



COVERSHEET

Minister	Hon Grant Robertson	Portfolio	Finance
Title of Cabinet paper	Update on proposed New Zealand income insurance scheme	Date to be published	28 April 2023

List of documents that have been proactively released

Date	Title	Author
February 2022	Update on proposed New Zealand income insurance scheme	Office of the Minister of Finance
16 February 2022	Update on proposed New Zealand income insurance scheme DEV-22-MIN-0010 Minute	Cabinet Office

Information redacted

YES / NO [select one]

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential advice to Government.

In confidence

Office of the Minister of Finance

Office of the Minister for Social Development and Employment

Office of the Minister for ACC

Office of the Minister for Workplace Relations and Safety

Cabinet Economic Development Committee (DEV)

Update on proposed New Zealand income insurance scheme

Proposal

1. This paper provides Cabinet with an update on work to develop and implement a New Zealand income insurance scheme ('the scheme'). It provides a revised timeline for the work, in light of a delay to the consultation period. It also seeks approval for additional funding to enable ACC to undertake additional pre-implementation work to reduce its delivery risk.

Relation to government priorities

2. The scheme is a direct contribution to the Government's goals for the parliamentary term, namely:
 - Accelerating the recovery and rebuild from the impacts of COVID-19
 - Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability, and child poverty.

Executive summary

3. On 4 October 2021, Cabinet agreed to consult on the proposed income insurance scheme, by releasing a discussion document prepared on a tripartite basis (CAB-21-MIN-397 refers). On 15 November Cabinet agreed to delay consultation until early 2022 (CAB-21-MIN-0478 refers).
4. On 2 February, in partnership with the Council of Trade Unions and Business New Zealand, the Government released the discussion document. Consultation will close on 26 April.
5. The delayed launch of consultation has meant revising the project's timeline in order to allow the scheme to be implemented by December 2023. Key elements of the revised timeline are:
 - a. In May 2022, following consultation on the scheme, we will seek an 'in principle' decision from Cabinet on whether to proceed with scheme implementation ahead of gaining Cabinet agreement on detailed policy decisions

- b. A Bill to provide ACC with statutory authority to develop the operational requirements for the scheme (the enabling Bill), will be introduced and passed as Budget Legislation, on Budget night
 - c. Cabinet agreement on the detailed design of the scheme will be sought in June/July 2022.
6. We also seek additional funding of \$3.0 million from the between-Budget contingency to enable ACC to undertake additional pre-implementation work on the scheme, from February 2022.

Background

- 7. On 4 October 2021, Cabinet agreed to consult on the proposed income insurance scheme, by releasing a discussion document (CAB-21-MIN-0397 refers). The discussion document, and the proposals for an income insurance scheme included within it, are the result of work by a Tripartite group comprising Government, the New Zealand Council of Trade Unions, and BusinessNZ.
- 8. On 15 November 2021, reflecting the impact of the continuing pandemic, Cabinet agreed to delay consultation on the scheme, until early 2022 (CAB-21-MIN-0478 refers).
- 9. The discussion document was released on 2 February 2022, with submissions due by 26 April 2022.

