



## BRIEFING

### Draft Cabinet paper seeking approval for the Better Business Case to establish New Zealand Income Insurance

<b>Date:</b>	3 November 2022	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2223-1619

Action sought		
	Action sought	Deadline
Hon Carmel Sepuloni <b>Minister for Employment and Social Development</b> <b>Minister for ACC</b>	<b>Provide</b> officials with feedback on the attached draft Cabinet paper and Better Business Case	7 November 2022
	<b>Agree</b> to undertake Ministerial consultation on the attached draft Cabinet paper and Better Business Case to establish New Zealand Income Insurance	14 November 2022
	<b>Approve</b> , subject to any changes that are required from consultation, lodgement of the paper with Cabinet Office.	17 November 2022
Hon Grant Robertson <b>Minister of Finance</b>  Hon David Parker <b>Minister of Revenue</b>  Hon Michael Wood <b>Minister for Workplace Relations and Safety</b>	<b>Note</b> the contents of this Briefing	N/A

Contact for telephone discussion (if required)			
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Grant Tweddle	Principal Advisor, Income Insurance Policy		

**The following departments/agencies have been consulted**

ACC was consulted on this briefing.

ACC, MSD, IR, the Treasury, Department of Prime Minister and Cabinet, the Public Service Commission, Te Puni Kokiri, Te Arawhiti, the Ministry for Education, the Ministry for Ethnic Communities, the Ministry for Women, the Ministry of Health, Te Whatu Ora- Health New Zealand, Te Aka Whai Ora – Māori Health Authority, the Social Wellbeing Agency, the Ministry for Primary Industries, Department of Internal Affairs, Ministry of Foreign Affairs and Trade were consulted on the preparation of Cabinet paper and the Better Business Case.

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comments**



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### Purpose

This paper recommends that you consult Ministers on the attached:

- draft Cabinet paper seeking approval of the Better Business Case to establish New Zealand Income Insurance (NZII); and
- Better Business Case to establish NZII.

### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Provide** officials with feedback on the attached draft Cabinet paper and Better Business Case to establish New Zealand Income Insurance by 7 November 2022, prior to commencing a round of Ministerial consultation.
- Agreed/Not agreed*
- b **Agree** to undertake Ministerial consultation on the attached draft Cabinet paper and Better Business Case, subject to your feedback, with feedback on any required changes due by 14 November 2022.
- Agreed / Not agreed*
- c **Approve**, subject to any changes that are required from Ministerial consultation, to lodge the paper and Better Business Case with Cabinet Office on 17 November 2022 for the 23 November Cabinet Economic Development Committee meeting.
- Agreed / Not agreed*

Privacy of natural persons

Libby Gerard  
**Manager**  
Income Insurance Policy, MBIE

..... / ..... / .....

Hon Carmel Sepuloni  
**Minister for Social Development and  
Employment, ACC**

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## Background

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1. All major investment proposals require a Better Business Case (BBC) (refer Cabinet Office Circular CO (19) 6). The purpose of a BBC is to ensure that each of the key aspects of a robust investment proposal is explicitly and systematically addressed as part of the Business Case development process.
2. Confidential advice to Government [REDACTED]
3. The ACC Social Unemployment Insurance Committee has signed off the BBC, and it is therefore provided to you for your consideration and feedback, and consultation with your Ministerial colleagues prior to seeking Cabinet approval.
4. The Cabinet paper is intended to be considered at the Cabinet Economic Development Committee meeting on 23 November 2022.
5. On Monday, 7 November 2022, Cabinet will consider the paper *New Zealand Income Insurance: decisions on outstanding policy questions*. Following this, there may need to be subsequent changes to the BBC Cabinet paper to reflect final Cabinet decisions on Scheme settings.

## Discussion

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6. The BBC has been developed on the basis that the Government has already substantively considered and agreed that there is a compelling strategic and economic case for NZII in agreeing to proceed with the scheme (refer CAB-22-MIN-0250 and CAB-22-MIN-0250.1).
7. Therefore, the BBC attached at **Annex 2** focuses foremost on the preliminary work to establish the systems and operational processes for Income Insurance and demonstrating the case for investment. Within the BBC framework, it is characterised as a combination of a “Detailed” and an “Implementation” Business Case.
8. The Business Case outlines how ACC plans to operationalise the core features of NZII, and how Delivery Partner agencies – Inland Revenue (IR), Ministry of Social Development (MSD), MBIE and the Treasury – will contribute to the implementation and operation of the scheme.
9. The BBC’s six investment cases are summarised in the Cabinet paper at **Annex 1**.
10. The Strategic Case illustrates that there are compelling reasons for change and a need for investment in income protection for people made redundant or who are unable to work because of a health condition or disability. It canvases the investment objectives and benefits of the scheme and confirms that it aligns with and supports key Government strategies and initiatives.
11. The Economic Case provides monetary and non-monetary analysis on the options for delivering Income Insurance. It concludes that Option 1, Digital Capability and Optimisation, with whole of life costs of around Confidential [REDACTED] is the preferred option. While this approach has higher up-front costs than other options considered, it provides a better likelihood that the scheme will deliver well-tailored services that support scheme outcomes and provide cost efficiencies over time.
12. Te Tiriti o Waitangi and Equity Case outlines how the NZII scheme will give effect to the principles of Te Tiriti o Waitangi and deliver equitable outcomes for Māori, Pasifika, disabled people and other groups that are disproportionately affected by economic displacement (ED) or a health condition or disability (HCD). The approach involves partnering with Māori to design, monitor, and deliver the scheme, and includes the implementation of a Distributed

Service Model. It underscores a commitment to equity by recognising that different people with different levels of advantage require different approaches and resources to achieve equitable outcomes.

13. The Commercial Case sets out ACC's procurement strategy for supporting the successful establishment and delivery of the NZII scheme. It covers requirements in the areas of specialist services, digital and technology services, and accommodation and facilities. The strategy reflects wider government and ACC good practice principles. The case also outlines how ACC will seek to involve Māori businesses directly in a manner that reflects Whāia Te Tika, ACC's Māori Strategy and Te Kāpehu Whetū (Māori outcomes framework)..
14. The Financial Case outlines the costs to implement and operate the scheme. The anticipated Whole of Life implementation cost is estimated to be Confidential with \$66 million funded at Budget 2022 for 2021/22 and 2022/23. Confidential advice to Government  
The aim is for the ongoing operating costs, which take effect once the delivery of the scheme commences in April 2025, to be funded via levies. The Treasury have indicated that the Crown would act as a lender of last resort in the event additional funding was needed to support the cost of adverse shocks and any requirement for a more stable levy over time.
15. The Management Case ensures ACC, and its associated Delivery Partners have the capability and capacity required to successfully deliver the NZII scheme. It ensures appropriate implementation governance and management arrangements, organisational change management, risk management and assurance arrangements are in place.
16. The BBC reflects a point in time for the scheme, focussing on the preliminary work to establish the systems and operational processes for Income Insurance and demonstrating the case for investment. The scheme will continue to evolve as ACC develops the detailed design with Delivery Partner agencies and Māori and progresses to implementation and operation.
17. The Cabinet paper recognises that the numbers in the BBC will need to be revised as underpinning assumptions are refined and preferred supplier contract negotiations are concluded. It is not, however, expected that such changes will materially affect the conclusions of the cases.
18. The Cabinet Paper, therefore, also seeks authorisation for the Minister of Social Development and Employment and for ACC to make minor and technical changes to the BBC to ensure it remains consistent with Budget and levy modelling as that progresses. Confidential advice to Government

### **Government agency consultation feedback**

19. ACC has led development of the BBC over the past six months, in close consultation with MBIE, MSD, Inland Revenue, the Iwi Leaders' Group and Rā Matua (ACC's reference group). The BBC has also been informed by consultation with Government agencies over the past month. The engagement process has surfaced some broader concerns regarding the implications of the scheme across Government, which may come up through Ministerial consultation.
20. The most pervasive issue raised by agencies is that the scheme will create a range of cost pressures from when the scheme goes live:
  - **Costs to agencies:** Agencies will bear the cost of the employer levy. Some agencies have raised that there will likely be, in time, indirect costs borne by agencies from the employee portion of the levy as well. For instance, public sector unions, and workers, are likely to want Government to bear the cost of the employee levy when pay rates are next negotiated. This may result in cost

pressures on agencies and funded sectors, particularly those with large workforces. Indirect costs to agencies could include cost increases to contracted services, and the need in some cases to undertake payroll system upgrades.

- **System pressures:** For the public health system, NZII could impose costs with new assessment processes being required for work capacity. The scheme may change and increase the scale of demand, particularly as it relates to HCD and the types of HCD.

21. Agency cost pressures were identified at a high level in the Cabinet papers seeking agreement to proceed with the scheme. Confidential advice to Government  
[Redacted]
22. We will continue to work on how these issues can be approached to ensure consistency across agencies.
23. Another key theme in agency feedback that may also arise during the Ministerial engagement process was an interest in further information on the detailed design of the NZII operating model, including the operation of the Distributed Service Model and case management services. ACC have advised that they are not at a point in the design process where they can provide specific detailed guidance on the questions raised. They are, however, in the process of working with Delivery Partner agencies and Māori on the design of NZII and are committed to progressing the detailed design work within the parameters established by the BBC.
24. Agency feedback also highlighted the need to identify more clearly why the BBC focuses on ensuring equitable outcomes for Māori, Pasifika, and disabled people in particular. This issue has been addressed in both the Cabinet Paper and the BBC which explain these groups are disproportionately affected by ED and HCD. The BBC underscores a commitment to equity by recognising that different people with different levels of advantage require different approaches and resources to achieve equitable outcomes. ACC have adopted an evidenced based approach to ensuring the scheme delivers equitable outcomes for all.

