connor	Head of Client Service Delivery
9(2)(a)	Manager Corporate Secretariat
9(2)(a)	General Counsel and Company Secretary
9(2)(a)	Senior Associate Company Secretary

1 Procedural Business

1.1 Apologies

There were no apologies.

2 Board Only Session

3 Operational Reporting

3.1 Operational and Financial Performance Report

(a) ICIP Reporting

Mr Fletcher summarised the report, focusing on the following points:

- The past month had been positive for ICIP.
- Since December 2018, the first full test of the new Analytics platform had been completed successfully, and 2019 had begun with a successful sprint. On 25 January 2019, Eos data would start being loaded into the system at scale, and, provided the scale test was successful over the following ten days, Analytics could turn from amber to green.
- The Eos 8.8 upgrade was on track to go live as planned on 11 March 2019. Rehearsals would start in the next week for deployment. In response to a Board query, Mr Fletcher explained that it would occur regardless of progress on Analytics, because the remediation work was all on track.
- Client Payments had successfully completed its first performance test. Go-live was scheduled for 6 May 2019, and both Eos 8.8 and Client Payments were tracking to budget.
- For Next Generation Case Management (Next Gen), the team had been asked to provide options that significantly lowered the risk profile while creating certainty for staff, accelerated implementation and allowed ACC to deploy and learn, and also to focus on the experience of ACC's clients and staff. Mr Fletcher was supportive of the proposed option that the Board would consider later in the meeting.
- The Health Services Strategy work continued to progress and Management was looking at ways to accelerate its delivery.

- Good progress was being made in setting up the organisation for agile, continuous delivery on the back of the major ICIP platform deliveries, and, from February 2019, Management would look to report progress on this work. Nothing had happened in the past month that gave rise to any concerns about the overall \$669 million envelope of the ICIP.

In response to a Board query regarding what would trigger a concern for the overall ICIP envelope, Mr Fletcher explained that Eos 8.8 and Client Payments 1 were due to come in on budget, without use of contingency. The overall amount of contingency in proportion to what was left was therefore increasing. Mr Fletcher was confident that despite needing more for Next Gen, there was plenty of headroom and ICIP as a whole would still come in on budget. In response to a further query, Mr Fletcher explained that Next Gen would not use the rest of the contingency.

In response to a Board query regarding whether all the technical issues had been overcome for Analytics, Mr Fletcher explained that Analytics was very close now. It had been proved that the platform worked. The next test would be to put data through at scale. While Mr Fletcher was confident, it needed to be tested to provide certainty. There would be lessons learned on performance that would result in some tweaks. The outcome would be known in the next ten days.

RESOLVED: The ACC Board resolved to:

Note the verbal update on the ICIP.

(b) Second Quarter Report

Mr Healy summarised the key points of the Second Quarter Report:

- Injury prevention showed amber on two key measures: serious injury and return on investment.
- On rehabilitation performance, Mr Healy had continued to show the volumes. There had been a 40% increase in the number of clients. The return to work measures would likely remain red for the full year.
- Overall solvency had dropped to 90.7%, and may drop further by year end. This was mainly driven by lower than budgeted investment returns. Also, the growth in the OCL was mainly driven by the reduction in the discount rate, which had an impact of \$3.4 billion.
- Net Trust Scores remained at amber. It was difficult to predict what would happen in the third and fourth quarters, and there were actions in place.

- The drop in motor vehicle account volumes that had been shown last month had occurred due to the automated lodgement system not picking up certain information from the forms. This had resulted in lower reporting on motor vehicle lodgements. An estimated adjustment was made, and the wording in the Quarterly Report would need to be changed, as it currently incorrectly stated that there had been “*a material reduction in the number of claims registered into the Motor Vehicle Account*”.

In response to a Board query regarding the obligations on the Board to report on measures that were off target, Mr Healy advised that he would ensure it was reported systematically. Management usually discussed the red measures with Treasury to determine where to provide more detail.

In response to a Board query regarding the increase in weekly compensation claims from trades and plant or machinery workers, and the actions being taken in response—and also to the increase in physiotherapy costs—Mr Healy explained that Management was working on understanding the trends. He would report to the Board on those in more detail. The Board asked that the Quarterly Report show ACC’s response to the rise in these two areas.