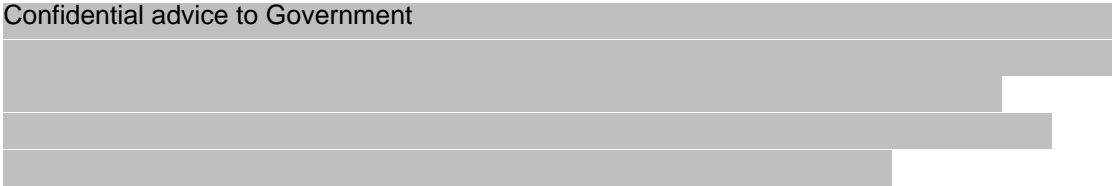
Revised timeline

- 10. The delayed consultation period has required changes to the project's timeline. The revised timeframe is outlined below. The timeframe remains ambitious, with key components of the scheme – including the legislation, funding, the consultation, and the business case – timed closely together.
- 11. To expedite ACC's implementation of the scheme – and to reduce risks raised by the tight timeframe for ACC to deliver the scheme - we propose to seek an in-principle decision from Cabinet on whether to proceed with the scheme, directly following consultation.
- 12. The in-principle decision would confirm the Government's commitment to the scheme, allow Ministers to announce the funding for scheme implementation, and introduce and pass the enabling Bill required for ACC to proceed with developing the necessary operational requirements.
- 13. Officials will require at least two months to work through the feedback received from the consultation. This will allow advice on a final detailed scheme design, to be provided to Cabinet in late June, reflecting feedback provided in consultation and work with the Iwi Leaders Group. Following this decision, the timetable requires the introduction of a substantive Bill (Bill B) that would establish the details of the scheme, in December 2022, with the aim of passing the Bill in mid-2023. This would allow the scheme to 'go live' in December 2023.
- 14. The table below provides the revised timeline.

Revised timeline for key decisions

Date	Decision or action
2 February 2022	Consultation opens
April 2022	Cabinet decisions on Budget 2022 – tagged contingency provided for establishing the scheme
26 April 2022	Consultation closes
9 May 2022	Cabinet in-principle decision on whether to proceed and agreement to introduce enabling Bill to allow ACC to proceed with operational requirements;
Late May 2022	Enabling Bill passed, Budget funding announced / made available, ACC initiates scheme build
Late June / July 2022	Cabinet decisions on detailed scheme design, based on advice provided post-consultation, and approval to draft substantive Bill
November 2022	Cabinet decision on introduction of substantive Bill
December 2022	Introduce substantive Bill, and refer to select committee
June 2023	Expected report back from Select Committee on substantive Bill, legislation enacted
December 2023	Go live for scheme

Implementation funding

15. Confidential advice to Government

16. To ensure implementation begins promptly the bid seeks some initial funding (~\$17 million) to be available to ACC to coincide with Cabinet's in-principle decision in May on whether to proceed with the scheme.
17. This approach would reduce risk by allowing ACC to begin substantive implementation work once the enabling Bill is passed in May, rather than July.

Financial implications

18. Implementing the scheme in the proposed timeframe will be a major undertaking for ACC with substantive risks. Most of these risks are in delivery, including retaining skills, and vendors, and in providing a proportionate technology solution.
19. ACC cannot begin working on operational requirements until the enabling legislation is passed, and implementation funding is approved. ACC has however undertaken comprehensive pre-implementation work, including identifying key risks and mitigations.
20. The delayed consultation period has provided an opportunity for ACC to bring forward work it has identified for risk mitigation. However, the funding approved, in October 2021, was on the assumption that pre-implementation work would track until the end of March 2022. Additional funding is required to bring the risk-mitigation work forward.
21. We propose that Cabinet approve an additional \$3.0 million from the 2021/22 between-Budget contingency for ACC's pre-implementation work, in addition to the \$5.2 million that was provided in October 2021 (CAB-21-MIN-0397 refers).
22. This would bring forward - into the pre-implementation phase – work to lower delivery risks. This additional pre-implementation work includes:
 - a. Undertaking further technology design and planning, including developing the technology architecture, and the information and data model (\$1.1 million)
 - b. Commencing co-design and planning of key aspects of scheme operation (including claim registration, case management and dispute resolution) with Māori and MSD. Identify potential barriers to the scheme due to access and/or ability, and the mitigation of these potential barriers (\$1.6 million)
 - c. Providing independent quality assessment and quantitative risk assessment on implementation planning and costing to provide additional confidence in the delivery plan (\$0.3 million).
23. This work does not require the enabling Bill to have been passed and can begin immediately upon Cabinet approving the funding.
24. As with the initial allocation of \$5.2 million in October, this cost cannot be funded through trade-offs against spending in other areas. Completing the pre-implementation work does not commit the Government to implementing the proposed scheme.
25. Confidential advice to Government

Legislative implications

26. No legislative changes are required as a result of the proposals in this paper. However, the revised timeline assumes that the Bill required to provide ACC with statutory authority to develop the operational requirements for the scheme, is introduced and passed as Budget Legislation, utilising the urgency afforded to Budget night legislation.
27. The Bill is within scope of Budget legislation given the Budget funding being sought, to be utilised, requires the Bill to be passed. Introducing and passing the Bill as Budget night legislation would be efficient in that it would avoid a separate urgency process. The inclusion of a Bill as part of Budget night legislation is, however, subject to agreement from the Leader of the House. This agreement will be sought, subject to an in-principle decision to proceed with the scheme.