## Next steps

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25. We need to receive any initial feedback you have on the attached Cabinet Paper and draft BBC by 7 November.
26. We will update the Cabinet paper and BBC based on any amendments you may require, and propose you undertake Ministerial consultation on the Cabinet paper and BBC, and provide feedback to officials by 14 November 2022.
27. Subject to any changes that are required from consultation, we recommend you lodge the paper with Cabinet Office on 17 November 2022 for consideration at Cabinet Economic Development Committee on 23 November 2022.
28. Confidential advice to Government  
[Redacted]
29. Confidential advice to Government  
[Redacted]

## Annexes

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Annex 1 – Draft Cabinet paper for Ministerial consultation

Annex 2 – Draft Better Business Case to establish New Zealand Income Insurance



# **Income Insurance** Scheme

## **Business Case**

Detailed / Implementation

### **New Zealand Income Insurance Scheme**

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DRAFT IN CONFIDENCE



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# Business Case Introduction

The purpose of this Business Case is to seek investment to operationalise a New Zealand Income Insurance Scheme (Income Insurance) following Government funding via Budget 22 to undertake preliminary work to establish systems and operational processes for the scheme. This Business Case has been prepared by the Accident Compensation Corporation (ACC) and other Delivery Partner agencies who make part of the investment.

This Business Case is a composite investment plan and reflects that, in addition to the investments by ACC, it contains information about investments made by other agencies. Ministers have determined that ACC's role will be primarily in relation to the implementation of the scheme, while the Ministry of Business, Innovation & Employment (MBIE) will have primary responsibility for policy advice in relation to the design of the scheme.

This Business Case is a starting point for the final form of the scheme, focusing on the preliminary work to establish the systems and operational processes for Income Insurance and demonstrating the case for investment. The scheme is likely to evolve with further policy developments and future operational experience as we develop the detailed design with Delivery Partner agencies and progress to implementation and operation.

This Business Case has been prepared in accordance with the guidance provided by the Treasury and builds on the Treasury's Better Business Case (BBC) five-case model, with the addition of an extra Case to demonstrate the importance of Te Tiriti o Waitangi and Equity to the New Zealand Income Insurance Scheme (Income Insurance).

The diagram below (Figure 1) provides an overview of the six cases, with Income Insurance positioned at the centre. There is no linear relationship with the positioning of the Te Tiriti o Waitangi and Equity Case within the construct of the BBC model.

Figure 1 – Extended Better Business Case Model



This Business Case demonstrates that the investment in Income Insurance:

- is supported by a case for change – the Strategic Case
- optimises value for money – the Economic Case
- places the principles of Te Tiriti o Waitangi and Equity at its heart – the Te Tiriti o Waitangi and Equity Case
- is commercially viable – the Commercial Case
- is financially affordable – the Financial Case
- is achievable – the Management Case.

This Business Case outlines the:

- rationale for Income Insurance
- work so far and policy decisions made to date
- key elements of design of Income Insurance
- preferred approach for delivery on time
- overall scheme delivery and operational costs
- implementation governance approach and accountabilities
- risk and how it will be managed.

Due to Government policy and timing being substantially agreed, this Business Case is a combination of a Detailed Case and an Implementation Case. The Business Case describes investment in a scheme that is generally consistent with the policy decision made to date, however final policy decisions will be contained and described in legislation yet to be introduced to the House.

Please note that the contents of this Business Case are draft and subject to ongoing Cabinet policy decisions and legislative development. Given the timeframe of submission of this Business Case (before completion of the detailed design), certain elements of the Business Case contain statements of intention, which are subject to further work yet to be finalised, or which cannot be carried into effect until legislation has been enacted. This includes the form of partnering with Māori, which has not yet been fully implemented.

# Executive Summary

## Strategic Case

### Introduction

This Business Case seeks approval to invest **Confidential advice to Government** to establish a New Zealand Income Insurance Scheme (Income Insurance). An additional contingency of **Confidential advice to** been identified through quantitative risk analysis. Income Insurance is a new Government initiative that Ministers directed officials, alongside social partners<sup>1</sup>, to develop.

Aotearoa New Zealand currently has a social insurance no-fault scheme provided by the Accident Compensation Corporation (ACC) for accidents, which covers everyone injured in an accident in Aotearoa New Zealand<sup>2</sup> – but not for job or work loss due to health conditions or disabilities (HCD)<sup>3</sup> or economic displacement (ED). Income Insurance would be a new income insurance scheme to provide similar income protection for people economically displaced from their jobs (made redundant) or who lose work because of health conditions or disabilities.

People who are made redundant, laid off, or have to stop working or have reduced work capacity because of HCD are at the centre of this Business Case. Income Insurance provides a new way of protecting such workers and the economy and contributing to more equitable social and economic outcomes for them and their whānau.

Aotearoa New Zealand is almost alone in the developed world in not having a mandatory, nationwide income insurance scheme<sup>4</sup>. This large gap in income protection means that people experience substantial immediate income loss after losing a job and the ongoing wage effects are higher, when compared to many OECD (Organisation for Economic Co-operation and Development) countries. Having Income Insurance would more effectively protect workers and incomes and help communities and businesses during economic shocks and transitions.

Income Insurance will provide income to replace 80 percent of prior earnings, for a period of up to six months, for people who lose their job due to ED<sup>5</sup>, or lose their job or have

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1 Council of Trade Unions (CTU), Business New Zealand (BNZ) and the Crown.

2 There are limits set by Parliament, which makes laws about what ACC can and cannot support.

3 Income Insurance covers loss of work capacity caused by any HCD (not covered by the Accident Compensation scheme) that is assessed as reducing work capacity by at least 50 percent and is expected to last four weeks or longer.

4 Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz).

5 Defined as loss of work due to the disestablishment of a position. Economic displacement excludes job loss due to poor performance, gross misconduct or resignation.

reduced capacity due to HCD. Funding for Income Insurance is through a levy shared equally by employers and workers. The 80 percent replacement income will be supported by requirements on employers such as notice periods, bridging payments (for ED) and to hold employees' jobs open (for HCD).

The overall purpose of the insurance scheme is to minimise abrupt drops in income, and to promote a return to suitable employment, where this is possible. The objectives of the scheme sit within a wider support system to:

- minimise the immediate financial impact of losing income and work, for workers and their families and whānau
- provide sufficient opportunity for workers to engage in a considered search for a suitable job, to upskill, or to rehabilitate
- support the economy to adjust more rapidly to shocks or downturns.

Due to the similarities between Income Insurance and the existing accident compensation scheme, Ministers decided that ACC will develop, establish, and administer the scheme<sup>6</sup>.

The date for full operation of the scheme is 1 April 2025. Legislation required for the scheme is due to be enacted by 1 July 2023.

## Background

The proposal for an Income Insurance scheme arose from the Future of Work Tripartite Forum<sup>7</sup> and their commitment to a more productive, sustainable, and inclusive economy.

The Government announced its intention to consult on an Income Insurance scheme in February 2022. Public consultation, led by MBIE, closed in April 2022. ACC provided input to the design of the proposed scheme, based on its experience running a similar scheme for accidents. In May 2022, the Government passed an Act to enable ACC to carry out work to bring Income Insurance into operation, should it go ahead. In Budget 22, Income Insurance (ACC and MBIE) received \$47.5m funding, through tagged contingency, for the initial work to establish the scheme.

ACC has selected Māori, Pasifika, and disabled people as the three priority populations for the scheme<sup>8</sup>. We recognise the importance of meeting the Government's obligations under Te Tiriti o Waitangi in the design and delivery of this scheme. We also recognise that although equity is part of te Tiriti and is a concept that sits alongside it, the two are

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<sup>6</sup> Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz).

<sup>7</sup> A partnership between the Government, Business New Zealand, and the New Zealand Council of Trade Unions (as representatives of unions).

<sup>8</sup> Alongside the priority populations ACC has decided on, ED also includes lower income workers, younger workers, and women. HCD also includes older workers and women.

not the same. In addition to recognising the status Māori have as tangata whenua of Aotearoa New Zealand and the rights pursuant to Māori as agreed in Te Tiriti, Māori are also recognised as a priority population to address inequities experienced in the labour market such as their over-representation in vulnerable employment and greater risk of job loss from ED or HCD (including reduced capacity to work). Pasifika are recognised as a priority population to address their over-representation in negative unemployment statistics and to support the disproportionate number affected by HCD. Disabled people are recognised as a priority population to ensure people losing work, or working in a reduced capacity due to HCD, would receive similar financial support as people with injuries due to an accident.

The underlying inequities that exist within Aotearoa New Zealand will be experienced within the scheme unless conscious and deliberate priority is given to mitigating these. Addressing equity of access, experience, and outcomes will require the focus of the scheme as well as across the system through changes to the wider system of support.

### A case for change

The Strategic Case illustrates that there are compelling reasons for change and a need for investment in income protection for people made redundant or who are impacted by HCD. In Aotearoa New Zealand, at any one time around 40,000 people are jobless due to ED. A further 20,000 people are jobless due to HCD. Based on ACC data, 20% of Income Insurance customers are expected to be Māori. Job losses, even those for a short duration, create serious consequences such as financial hardship, longer-term income losses, and for people with HCD, a risk of leaving employment altogether.

The investment objectives for Income Insurance are to:

- maintain the living standards of workers and their whānau in the period after job loss by minimising the financial impact
- contribute to a diverse and skilled workforce by supporting workers back to suitable jobs
- create more resilient communities by supporting the economy to adjust more rapidly to shocks or downturns
- improve equity by removing barriers to scheme access, and inequities in experiences and outcomes, with particular focus on the priority populations of Māori, Pasifika and disabled people.

### Benefits of this investment

Income Insurance will fill a significant gap in income replacement for people who lose their job, or in the case of HCD may have reduced working capacity, through no fault of the own.



The scheme is expected to improve equity, for instance, by compensating workers (and, by extension, their families and whānau) for job loss, recognising the efficiency gains job reallocation brings to businesses and workers. The scheme will provide a more comparable level of financial (albeit time-limited) support to those people who lose work due to health conditions, compared to those who lose work due to accidents.