The Board discussed Lime scooters and whether it would be possible to charge these new modes of transportation. It was important to look at allocating costs to the entity that had control over the transport mode. When considering the future of mobility, Lime scooters provided a test case for ACC because there could be a bigger move toward shared transport. Although cyclists were also involved in accidents, there was no ability to levy personal bicycles, unlike for Lime scooters that were rented out. ACC would need to be proactive about charging for these new transport modes and getting injury prevention across them.

The Board discussed the total solvency ratio being reported on when it was the solvency of the individual Accounts that mattered, and noted that treatment injury had improved against the budget. Mr Raubal explained that the treatment injury improvement was a financial adjustment when Taylor Fry did the recalibration.

Regarding reviews, the Board noted that FairWay seemed to be doing very well now. The Board asked Management to arrange to invite the team responsible for turning review performance around to join the Board for lunch at the March 2019 Board meeting to thank them. Workers’ compensation, however, seemed to be getting worse. More work needed to be completed on this.

ACTION: Management to work with other agencies on new, unregulated transport methods and what could be done to ensure ACC's injury prevention and levy collection activities reached the new technologies.

RESOLVED: The ACC Board resolved to:

- (a) **Approve**, subject to the agreed changes, the presentation of the second quarterly report 2018/19 to the Minister by 31 January 2019.
- (b) **Approve** the publication of the second quarterly report 2018/19 on ACC's external website following acceptance of the report by the Minister for ACC.
- (c) **Note** the additional performance information for December 2018 (**Appendix 2**).

4 Board Papers

4.1 Next Generation Case Management Rollout Update

The Deputy Chair took over chairing the meeting during Mr Tully's oral presentation, as the Board Chair had to temporarily leave the meeting. Mr Tully summarised Next Gen's progress to date, covering the following:

- Challenges had arisen for Next Gen, which had led Management to this re-presentation of the approach to rollout since the Board had considered it at the August 2018 Board meeting.
- At this Board meeting, Management was seeking from the Board consideration of the two options proposed: one was rollout with the full technology. This option would have technology deployment in November 2019 and the first Tranche commencing in January 2020. The second option was rollout with partial technology. It would deliver some technology in August 2019, with the first Tranche prior to Christmas 2019.
- Management was recommending the second option for Board approval.
- Both options had pros and cons, but option 2 had implementation advantages.
- There was a greater risk from not implementing option 2, including more uncertainty for staff and delayed benefits.

- Option 2 differed from the option that the Board had approved in August 2018, by pushing out staff consultation and technology deployment by two to three months, and implementing the technology in two phases.
- For the February 2019 Board meeting, Management would propose a clear plan for rollout, with an updated cost position and updated benefits and any impacts to ICIP. Management was confident that the benefits would remain intact.
- Also in February, Management would report on the proposed Phase 3 of staff consultation and the external stakeholder engagement plan. Management would also be seeking approval for additional funding. The Minister would then be updated.

Mr Fletcher added that the key for him was that option 2 provided a much more comfortable risk profile. Going with the one-launch altogether would mean a higher risk profile. Option 2 had more advantages and put ACC into a deploy-and-learn model.

The Board Chair returned to the meeting and the Board's discussion focused on the following:

- What the main difference was between options, from a staff perspective. Mr Fletcher confirmed that under option 2 some people would have the rollout in two steps.
- The philosophy of the process coming first and then the technology. This had been discussed last year and had received pushback from Management. In response to the Board's query regarding what had changed since last year, Ms O'Connor explained that there was a lot of technology proposed to come online in August 2019. This was quite different from the talk in August 2018 about rolling out Launch Pad straightaway without any of the technology in place.
- A simple explanation of the increases in cost should be provided to the Board for the February decision. The elements of the pricing needed to be split out, and the risk/cost trade-off needed to be looked at and explained carefully. Mr Fletcher acknowledged that a breakdown of the costs and the pricing was necessary. The shift in costs was not entirely related to the shift in approach, and that needed to be properly explained.
- The planning for testing of cases, given the case mix would change over time. Ms O'Connor explained that the testing in Launch Pad had had 15 months of claims through it. Over the past four to five months, complexity had been gradually added to the Launch Pad environment. Ms O'Connor was confident that there would be no surprises.