Impact analysis

Regulatory Impact Statement

28. A Regulatory Impact Statement will accompany final policy decisions.

Climate Implications of Policy Assessment

29. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Better Business Case

30. Work is underway on a detailed business case (Better Business Case), focussing on implementation. This will be complete when Cabinet makes final decisions on scheme design in June.

Population Implications

31. The proposals in this paper have no population implications. Analysis of population implications will inform advice to Cabinet on substantive policy proposals following public consultation.

Human Rights

32. The proposals in this paper have no human rights implications. Analysis of human rights implications will inform advice to Cabinet on substantive policy proposals following public consultation.

Consultation

33. This paper was prepared by the Ministry of Business, Innovation and Employment. ACC, Treasury, IRD, MSD, and DPMC were consulted.
34. The proposal would be a significant change for New Zealand but one that brings great benefit. As such it will be important to ensure we hear from the public and organisations across a range of communities, and industries. Consultation on the proposed scheme is underway, with submissions and an on-line survey open until 26 April 2022. A range of engagement activities are planned and underway, including targeted meetings with stakeholders with expertise in aspects of the scheme's design and active outreach to a range of sectors with targeted information to share and promote consultation amongst networks. Given the tripartite nature of the work, social partners are playing a key role in engaging with workers and business, and officials are co-ordinating with social partners on this. Importantly, to reflect the Crown's obligations under Te Tiriti o Waitangi and ensure genuine engagement with Māori the Government is working with the Pou Tangata Skills and Employment Iwi Leaders Group (SE ILG) on key scheme design elements and are planning to jointly lead engagement sessions as appropriate.

Proactive Release

35. We propose to proactively release this paper, subject to redaction in line with the Official Information Act 1982.

Recommendations

36. The Minister of Finance, the Minister for Social Development and Employment, the Minister for ACC and the Minister for Workplace Relations and Safety, recommend that the Committee:
- a. **note** that public consultation on the proposed scheme which had been planned for late 2021, began on 2 February 2022 and will finish on 26 April 2022;
 - b. **note** the timeline has been revised to accommodate the delay to consultation while still allowing for scheme implementation in 2023;
 - c. **invite** the Minister of Finance and Minister for Social Development and Employment, the Minister for ACC and the Minister for Workplace Relations and Safety to report back to Cabinet in May 2022 seeking an in-principle decision to proceed with implementation of the scheme and agreement to introduce legislation that enables the ACC to begin implementation of the scheme;
 - d. **note** that, subject to Cabinet agreement in-principle to proceed with the scheme, agreement will be sought from the Leader of the House, for a Bill to provide ACC the statutory authority to proceed with operational requirements to be introduced and passed as Budget legislation, utilising the urgency afforded to Budget legislation;
 - e. **invite** the Minister of Finance, Minister for Social Development and Employment, and Minister for Workplace Relations and Safety to report back to Cabinet in June 2022 seeking detailed policy decisions, and agreement to legislative drafting instructions for the substantive bill;
 - f. **note** that there is an opportunity for ACC, subject to additional funding, to undertake pre-implementation work to lessen delivery risks;
 - g. **approve** the following changes to appropriations with a corresponding impact on the operating balance and net core Crown debt:

Vote Labour Market Minister for ACC	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2025/26	2026/27 & Outyears
Non-departmental Output Expense: Establishment of new income insurance scheme (funded by revenue Crown)	3.00	-	-	-	-

- h. **agree** that the proposed change to appropriations for 2021/22 above be included, in the 2021/22 Supplementary Estimates, and that in the interim the increase be met from Imprest Supply;

i. **agree** that the funding approval sought under recommendation (g) above be charged against the between-Budget contingency established as part of Budget 2021;

j. Confidential advice to Government

Authorised for lodgement:

Hon Grant Robertson

Minister of Finance