The scheme also recognises that different people with different levels of advantage, in different localities, require different approaches and resources to obtain equitable access, experience and outcomes. For these reasons, the scheme will be co-designed<sup>9</sup> in partnership with Māori and in collaboration with Pasifika, and disabled people.

Investment in Income Insurance will complement the welfare system's role in alleviating poverty and hardship for individuals and their families. Income Insurance will benefit businesses through improved skills matching across the labour market, sustaining consumer demand through recessions and reducing the risk of business closures. Providing Income Insurance for job loss or reduced work capacity due HCD would bring benefits to both individuals and businesses, as it will provide greater opportunity for people with HCD to stay in work or successfully return to work, reducing staff churn, supporting greater inclusion and diversity within workplaces, and keeping experienced staff in businesses.

We acknowledge that the cost of the scheme to both employees and employers is a real cost, however, Income Insurance will provide significant additional protection to low-income families over a longer time horizon, which outweigh the cost. Currently, unemployment is low, but this will not always be the case. The scheme could have additional benefits for productivity as it supports people with HCD to retain employment. This in turn supports skill utilisation, which is an important contribution given Aotearoa New Zealand's high levels of job-skill mismatch. The scheme would also support automatic economic stabilisation of the economy in a downturn.

### Strategic alignment

Income Insurance aligns and supports several key Government strategies and initiatives – the Living Standards Framework, Active Labour Market Programmes (ALMPs), the Ministry of Social Development's (MSD's) employment services, Strategy for a Digital Public Service and the ACC accident scheme.

The Living Standards Framework is part of the Government's initiative to lift living standards for all Aotearoa New Zealanders. Income Insurance contributes to several domains under Level 1 (Our Individual and Collective Wellbeing) and Level 2 (Our institutions and Governance) of the Framework.

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<sup>9</sup> Māori are active contributors to the problem solving and design process from inception. Decision making around solution implementation is shared between ACC and Māori.

ALMPs are Government interventions that actively assist people into employment, increase earning capacity and improve the functioning of the labour market. Income Insurance shares several key relationship aspects with the ALMP work – particularly, developing the case management model, improving the pipeline of information about displaced workers, and meeting the needs of workers with HCD – which are being considered as part of the cross-agency ALMP Review currently underway.

Income Insurance is strategically aligned to MSD's role in helping people at risk of poor labour market outcomes prepare for, find, and retain suitable employment. There are significant shifts currently occurring in how MSD provides employment services with its new strategic direction, vision for a future service model, and Te Pae Tawhiti Programme, which aims to fundamentally change MSD's service model, systems, processes, and staff capability. Income Insurance continues to seek alignment across key areas through its cross-agency work.

The Strategy for a Digital Public Service sets the direction to modernise and transform the public service, putting people and businesses at the centre of Government services. The preferred option for the scheme – Digital Capability and Optimisation – is a significant digital investment and falls under the Government Chief Digital Officer (GCDO) system lead requirements and the Strategy for a Digital Public Service and Digital Strategy for Aotearoa.

Income Insurance shares similarities in several key areas with the ACC scheme for accidents. This includes payment of levies by employers and employees, the collection of funds through levies, which get invested until needed for claims, a case management approach to claimants, recovery and rehabilitation of people displaced due to health (through accident) conditions, and to support the timely return of people to health and/or suitable work and thus efficiently managing the overall claims liabilities. ACC also has a range of capabilities that provide a strong basis for having Income Insurance administered within ACC; these are being leveraged as part of the design and implementation of Income Insurance.

## Risks

ACC has a low tolerance for risk for the implementation of Income Insurance. The top 20 risks considered as “High” at this stage in the Programme are listed in Annex 6 of the Business Case. Key high risks include:

- Ineffective design process resulting in the scheme failing to support the achievement of agreed outcomes
- The health services' lack of capacity and funding to meet the needs of work capacity assessments
- The unavailability of services required to return people to suitable work

- Service providers lacking the capacity to participate in the scheme
- Lack of clarity on HCD demand to enable effective planning
- Delays in scheme delivery due to competing priorities of the Delivery Partner agencies.

The application of mitigations is expected to reduce the risks to “Low” throughout the life of the Programme and prior to the launch of the scheme.

## Economic Case

The Economic Case provides monetary and non-monetary analysis on the options for delivering Income Insurance, which is consistent with an updated Regulatory Impact Analysis<sup>10</sup> for the proposed scheme.

The Case provides a cost-benefit, risk, and sensitivity comparison of two viable options, which were short-listed from a long-list of options:

- Option 1 – Digital Capability & Optimisation: leverage off existing infrastructure and processes while building new digital capabilities and sector integrations for more optimal customer and case management
- Option 2 – Minimum Build: leverage off existing infrastructure and processes and build the minimum to stand up Income Insurance but defer additional digital optimisation to a later date.

Two further options were identified for Ministers but subsequently discarded (MBIE BP 2122-1851 refers):

- Option 3 – Remove Risk Contingencies: same as Option 1 but without sufficient budget to secure resources in a tight labour market
- Option 4 – Minimum and Remove Risk Contingency: same as Option 2 and without sufficient budget to secure resources, as per Option 3.

A detailed economic assessment of the short-listed Income Insurance options was undertaken.

The following scenarios were tested:

- Scenario 1 assumes that there is no difference in administrative costs between the two options, and therefore, levies are the same.
- Scenario 2 assumes that there is no difference in claimant outcomes between the two options.

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<sup>10</sup> Provided to Cabinet in December when approval is sought to introduce legislation for the scheme, and analysis  
Confidential advice to Government

- Scenario 3 combines scenarios 1 and 2.

### Preferred way forward: Option 1 – Digital Capability and Optimisation

Under the three scenarios, Option 1 – Digital Capability and Optimisation was preferred because it provides a better likelihood that the scheme will deliver:

- well-tailored services that better support workers’ return to health and independence, and better wages for some workers, leading to an improved general wellbeing for individuals, their families, and whānau
- cost efficiencies over time, as digitisation will reduce the reliance on labour-intensive processes to deliver services, which will in turn help to maintain levy affordability over time.

Since Option 1 is a significant digital investment, the Programme falls under the Government Chief Digital Officer (GCDO) system lead requirements and the Strategy for a Digital Public Service and Digital Strategy for Aotearoa. Income Insurance aligns with the GCDO system lead and strategies.

### Te Tiriti o Waitangi and Equity Case

The Te Tiriti o Waitangi and Equity Case outlines how Income Insurance will give effect to the principles of Te Tiriti. At the centre of the Income Insurance outcomes framework is Te Kāpehu Whetū – ACC’s Māori outcomes framework. This places Te Ao Māori and Oranga Whānau (whānau wellbeing) at the centre of the design and delivery of Income Insurance. This approach was strongly endorsed through our engagement with key system partners as well as by Rā Matua<sup>11</sup> and the Iwi Leaders Group (ILG).

Giving practical effect to the principles of te Tiriti will require:

- partnering with Māori to design, deliver, govern, and monitor the scheme
- implementing a Distributed Service Model to deliver the scheme.

The Distributed Service Model is at the heart of Income Insurance being developed for local needs, while learning and sharing insights nationally. It will contribute to Tino Rangatiratanga (sovereignty) and Oritetanga (equity) as it recognises that Māori know their communities best and are better positioned to support and contribute to Oranga Whānau. The Distributed Service Model also gives effect to Mana Motuhaketanga (options) as it recognises the difference in regional needs (and the specific needs of urban and rural communities) of Māori (and all Aotearoa New Zealanders) by ensuring

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<sup>11</sup> Rā Matua is an independent rōpū that aims to bring Māori ingenuity to the forefront in the implementation of Income Insurance, strengthening Māori and whānau to thrive as a people. The objective of this rōpū is to support ACC to shape the implementation of Income Insurance to meet Māori needs and aspirations, and to ensure whānau receive the full benefit of the scheme as designed.

providers with regional, iwi, and hapū knowledge are serving their communities. Equity is part of Te Tiriti and a concept that sits alongside it – however, the two are not the same. Priority populations for the scheme include Māori, Pasifika and disabled people. This is because of the inequities they experience due to system inequities. Income Insurance is being designed and tailored for these communities as they are disproportionately impacted by unpredictable income loss, job displacement as a result of future of work megatrends, and health shocks that reduce their ability to earn.

In Aotearoa New Zealand, people have differences in health that are not only avoidable but unfair and unjust. Equity recognises different people with different levels and advantage require different approaches and resources to get equitable health outcomes.<sup>12</sup>

Income Insurance will privilege a Māori world view as it recognises that a by Māori, for all approach, underpinned by manaakitanga, means all workers and their whānau will be provided equitable access, experiences and outcomes through the scheme. For ACC to achieve the lofty goal of creating a Tiriti-based scheme, we require overt pro-Tiriti and pro-equity leadership and capability across all levels of design and implementation. Successfully delivering the scheme, as it is described in this Business Case, requires a deep understanding of the support individuals and whānau need to be able to return and/or sustain oranga whānau (whānau wellbeing) which in turn enables choices for their return to work. For many whānau this will require holistic and wraparound services, broader than just employment focused support services. A commitment between agency partners to work together with Tiriti partners to co-design and implement the scheme is paramount, as is a focus on joined up commissioning which makes it easier for iwi, hapū, social service providers and communities to support whānau. The level of entrenched inequity within Aotearoa New Zealand means we have to acknowledge that our aspirations for the scheme will not be realised on day one of the scheme being operational. It requires a sustained focus on the intentions, courage, investment, and clear measures and indicators to help track progress towards our ultimate outcomes.

## Commercial Case

The Commercial Case explains the Procurement Strategy and sets out the planned approach to the market for Option 1 – Digital Capability and Optimisation.