- The increases that had occurred over time of the costs for Next Gen. The Board asked for the cost difference between option 1 and option 2. Ms O'Connor explained that, because of the extra transitional work, option 2 would be slightly more expensive. Details on the costs would be provided to the Board in February. For the present, Management was asking the Board for direction, to allow Management to work out the full costs.
- The difficulty of being asked to decide on an option without being told what the costs were. The Board asked whether a decision on the options was needed at this meeting. Mr Tully confirmed it was, and clarified that he did not think the extra cost between options 1 and 2 would be large. But there could not be much confidence in the numbers until there was further analysis of the costs.
- Whether approval in principle, subject to the final approval in February on the basis of fully disclosed costs and benefits, would be sufficient. Mr Pickering confirmed that that would work well.
- The Board emphasised the serious concerns it had expressed regarding whether enough was known now. As for the confidence that would be available even in February, it needed to be given serious consideration. The Board asked that the paper be provided to Ms Murphy and Ms Mazzoleni for review and comment before being submitted to the full Board. Ms O'Connor was asked to think, in advance of providing the draft paper to them, about what was not known about process and technology integration.
- The impact of staff uncertainty about their roles. Ms O'Connor explained that, with option 2, the uncertainty would go on until May-June 2019. Under option 1, role certainty would not be attained until possibly Christmas 2019.
- The Net Promoter Score and the Pulse survey, noting that it could be difficult to maintain staff motivation when a percentage knew they were not going to have roles in the future. Ms O'Connor acknowledged the concern but explained her greater concern related to not giving staff any certainty at all, which would significantly impact retention and recruitment during the notice period. Mr Tully suggested that, provided ACC offered to work with individuals if they wanted to stay, move, or leave, and provided ACC was transparent as it had been in the past, the notice period should go relatively smoothly.

The Board agreed to approve option 2 in principle, subject to the full costs and benefits information being provided for its February 2019 meeting.

RESOLVED: The ACC Board resolved to:

- (a) **Note** that NGCM remains a strategic enabler of Shaping our Future and to delivering a customer-centric organisation.
- (b) **Note** the progress made since the last Board update.
- (c) **Note** the current challenges around confirming technology solutions and user requirements for:
- i. Eos simplification and development required to build scale and full scope.
 - ii. Architectural integration and other project dependencies.
 - iii. Telephony, especially the functionality required for hubs.
- (d) **Note** that options to address the challenges have been identified and a revised roll out approach recommended in this paper.
- (e) **Note** the updated risk assessment for the recommended roll out state.
- (f) **Note** that the proposed total financial benefits of the project remain unchanged, although realisation timing might be impacted dependent on the option chosen.
- (g) **Note** the drawdown of \$3.1 million to enable the project to continue for February made under the delegation of the Chief Executive until the Board are provided with an updated cost and benefit analysis in February 2019.
- (h) **Note** that funding request will be presented to the Board in February 2019 incorporating the details of the option chosen in this meeting. The request will represent an increase in funding (estimated between \$10-15 million) required to complete the roll out of NGCM over and above the contingency currently associated with this specific project (\$17-22 million in total). Note that this revised total remains within the overall cost parameters of ICIP.
- (i) **Approve in principle** the recommended Option 2 to roll out the operating model and possible technology from August 2019, with full technology integration coming in November 2019, subject to the Board's consideration of full information on costs and benefits at its February 2019 meeting.

4.2 Review of Board Policies

The Board asked that this paper to be held over for the February 2019 Governance and Remuneration Committee meeting, and then consideration by the Board.

5 Performance Reports

5.1 Health, Safety and Wellbeing Report

The paper was taken as read.

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 December 2018.
- (c) **Note** the health and safety performance indicators.

5.2 Legal Report and Policy Update

(a) Legal Report

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(b) Policy Update

Ms Powell explained that there would be a number of reports coming to ACC soon from other agencies and that Management would be seeking Board comments on responses to them. She also pointed out that the updated ICIP Cabinet Paper would be considered by Cabinet Committee on 14 February 2019. The Board asked for a paragraph to be included in the ICIP Cabinet Paper that reflected the discussion the Board had just had on Next Gen. Approval of any further changes to the Cabinet Paper would be delegated to the Board Chair, and Mesdames Murphy and Mazzoleni, but the Paper was to be distributed to all Board Members.

Regarding the Mental Health Inquiry, Ms Roche explained that the cross-government response was likely to be available in the first two weeks of February. Management would draft a suggested ACC response for Board consideration before sending. There would also be the Welfare Expert Advisory Group report to the government, and the State Sector Act review coming soon. All these would need a Board review of responses. The Board asked that all three be circulated to all Board Members, but delegated sign off of the responses to the Board Chair and Mr Miller.