The procurement strategy describes the three categories of procurement required to support implementation readiness. On the basis of the relative value of the procurement and the potential risk to the organisation, the preferred approach to the market for the

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<sup>12</sup> Ministry of Health definition of equity (2019) - signed-off by Director-General of Health. <https://www.health.govt.nz/about-ministry/what-we-do/work-programme-2019-20/achieving-equity#:~:text=World%20Health%20Organization,-,The%20definition,to%20get%20equitable%20health%20outcomes.>

three categories is as follows:

- Category 1 – Specialist services: ACC, where possible, will source for this category through the All of Government (AoG) Government Chief Digital Officer (GCDO) Assurance Services Panel or Recruitment Suppliers Panel. This category includes Independent Quality Assurance (IQA), Customer Design, Change Management, Equity Co-design and Delivery, and Resourcing. A Business Implementation Partner has been selected.
- Category 2 – Digital and technology: these will be procured with a view to leveraging what ACC already has in place where appropriate and using new technology and/or services where there are gaps. ACC will take into consideration Public Value, Speed of Delivery, Capacity and capability, Change impacts, Cost, Compliance, Risk and Complexity. This category includes Contact Centre Technology, Claim Administration and Payments.
- Category 3 – Accommodation and facilities: the strategy for property will be developed once operational requirements are fully understood, taking into account the phased approach to the accommodation requirements over the lifetime of the Programme. Existing ACC property footprints and leases will be leveraged wherever possible. All of Government property considerations will be taken into account if any expansion of property footprint is required.

The procurement strategy is aligned with ACC's Progressive Procurement Programme (an MBIE mandated programme) and the procurement process complies with MBIE Rules of Procurement. The systems meet the Government's Digital Strategy and relevant standards. The scheme follows ACC's Provider Management Framework for contract and performance management. The sourcing and management of services will be in line with the following principles from ACC and the broader Government approach.

In all three categories ACC will work with suppliers to secure clear commitments and will work with suppliers to lead change where needed. Where suppliers are less mature, ACC will support improvement. ACC expects prospective suppliers to be able to demonstrate:

- a clear understanding of ACC's requirements for the design and build of the Income Insurance scheme
- an ability to deal with a level of ambiguity as the Income Insurance policy settings evolve until Income Insurance legislation is agreed
- an ability to operate within a partnership environment with Māori
- a clear commitment to delivery of Te Tiriti o Waitangi and Equity in the aspects of the scheme that they are delivering

- an organisation commitment to understanding Te Tiriti o Waitangi and Te Ao Māori and how it would practically apply to them
- local and (where appropriate) international level capability to support the design and build of a scheme of this size and complexity
- capability and capacity to deliver their components of Income Insurance on schedule
- to be able to deliver sustainably produced goods and services wherever possible, having regard to economic, environmental and social impacts over their life cycle
- to be able to establish a partnership relationship (as appropriate) with ACC which focuses on the long-term delivery of value
- compliance with all relevant New Zealand law.

Procurement considerations will include whether service providers have the requisite skills, capacity and experience to deliver the services and/or outcomes in the timeframe required.

## Financial Case

The Financial Case outlines the costs to implement and operate Income Insurance. The scheme will leverage off existing infrastructure and processes while building new digital capabilities and sector integrations for optimal and equitable customer and case management.

An investment into new technology and the workforce to design and build the new scheme is required. Once Income Insurance commences, the operating costs will largely be driven by service delivery workforce costs and influenced by claims volumes. Using an integrated delivery model, ACC will be primarily responsible for the overall implementation, and operation of Income Insurance, while Delivery Partner agencies – Inland Revenue (IR), MSD, MBIE and the Treasury – will contribute to the implementation and operation of the scheme as follows and will need to be funded accordingly:

- IR – will play key roles in employee levy collection via PAYE and provision of data to inform employer levies and claims assessment and management
- MSD – implementation of the scheme will be closely aligned with the investment in, and implementation of, the Te Pae Tawhiti Programme, and the implementation of the ALMP Review outcomes. It is essential that the experience for customers who are part of the scheme is seamless across delivery and community partners, which will require alignment on identity and case management, MSD service access, and MSD digital employment
- MBIE – as policy lead, MBIE will provide primary advice on legislation and other legislative instruments, such as levy setting regulations

- The Treasury – as agency monitor, the Treasury will lead governance and accountability processes, such as accountability and performance agreement setting and monitoring, and board appointments.

These roles will be funded via a combination of appropriations and levies. No other Government entities will be funded through this Business Case for Income Insurance activities.

A financial model for Income Insurance was built by external consultants and further developed by ACC. The model was constructed using a combination of bottom-up estimations and top-down assumptions, with input from ACC, IR and MSD, to create a detailed structure for each area of the scheme. A range of collaborative processes were used incorporating feedback from subject matter experts, Delivery Partners and vendors to develop the costings. The financial model quantified people, technology and property costs in the implementation and operational stages. The modelling of the Service Delivery workforce assumes that costs for service delivery on a per customer basis will be equivalent regardless of service provider and relevant to case complexity. The anticipated Whole-of-Life (Implementation) cost of the Programme is Confidential \$66.4m has been funded in 2021/22 and 2022/23. Confidential advice to Government

[REDACTED]

[REDACTED]

The technology costs identified in this Financial Case were arrived at through a procurement process currently at pre-contract negotiation. As we are at the preferred supplier stage, we expect to refine the costings over the coming months. As the underpinning assumptions are refined and preferred supplier contract negotiations concluded, the costings in this Business Case may change, however, these are not expected to materially affect the conclusions of the cases.

To provide assurance on procurement, an Income Insurance Financial/Commercial Committee has been established. The Committee will meet regularly during the procurement phase of the Programme to ensure contracts are consistent with the Procurement Strategy and Plan.

## Management Case

The Management Case outlines the capability and capacity required to successfully deliver Income Insurance. It covers implementation governance and management of the scheme, organisational change management, risk management and the assurance arrangements in place. The Management Case also provides more detail of the Distributed Service Model that will be co-designed further with Māori and is a critical input to the scheme delivering equitable access, experiences and outcomes.



## Governance and management

The Executive Lead (SRO) for Income Insurance is Stephen Crombie. The Programme has multiple levels of implementation governance for ensuring the investment outcomes for the Income Insurance Programme are achieved.

The implementation governance boards within the Programme delivery structure include:

- Ministers
- The Social Unemployment Insurance Committee
- Rā Matua
- The Income Insurance Programme Steering Committee
- The Design Authority

Communication and Engagement Strategy and Workplans support the Programme's approach to stakeholder management to deliver powerful partnerships with Māori and high-quality relationships to support successful implementation.

Customer-centred principles, equity by design, and privacy by design approaches guide the Programme to achieve successful outcomes that deliver on the Government's agreed policies and scheme objectives.

An overarching and distributed Income Insurance Resourcing Strategy and Workforce plan is being developed to describe how the resourcing approach will be managed in an integrated and co-ordinated way to achieve equitable outcomes for Māori, Pasifika, disabled people and all Aotearoa New Zealanders.

## Organisational change management

Income Insurance will use ACC's established Change Management Framework to deliver people-centric change that integrates with the wider Programme management approach. Change management support will be delivered using Business Integration methodology that leverages capability across a number of functional teams in a multi-disciplinary approach.

## Assurance

Assurance is built into the implementation governance model of Income Insurance using a mix of internal and external assurance activity. The Programme aligns with the GCDO system assurance framework. An external independent quality assurance service will be sought from a third party. Gateway Reviews will be conducted throughout the Programme in accordance with the Treasury's Gateway assurance methodology, with the first Gateway Review (Gates 0 and 2) conducted in early October 2022 resulting in a Green-Amber outcome. A post-implementation review is planned for between 6-12 months

following launch of the scheme. A Treasury Operations and Benefits Realisation Review will be undertaken at agreed points; the initial review will be timed to inform the Benefits report-back to Cabinet.

#### Risk management

A Risk Management Plan has been developed using ACC's existing Enterprise Risk Management Framework. The Programme has a Risk Register and full-time risk management staff to support and promote risk management as part of the Programme's ways of working.

ACC has a low tolerance for risk for the implementation of Income Insurance. Risks considered as "High" at this stage in the Programme are listed in Annex 6. The application of mitigations is expected to reduce the risks to "Low" throughout the life of the Programme and prior to the launch of the scheme.

DRAFT IN CONFIDENCE

# Strategic Case

## The role of Income Insurance in Aotearoa New Zealand

### People commonly experience job loss from economic displacement or health conditions or disabilities in Aotearoa New Zealand

Every year hundreds of thousands of jobs are impacted by firm closures and restructures. Many people find new jobs quickly, including newly created jobs, but others experience extended periods without a job. At any one time around 40,000 people are jobless due to economic displacement (ED). A further 20,000 people are jobless due to health conditions or disabilities (HCD).

These people are largely uncompensated, and this can cause serious consequences.

Job losses, even those for a short duration, can result in:

- large income drops for households, financial hardship, and stress
- longer-term income losses, even after re-employment
- a risk of leaving employment altogether, particularly for people with health conditions
- reduced spending, which if widespread, can cascade to further job losses.

Systemic societal inequities mean population groups including Māori, Pasifika, and disabled people experience these negative consequences inequitably – for this reason, they are priority population groups for the scheme.

The large gap in income protection in Aotearoa New Zealand (compared to other developed countries) means that the immediate income loss after losing a job is substantial and that the ongoing wage effects are higher when compared with many OECD countries (OECD 2017)<sup>13</sup>.

Most people in Aotearoa New Zealand are unable to negotiate or afford income protection equal with the impacts of job loss, (due to bargaining power imbalances and the high cost of insurance options) and they have little savings to fall back on. This is despite a widespread (and potentially increasing)<sup>14</sup> exposure to risks of job loss.

While there are privately provided income insurance options, these have low up-take and fail to cover most workers, particularly those who need it<sup>15</sup>. Income Insurance spreads costs across the whole workforce, providing a more holistic solution for Aotearoa New

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13 OECD. (2017). Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers, OECD Publishing.

14 Changes in technology, climate and demographics have potential to increase labour market disruption (refer Future of Work Tripartite Forum, 2019). The number of workers with reduced work capacity due to a health condition is expected to increase as the population ages.

15 Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz/publications/a-new-zealand-income-insurance-scheme-a-discussion-document)

Zealand. There is major inconsistency in income support for people whose earnings are affected by health conditions.

### **Workers with health conditions and disabilities may find it more difficult to return to or find new work due to additional barriers they face in the labour market**

If loss of earnings is a result of an accident (from whatever cause) or a work-related injury, people are entitled to income from accident compensation, at a rate of 80% of prior earnings with no restrictions on eligibility based on household circumstances, and co-ordinated support to return to work.

If loss of earnings is a result of HCD that is not caused by an accident or the individual's work, accident compensation does not apply.

Where accident compensation does not apply, the individual must seek support through the welfare system, if eligible, or rely on private resources. The support and payment, an individual is eligible for is dependant in part on household circumstances such as partnership status, partner income, children, housing costs, and assets.

Most displaced people do not qualify for, or do not take up welfare support. OECD (2017)<sup>16</sup> suggests that 60-70% of unemployed people who had been made redundant in the previous five years did not receive a benefit, as the majority of cases were ineligible because of a spouse in full-time employment.

Individuals may be eligible for income support after losing their job, primarily through different variants of the Jobseeker benefit (or for people with permanent and severe health conditions, Supported Living Payment). Sole parents with children under 14 may be eligible for Sole Parent Support.

Māori and Pasifika (and some segments of ethnic communities), more than other populations, experience higher rates of redundancy and health conditions and have less income protection and savings.<sup>17</sup>

Indicative estimates of the net-present value of lost wages, as a result of ED, are between \$3.3 billion (in a year of economic upswing) and \$15.4 billion in a year of very severe economic downsizing (Hyslop et al. 2021).<sup>18</sup>

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16 OECD. (2017). Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers, OECD Publishing.

17 Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz).

18 Hyslop, D., Maré, D., Noy, S. & Sin, I. (2021). Involuntary job loss: welfare effects, earnings impacts and policy options. Motu Working Paper 21-06, April 2021. Motu Economic and Public Policy Research.

Productivity losses to workplaces are associated with workers with HCD, for instance presenteeism (OECD, 2018).<sup>19</sup> Many of the people who are disproportionately affected already experience labour market disadvantages, which are compounded by job loss and poor health.

This would also suggest that their and society's productivity may be lower than what can be achieved by better matching of skills and jobs. Without income protection, risk averse workers may truncate job searches when they lose their job and take low-risk, low paid jobs. Employers also respond by offering such jobs and low wages will bias decisions towards labour intensive production and the economy could settle into a “low skill equilibrium”.

Another impact of ED is that reduced employment results in less consumption expenditure by households, and this can accentuate any downturn. Households may spend less because of actual job loss e.g. families of a displaced person, or on a precautionary basis if they are concerned about potential job loss. This is an effect observed at national level, or at the local level when major employers downsize or close.

## The Case for Change

**Income insurance could help people experiencing job loss from economic displacement or health conditions or disabilities to receive an income that substantially replaces lost salaries and wages**

Income Insurance is a new scheme proposed by the Government, Business New Zealand, and the New Zealand Council of Trade Unions. The overall purpose of the scheme is to minimise abrupt drops in income, and to promote a return to suitable employment, where this is possible.

Aotearoa New Zealand currently has a social insurance scheme for accidents, provided by the Accident Compensation Corporation (ACC) – but not for job or work loss due to health conditions or disabilities (HCD) or economic displacement (ED). Income Insurance would be a new income insurance scheme to provide similar income protection for people displaced from their jobs (made redundant) or who lose or significantly reduce or work because of HCD.

Income Insurance seeks to address gaps in the availability of financial assistance in the labour market, due to large income drops, which can:

- constrain the opportunities for displaced workers to look for new jobs

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<sup>19</sup> Presenteeism arises where people do not feel they can take time off.

- force disabled people, or people with health conditions, to make trade-offs between their health and their ability to earn, even if this compromises their longer-term health and employment prospects<sup>20</sup>.

Income Insurance will provide income to replace 80 percent of prior earnings, for a period of up to six months, for people who lose their job due to ED or HCD (or have reduced capacity to work). Payments would be unaffected by any assets, or partner earnings. At the completion of the six-month entitlement period, if the worker is still unemployed or is unable to return to work due to HCD, Income Insurance will hand over the support of that person to MSD (where eligible). The actual process of transferring a person to MSD is yet to be designed with MSD, but it will be based on the premise that the transfer will be seamless to the worker, will not require duplication of information already provided, and will consider any other non-Income Insurance wrap-around services being provided through the Distributed Service Model.

Funding for Income Insurance is through a levy shared equally by employers and workers. The 80 percent replacement income will be supported by requirements on employers such as notice periods, bridging payments (ED) and to hold employees' jobs open (HCD).

Income Insurance is relatively simple when compared to international examples of social insurance schemes for income loss<sup>21</sup>. Income Insurance will fill a significant gap in income replacement for people who lose their job, or in the case of HCD reduced work capacity, through no fault of their own. It is considered that Income Insurance:

- complements the welfare system's role in alleviating poverty and hardship for individuals and their families
- benefits businesses through improved skills matching across the labour market (by improving employers' access to skilled workers), sustaining consumer demand through recessions, and reducing the risk of business closures. The inclusion of HCD cover brings benefits to both individuals and businesses, as it will provide greater opportunities for people with HCD to stay in work or successfully return to work, reducing staff churn, supporting greater inclusion and diversity within workplaces, and keeping experienced staff in businesses
- provides significant additional protection to low-income families over a longer time horizon which outweigh the cost, even though the cost of the scheme to both

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20 Polidano, C., & Vu, H. (2015). Differential labour market impacts from disability onset. *Health Economics*, 24(3), 302–317.; Perry, C., Kenney, G., & Bogdan, T. (2009). Disability onset among working parents' earnings drops, compensating income sources, and health insurance coverage. *Low Income Working Families Paper 11*. The Urban Institute; Jones, M. (2016). Disability and labor market outcomes. *IZA World of Labor*: 253. Gaulke, A. (2021). Individual and family labor market impacts of chronic diseases. *IZA World of Labor*: 482.  
21 ACC. (2022). Chief Executive summary of learnings: NZIIS Minister study tour 26 August to 5 September 2022.

employees and employers is real; currently, unemployment is low, but this will not always be the case

- could have additional benefits for productivity as it supports job-skill matching and supports people with HCD to retain employment. This in turn supports skill utilisation, which is an important contribution given Aotearoa New Zealand's high levels of job-skill mismatch
- would support automatic economic stabilisation of the economy in a downturn.<sup>22</sup>

## Impacts for Māori workers

By 2038, Māori will make up one-sixth of Aotearoa New Zealand's workforce. Compared with the rest of the workforce, Māori workers are younger. Māori 15 to 24 year olds represent a higher percentage (21.0 percent) of employed compared with Aotearoa New Zealand Europeans (14.5 percent). The younger and growing Māori population are essential to support Aotearoa New Zealand's future workforce and prosperity.<sup>23</sup>

Although Māori have made significant gains in terms of skills and education<sup>24</sup>, the education system continues to underserve Māori. This results in a relatively high proportion of Māori being in lower-skilled and lesser paid occupations and in industries particularly vulnerable to changes in technology and economic cycles, such as manufacturing, wholesale and retail trade and construction. Māori are affected by displacement at higher rates than Pasifika or Asian people and are disproportionately likely to be made redundant relative to their share of employment<sup>25</sup>. Māori men are affected in higher numbers than Māori women.

There is a lot still that we need to understand about why these inequities exist. This includes continuing to understand the intergenerational impacts of colonisation, institutional racism, and lack of equity in the delivery and success of public services and government funded social support services. Importantly, Income Insurance will be designed differently to give effect to the principles of Te Tiriti and allow equitable access, experiences and outcomes.

Figure 2<sup>26</sup> shows the makeup of Aotearoa New Zealand's workforce by ethnicity and how the displacement compares by ethnicity.

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22 OECD (2022) suggested that social insurance would be "likely to improve the resilience of New Zealand's economy and job market shocks by bolstering automatic stabilisers, especially given that such schemes typically have strong fiscal multipliers effects".

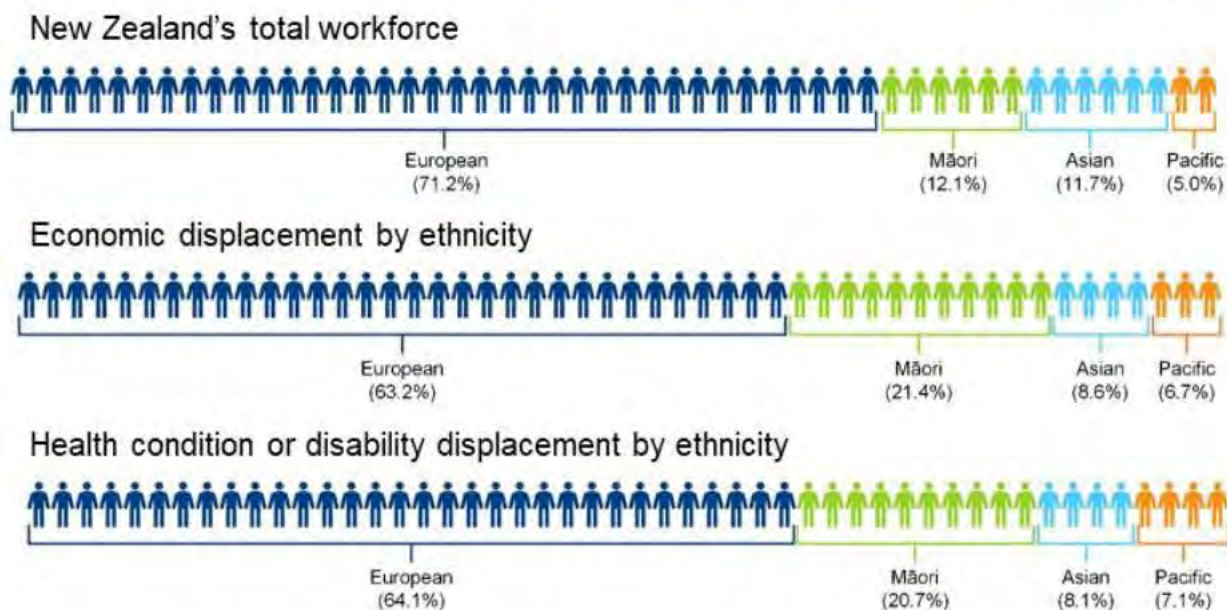
23 Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz).