In response to a Board query regarding who had initiated the funding policy review, Ms Roche explained that it initially came from the Treasury. ACC had received draft Terms of Reference (ToR) for the review, and had some concerns. There was to be a meeting on 4 February 2019 to go through the ToR. Ms Roche explained that she was wanting to work as equal partners with Treasury and MBIE, rather than ACC simply commenting on their paper. The Board asked that Ms Roche come back to the Board before agreeing to the ToR. Ms Roche explained that she was hoping to receive a revised ToR after the meeting on 4 February.

Ms Roche provided an update on her recent meeting on the Health and Disability Review, which had been positive. Ms Roche asked the Board for a steer on whether ACC should write a paper to signal its views on the Review, rather than simply wait for the Review. The Board agreed, provided Ms Roche had resource to do it. Since the Review was due to be reported back in June/July 2019, Ms Roche would provide a draft to the Board in April (or May at the absolute latest), so that it would be sent in time to have an impact.

ACTION: Management to Provide a a paper to the April 2019 Board meeting (May at the absolute latest) to signal ACC's views on the Health and Disability Review.

RESOLVED: The ACC Board resolved to:

- (a) **Note** the current areas of policy activity.

- (b) **Note** that the section 331 reports on the implications of the prescribed levy rates agreed by Cabinet will come to the Board for approval out-of-cycle in early February, ahead of the first set of regulations being considered by Cabinet later in February.
- (c) **Approve** the attached revised version of the 'Accident Compensation Corporation February 2019 Service Transformation Progress Update' Cabinet paper.
- (d) **Note** that we expect to be able to provide the Board with a draft proposed TOR for the review of the funding policy for the Non-Earners' and levied accounts, for comment, as an out-of-cycle paper in February.
- (e) **Note** we will provide the Board with an out-of-cycle paper in February with details of the cross-government response to the Mental Health and Addiction Inquiry and OECD *Mental Health and Work Aotearoa/New Zealand* reports. We will include a proposed ACC response for your comment.
- (f) **Note** we will provide the Board with an out-of-cycle paper in February with a proposed response to a series of draft Cabinet papers from the State Services Commission containing policy proposals for a new Public Services Act.
- (g) **Delegate** to the following Board Members authority to respond on behalf of the Board on Management proposals for:
- i. ICIP Cabinet Paper—the Board Chair, the Chair of the Risk Assurance and Audit Committee (RAAC), and Ms Murphy
 - ii. The ToR for the funding review, if urgent approval was needed—the Board Chair, the RAAC Chair, and Mr Miller
 - iii. Mental Health Inquiry cross-govt response, WEAG report and State Sector Act reform—the Board Chair and Mr Miller.

6 Board Administration

6.1 Minutes of Meeting held on 20 December 2018

The Board indicated that it wanted some amendments to the minutes of the meeting held on 20 December 2018, and asked that they be reconsidered at the next meeting.

6.2 Schedule of Matters Arising

The Schedule of Matters Arising was held over to the next meeting.

6.3 Confirmation of Decisions Made Out of Cycle

The confirmation of decisions made out-of-cycle for the period 14 December 2018 to 17 January 2019 was held over to the next meeting.

6.4 Annual Work Programme

The annual work programme was held over to the next meeting.

7 General Business

The Board Chair acknowledged that this was Mr Janes' last ACC Board meeting and she thanked him, on behalf of the Board, for his contribution to the Corporation, particularly for his vast and impressive contribution to the Investment side of business for almost 20 years. She also acknowledged his role as Deputy Chair, which had been critical to helping the Board achieve the programme of change that ACC was undertaking. The Board Chair also acknowledged her own good fortune in having had such a helpful Deputy Chair. She had hugely appreciated that. She invited Mr Janes to join the Board dinner in February that would be held to welcome the two new Board Members.

In Board-Only time, the Board had resolved to appoint Mr James Miller as Chair of the Board Investment Committee, commencing on 1 February 2019.

8 Confirmation of Next Meeting

To be held at the ACC Boardroom, Level 11, PwC Tower, 188 Quay Street, Auckland on Thursday 28 February 2019 at 9.00 am.

Closure

The meeting closed at 4.00 pm.

Approved

Chair

Date

RELEASED UNDER THE
OFFICIAL INFORMATION ACT