24 Tokona Te Raki, Māori Futures Collective with BERL. (2017). Change Agenda: Income Equity for Māori. <http://www.maorifutures.co.nz/wp-content/uploads/2019/11/Income-Equity-for-Maori.pdf>

25 An average of 21 percent of those displaced were Māori, compared with 13 percent of those employed.

26 Data from the Household Labour Force Survey.

\*Figure 2 – Economic displacement of Aotearoa New Zealand workers by ethnicity



\* There is limited reliable data available on the experience of displacement within ethnic communities in the labour market or the proportion of those identifying as a member of an ethnic community who leave work due to a disability or health condition. The experiences of some segments of ethnic communities within the labour market are likely to closely resemble the experiences of other vulnerable groups.

With entitlements based on an individualised assessment, eligibility for the scheme is wider than welfare, so more whānau will be supported following loss of work. In particular, for young Māori who are displaced, the scheme could provide a potential pathway to explore different employment options and gain further skills and qualifications required to thrive in the labour market.

With a holistic focus on what active labour market participation means to Māori, the scheme could contribute towards improved social and economic outcomes aligned with their whānau aspirations and provide employers with skilled, culturally competent and versatile employees to fill future labour market demand.

Māori with disabilities tend to fare worse than non-disabled Māori across a range of outcomes<sup>27</sup>. The scheme is likely to benefit Māori with disabilities who access it in similar ways as non-disabled Māori, as well as provide time to address the effect HCD has on their wellbeing and support a return to work, where appropriate.

Some services and support present access barriers for Māori or are ineffective at delivering positive outcomes for Māori. The design of Income Insurance will be co-designed<sup>28</sup> with Māori.

27 Statistics New Zealand. (2013). New Zealand Disability Survey.

28 Māori are active contributors to the problem solving and design process from inception. Decision making around solution implementation is shared between ACC and Māori.



## Impacts on equity

The Te Tiriti o Waitangi and Equity Case outlines how Income Insurance will give effect to the principles of Te Tiriti. Equity is part of Te Tiriti and a concept that sits alongside it.

ACC has selected Māori, Pasifika, and disabled people as the three priority populations for the scheme<sup>29</sup>. We recognise the importance of meeting the Government's obligations under Te Tiriti o Waitangi in the design and delivery of this scheme. We also recognise that although equity is part of te Tiriti and is a concept that sits alongside it, the two are not the same.

In addition to recognising the status Māori have as tangata whenua of Aotearoa New Zealand and the rights pursuant to Māori as agreed in Te Tiriti, Māori are also recognised as a priority population to:

- ensure the scheme is designed with Oranga Whānau (whānau wellbeing) at its heart
- address the inequities in the employment sector and labour market that results in the over-representation of Māori in vulnerable employment<sup>30</sup>
- address the greater risk of job loss Māori face due to ED or HCD (including a reduced capacity to work).

Pasifika are recognised as a priority population to:

- address the inequities in the employment sector and labour market that result in the over-representation of Pasifika in vulnerable employment
- support the disproportionate number affected by HCD.

Disabled people are recognised as a priority population to:

- support people with disabilities to live full and happy lives
- contribute to Aotearoa New Zealand workplaces being inclusive and diverse
- address the current inequity whereby a person who experiences an accident can receive much more support than a person with a non-accident related HCD, despite a similar loss of ability to work
- ensure people losing work, or working at reduced capacity, due to HCD would receive similar (albeit time-limited) financial support as people with injuries due to an accident.

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29 Alongside the priority populations ACC has decided on, ED also includes lower income workers, younger workers, and women. HCD also includes older workers and women.

30 Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](#).

Income Insurance will improve equity across the economy by compensating workers (and, by extension, their families and whānau) for job loss, recognising the efficiency gains job reallocation brings to businesses and workers.

A key reason for this is data from the Household Labour Force Survey (HLFS), which indicates that people with below-average earnings are more likely to experience involuntary job loss, so are more likely to receive replacement income, and receive more in replacement income than they pay in levies as a group, point in time.

Income Insurance will not help those most disadvantaged in the labour market (i.e., those of working age who are not in work). This group will not be required to finance Income Insurance.

Income Insurance will also improve horizontal equity by providing a more comparable level of financial (albeit time-limited) support to those people who lose work due to health conditions, compared to those who lose work due to accidents. Income Insurance will make payments equivalent to ACC weekly compensation, for up to six months. Like ACC, those payments will be unaffected by any assets, or partner earnings.

## **Impacts on economically displaced workers**

**Income insurance could minimise the immediate financial impact of losing income and work for workers and their families, and help support workers back to suitable jobs**

Workers are displaced when they lose their jobs through no fault of their own, whether due to ED or HCD where reduced work capacity is not possible. Workers who encounter barriers to re-entering suitable work, such as financial pressure, lack of familiarity with the job market or the inability to identify transferable skills, face the possibility of sustained income loss even when re-employed, an effect described as wage scarring.

For displaced workers, the primary incentive is to secure another job quickly, even if the new job has lesser wages and conditions than the one prior.

Most economically displaced people secure re-employment within six months, but frequently experience lesser wages and conditions as a result, especially those in low-income households. Long-term their incomes are significantly below what they had in their previous job.

A 2017 study found that displaced workers who regained employment had 25 percent lower earnings in the first year after job loss (compared with matched non-displaced

workers), and about 15 percent lower earnings five years later.<sup>31</sup>

## Impacts on displaced workers with health conditions or disabilities

### Income insurance could allow disabled people and people with health conditions to receive similar financial support to people who have accidents

The risk for displaced workers with HCD is that income losses can generate an adverse trade-off between treatment and income. For example, some people may continue to work with an existing HCD (even if the job is making their health condition worse) or return to work prematurely after the onset of an acute condition, because they cannot afford enough unpaid time away from their jobs for full treatment and recovery.

In the worst-case scenario, failure to get sufficient treatment or being able to afford treatment, can result in a health condition deteriorating to the point that the worker loses their current job and finds it difficult or impossible to get another, or can no longer work due to deterioration of the condition.

There is considerable evidence confirming the benefits of work to the health and wellbeing of people with HCD<sup>32</sup>; for many people, positive (or negative) employment and health outcomes are mutually dependent. It is unlikely to be possible to achieve one without the other.

Workers who lose their jobs through HCD also experience wage scarring,<sup>33</sup> but for them, the major long-term cause is reduced employment, rather than lower wages from replacement jobs experienced through ED. There appears to be high levels of part-time work among people with HCD, which may reflect an inability to sustain full-time work, rather than lifestyle choices.

For people who are either ED or have HCD, a substantial, extended drop in income can undermine their living standards and those of their family and whānau.

Prolonged periods without work can result in serious financial stress, with major consequences for their wellbeing such as reduced housing standards, worsening health, or major losses in wealth (as people draw on savings to meet their commitments).

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31 Hyslop, D. & Townsend, W. (2017). The longer-term impacts of job displacement on labour market outcomes Motu Working Paper 17-12. Motu Economic and Public Policy Research. [The longer-term impacts of job displacement on labour market outcomes \(motu.org.nz\)](https://www.motu.org.nz/publications/working-papers/17-12-the-longer-term-impacts-of-job-displacement-on-labour-market-outcomes)

32 Waddell, G. & Burton, A. (2006) Is work good for your health and well-being? TSO. <https://huddersfield.box.com/s/kmyvyl6clmsap4m3femp6wb7joaxd87d>

33 Blakely T., Sigglekow, F., Irfan, M., Mizdrak, A., Dieleman, J., Bablani, L. et al. (2021). Disease-related income and economic productivity loss in New Zealand: A longitudinal analysis of linked individual-level data. *PLoS Med* 18(11): e1003848. <https://doi.org/10.1371/journal.pmed.1003848>

## Impacts on businesses

### Income Insurance can help increase Aotearoa New Zealand's economic productivity where businesses generate more value and greater returns

Income Insurance will promote this through:

- longer job search periods that enable better matches between displaced workers and subsequent employers, improving the skills available to employers
- greater opportunities for displaced workers to retrain and upskill, thus improving the skills available to employers
- greater opportunities and benefits for workers with HCD to stay in work or successfully return to their place of work, reducing staff churn and keeping experienced staff in businesses
- reduced worker resistance to change (through the confidence of an effective social protection system) leading to more support for business restructuring
- sustaining consumer demand through recessions, reducing the risk of business closures.

Income Insurance will also create a much clearer statutory basis for the redundancy process, reducing employers' exposure to litigation<sup>34</sup>.

Employers will pay GST on their portion of the levies but will be able to claim back this GST as they would with other business-related expenses.

Employers will have the peace of mind that they're helping working people to adjust to the life shocks of losing work due to redundancy, or HCD (including reduced work capacity).

It is noted that Income Insurance will impose on employers:

- the costs of understanding and building compliance requirements (one-off)
- the costs of paying levies themselves and the cost of administering levy payments for employees
- the costs of four weeks' notice prior to a redundancy and bridging payments for ED.

It is acknowledged that not all businesses are the same. Some businesses may experience these impositions inequitably; this will be considered when determining how we bring businesses on board with the scheme. For example, tailored communications specific to a type of business. We acknowledge there is more work to do to determine how we make it equitable for businesses to prepare for implementation of the scheme.

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<sup>34</sup> Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](#).

## Impacts on the economy

**Income Insurance could bring major benefits to the Aotearoa New Zealand economy, with one of its most significant effects being the reduction of the severity of economic downturns**

Aotearoa New Zealand has several policies that automatically counter the effect of a recession, these are referred to as automatic stabilisers. For instance, receipt of welfare payments increases and tax revenue falls in a recession, which limits the slowdown of the circulation of money in the economy, preventing the recession from deepening. Countries with larger and more effective automatic fiscal stabilisers need less discretionary change in public spending and revenues to stabilise the economy for a given shock.<sup>35</sup>

The Treasury analysis estimates that the adoption of Income Insurance will increase the responsiveness of Aotearoa New Zealand's automatic stabilisers from around the average to one of the stronger responses in the OECD. However, introducing Income Insurance is unlikely to completely remove the need for monetary stimulus or discretionary fiscal policy, such as business support, during a downturn.

Income Insurance will also support local economies. Loss of work can affect whole communities and whānau, especially communities reliant on a major employer. When major employers shut down, workers have little money to spend, which means other businesses suffer and the community can go into a long-term economic decline that can last for generations. Payments from Income Insurance will cushion workers and communities from such abrupt income losses, allowing more time to adapt.

## Benefits to Aotearoa New Zealanders in general

**The benefits of income insurance for people experiencing job loss due to economic displacement or health conditions would outweigh its costs**

The major immediate benefit of Income Insurance is on the income and consumption of workers as Income Insurance would more effectively smooth incomes and expenditure for many people who are displaced or whose work capacity is reduced due to HCD.

This income smoothing will help maintain household consumption and wealth creation. Without it, displaced workers may be able to cut some discretionary spending, but for many lower to middle income households a large proportion of income is spent on non-discretionary items such as food, utility bills and medical costs.

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35 Price, R., Dang, T. & Botev, J. (2015). Adjusting fiscal balances for the business cycle: New tax and expenditure elasticity estimates for OECD countries. OECD Economics Department Working Papers, No. 1275, OECD Publishing. <https://doi.org/10.1787/5jrp1g3282d7-en>.

Of particular concern is housing costs (mortgages and rents) which are high in Aotearoa New Zealand compared to many other developed countries. This is because Aotearoa New Zealand households save less than households in many other OECD countries (OECD, 2010)<sup>36</sup>, and a significant proportion have little or no savings; survey data indicates over half of households have savings of less than six months' income and will need to borrow if their incomes fell by a third for six months (Retirement Commission, 2021; Consumer NZ 2021)<sup>37</sup>.

Losing income as a result of ED or HCD creates financial stress and associated health effects. Income Insurance would provide a protective buffer, by avoiding large drops in income, thus elevating against the concerns of unemployment and income reduction<sup>38</sup>, and protect against the adverse health-related consequences.

It is, however, difficult to measure this effect.

Positive health outcomes from Income Insurance are expected for those with HCD and will also be experienced by the groups above through preventing some of the impact of job loss on mental health and associated social issues. Income Insurance would encourage people with HCD to remain connected to work in the following ways:

- financial support will help to reduce the pressure for people with conditions to stay in work when unwell (presenteeism) or enable people with HCD to reduce their hours or take sufficient time away from work for medical treatment and work-related rehabilitation and maintain or return to their job
- people will be able to leave completely instead of working part-time, which will promote recovery and maintain their connection to the workplace or people can take time out to recover and find another job that is more suitable to balancing their health needs
- for people experiencing severe or terminal illness, where return to work is impractical, the six months income may enable them to make adjustments to a change in circumstances (e.g. downsizing housing) in an orderly and dignified manner.

For people who are unable to return to work, Income Insurance would provide support to individuals and their families and whānau. Income Insurance will enable them to transition their affairs to be sustainable post-working life and help at a time when people may be incurring higher medical expenses.

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36 OECD. (2010). *Sickness, Disability and Work: Breaking the Barriers. A Synthesis of Findings Across OECD Countries*. OECD Publishing.

37 Retirement Commission. (2021). *New Zealand Financial Capability Survey*. [TAAO-RC-NZ-FinCap-Survey-Report.pdf \(amazonaws.com\)](#). Consumer New Zealand. (2021.) [Consumer NZ Sentiment Tracker - Consumer NZ](#)

38 Kuka, E. (2020). Quantifying the Benefits of Social Insurance: Unemployment Insurance and Health. *The Review of Economics and Statistics*, 102 (3), 490–505.

Income Insurance would allow people more time to search for a job that better matches their skills, previous wages, conditions and offer more security, reducing post-ED wage and income scarring<sup>39</sup>.

The payments from Income Insurance will reduce the financial pressure to accept poorly matching jobs, allowing people more time to find a job that is a good match to their skills, as indicated by post-ED wages or tenure. This is particularly important for people with medium to higher skills who face thinner labour markets, as these tend to entail longer periods for job-matches.

Payments will also allow displaced workers who need additional support, upskilling or to make career adjustments time to undertake or initiate training. This is particularly important for people with low qualification levels, or older people with specialised skills but who lack formal credentials, and for people in occupations or industries that are shrinking or where skill requirements are changing.

The overall purpose of Income Insurance is to minimise abrupt drops in income, and to promote a return to suitable employment, where this is possible.

## Levy and Payment Calculations and Assumptions

### Editor's Note:

Levy rates for the scheme are being considered by Ministers. This information refers to data used for initial policy development.

In February 2022, 'A New Zealand Income Insurance Scheme' discussion document was publicly released outlining the proposals for the scheme. This included claims and expense costs of \$3.541 billion assuming a replacement rate of 80% of eligible salaries and wages capped at \$130,911 which mirrors the ACC scheme (at the time of consultation).

The discussion document also proposed that Income Insurance could be fully funded by introducing a new levy, with the possibility of establishing a small reserve fund to improve the scheme's sustainability, should claims experience be worse than expected. The Treasury have indicated that the Crown would act as a lender of last resort in the event additional funding was needed to support the cost of adverse shocks and any requirement for a more stable levy over time. The document also proposed that Income Insurance costs could be funded using a levy of 2.77% on \$127.697 billion of leviable

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39 Dahl, G. & Knepper, M. (2022). Unemployment insurance, starting salaries, and jobs. NBER Working Paper 30152 <https://www.nber.org/papers/w30152>. Centeno, M. (2004). The match quality gains from unemployment insurance, *Journal of Human Resources*, vol. 39(3), pp. 839-863. Kyyrr, T., Pesola, H. & Rissanen, A. (2017). Unemployment Insurance in Finland: A Review of Recent Changes and Empirical Evidence on Behavioral Responses. VATT Research Reports 184, VATT Institute for Economic Research.

salaries (also capped at \$130,911), and that the levy would be shared equally (1.39%, rounded) between employees and employers.

These costs and levy figures were based on modelling carried out by MSD and MBIE using data effective for June 2018. Being the first scheme of its kind in Aotearoa New Zealand, the underlying claims assumptions have been based on adjusted redundancy experience from the US state of Massachusetts and adjusted disability experience from Denmark. As a result, there is uncertainty in the costs of Income Insurance being modelled and therefore, the levy rate that can support these costs.

Income Insurance is new for Aotearoa New Zealand, so there is a high level of uncertainty in the claims and expense assumptions used in this model. While Aotearoa New Zealand and overseas historical claims experience has been used to inform model assumptions, there will be second order impacts arising from the existence of Income Insurance that will not be accurately captured in historical claims experience and conditions for overseas schemes that will vary from the likely Aotearoa New Zealand experience. Although allowances have been made for differences in replacement rates, other second order impacts arising from the operation of Income Insurance (such as improvements to role alignment reducing redundancy claims) have not been explicitly modelled.

Income Insurance will also be impacted by the uncertain economic environment and cycles, affecting the costs and income of the scheme. If experience is better or worse than expected in different areas, this can have an impact on the levy rate and/or other funding options needed to support Income Insurance.

If Income Insurance is in a position where cumulative costs exceed cumulative income, then the scheme would be in a cumulative deficit position and require additional funding support. The funding policy to support Income Insurance is still being developed. While the Crown would act as a lender of last resort, the intention is for the scheme to be financially self-sustaining over the long-term using appropriate levy rates, with a very low risk appetite for Crown funding that cannot be repaid under normal economic conditions over a typical 10-year economic cycle. The Crown will need to consider the responsiveness of levies relative to the scale of financing flexibility and length of time that the scheme could be in excessive surplus or deficits.

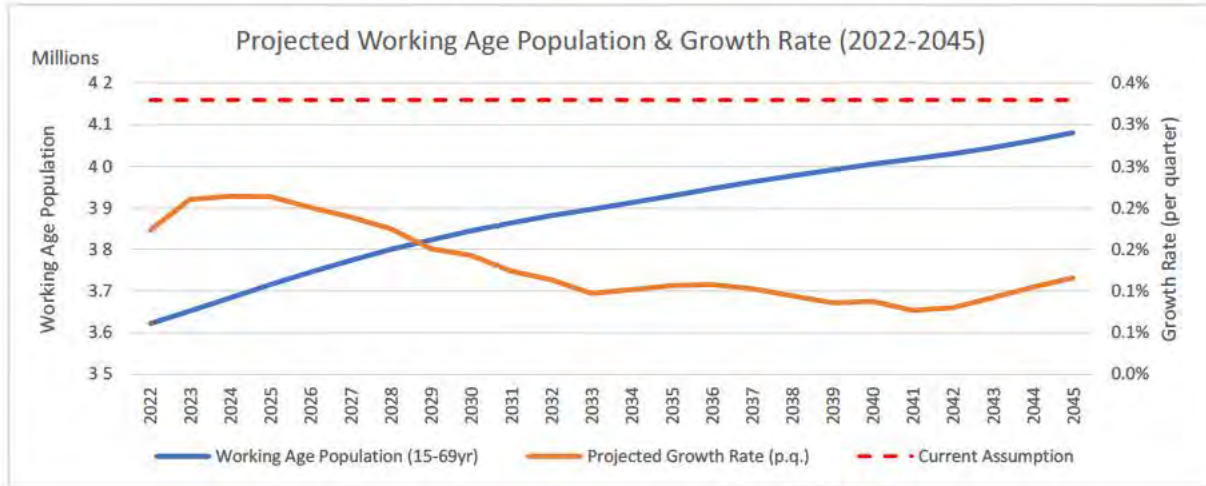
The following assumptions used in the levy and projection model at the date of this business case are subject to change depending on changes to the policy scheme design or sourcing additional information.



## Workforce Population

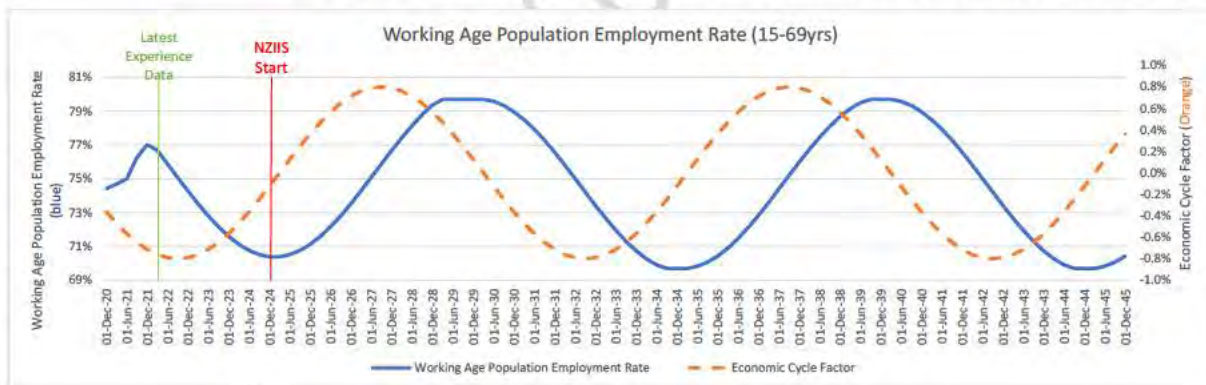
The projected working age population is based on Stats NZ data for ages 15–69-year-olds as shown in Figure 3.

Figure 3 – Stats NZ Projected Working Age Population & Implied Growth Rate



The proportion of this working age population in employed work is assumed to oscillate between 70% and 80% depending on the economic cycle as shown in Figure 4.

Figure 4 - Economic Cycle and Proportion of Working Age Population Employed



## Claims

ED claims of \$1.435 billion and health claims of \$1.377 billion are modelled based on multiplying the following factors together shown in Table 1.

Table 1 – Redundancy & Health Claims Factors (Before Bridging Payments)

Claim type	Number of Claims	X	Average Claim Duration (Months)	X	Average Annual Income (\$)	X	Benefit Income Replacement Rate	=	Claims Cost * (\$ billion)
Economic displacement	112,300		4.9		49,488		80%		1.814 *
Health	135,300		2.7		57,072		80%		1.377
Total	247,600								3.191

\* The claims amounts are before allowing for employer bridging payments on redundancy claims

The **number of ED claims** (112,300) is based on the number of eligible employees assumed to be in the workforce (2.2M) multiplied by the ED claims incidence rate (5.10%). This was based on the Treasury's Tax and Welfare Analysis (TAWA) model results that used population data from Statistics NZ and used claims incidence rates based on adjusted redundancy experience from the US state of Massachusetts.

The **number of health claims** (135,300) is calculated using a similar approach with an eligible workforce of 2.2M people and claims incidence rates based on adjusted disability experience from Denmark.

The **average claim duration** of 4.9 months for ED claims and 2.7 months for health claims are also from the Treasury's TAWA model results based on the maximum claim duration for Income Insurance (7 months for redundancy, 6 months for health) and claims experience from Massachusetts (redundancy) and Denmark (health).

The **average salary for redundancy benefits** is based on Household Labour Force Survey (HLFS) median salary from the Treasury TAWA model effective for June 2018 and allowing for the salary cap of \$130,911 (the cap that was applicable at the time of levy modelling). The median HLFS income was deliberately used on the basis that salaries for people being made economically displaced are on average more likely to be skewed towards lower incomes.

The **average salary for disability benefits** and levies was deliberately based on all jobs on the basis that disability claims would be more evenly spread. Therefore, the average was based on all job salaries from the Treasury TAWA model effective for June 2018 and allows for the salary cap of \$130,911 (the cap that was applicable at the time of levy modelling).

The **replacement rate** is based on the Income Insurance policy design which specifies a benefit level equal to 80% of income levels.

**Total Salaries** of \$127.697 billion of salaries is based on the Treasury's TAWA modelling using uncapped incomes across the workforce population effective for June 2018.

The **claims and incidence rates** are set separately for ED and disability claims as shown in Table 2.

Table 2 – Claims Incidence and Duration Assumptions

Benefit Type	Incidence Rate Assumption	Claim Duration Assumption
Economic displacement	5.10% p.a.	4.90
Disability	6.15% p.a.	2.68

The ED claims assumptions are based on experience from the redundancy scheme administered in the US state of Massachusetts. The disability claims assumptions are based on the experience from a disability scheme in Denmark. Adjustments have been made to allow for differences in policy design features such as replacement rates.

### Bridging Payments

**Editor's Note:**

Policy relating to bridging payments is being considered by Ministers.

ED claims. This has been modelled as the expected average ED claim benefit in the first month (\$3,374) multiplied by the expected number of economic displacement claims over a year (112,300), giving a total of \$0.379 billion. Allowing for this reduces the claims cost for the scheme as shown in Table 3.

Table 3 – Redundancy & Health Claims Factors (After Bridging Payments)

Claim type	Claims Cost (Before Bridging Payment) (\$ billion)	-	Bridging Payment (\$ billion)	=	Claims Cost (After Bridging Payment) (\$ billion)
Redundancy	1.814 *		0.379		1.435
Health	1.377		Nil		1.377
<b>Total</b>	<b>3.191</b>		<b>0.379</b>		<b>2.812</b>

## Administration Expenses

Confidential advice to Government

## Investment Objectives

The objectives for intervention / introducing Income Insurance are that:

- living standards of workers and their families and whānau will be maintained in the period after job loss
- workers will be supported back to suitable jobs and other sustainable outcomes
- the economy will adjust more effectively to structural change, shocks, or downturns
- equity will be improved by removing barriers to scheme access, and inequities in experiences and outcomes, with particular focus on Māori and other priority populations including Pasifika and disabled people.

## Strategic Alignment

Income Insurance aligns and supports several key Government strategies and initiatives – the Living Standards Framework, Active Labour Market Programmes, the Ministry of Social Development’s employment services, and the ACC accident scheme. The scheme supports the Government’s goals for:

- working Aotearoa New Zealanders and their families to be better prepared for the unpredictable economic and health shocks that can reduce their ability to earn through no fault of their own
- working people to be confident of their place in the future of work and open to taking jobs in dynamic but potentially risky sectors
- addressing the current inequity, whereby a person who experiences an accident can receive much more support than a person with a non-accident related HCD, despite a similar loss of ability to work
- improved skill matching to improve employers’ access to skilled workers.

## Strategic Alignment with the Living Standards Framework

Income Insurance is aligned with the Living Standards Framework, which is part of the Government’s initiative to lift living standards for all Aotearoa New Zealanders. Income Insurance contributes to two levels of the Framework, as outlined below:

## Level 1: Our Individual and Collective Wellbeing

This level includes resources and aspects of our lives that are important for our wellbeing as individuals, families, whānau and communities. Income Insurance contributes to the following domains under Level 1:

- **Health** – Health status and mental health –are enhanced by supporting people back to suitable work. There is clear evidence that unemployment (not just poor financial circumstances) is detrimental to wellbeing. Being employed is central to most people's sense of identity and is the main way that people get sufficient income to support themselves and their families.
- **Knowledge and skills** –Income Insurance contributes by allowing people who are on the scheme the time and money to retrain. Claimants could be helped into jobs with on-the-job training or people could receive advice on longer-term training they could fund themselves.
- **Income, consumption, and wealth** – consumption, disposable income, through income transfers (which are net positive given the employer contribution).
- **Work, care, and volunteering** – Hourly earnings – positive due to enabling better allocation/matching to skills. Unemployment rate – possibly a slightly negative effect due to the scheme putting some upward pressure on unemployment duration, though this would be somewhat offset by increased openings becoming available for new entrants to the labour market.

## Level 2: Our institutions and Governance

This level describes the role that our political, economic, social, and cultural institutions play in facilitating the wellbeing of individuals and collectives, as well as safeguarding and building our national wealth. Income Insurance contributes to the following domains under Level 2:

- **Families and households** – we would expect the greater support available to individuals (either due to redundancy or HCD) with families would mitigate negative impacts for family wellbeing and reduce household indebtedness.
- **Firms and markets** – improvement over time in multifactor productivity growth via allocative efficiency (workers being matched to their best use).
- **Whānau, hapū and iwi** – whānau wellbeing is expected to be improved through a focus on equitable access, experiences and outcomes.

## Strategic Alignment with Active Labour Market Programmes

Active Labour Market Programmes (ALMPs) are defined as Government funded or provided interventions that actively assist people into employment (including removing barriers to their ability to get or retain a job, or to move between jobs), increase earning capacity and improve the functioning of the labour market.

ALMPs include the national careers system (such as careers.govt.nz), job matching and brokerage services, wage subsidies services that provide employment support to disabled people, and initiatives that support childcare (such as Childcare subsidy and OSCAR (Out of School Care and Recreational Subsidy)).

Many ALMPs, including those managed from a national level appropriation, are delivered in local communities through regional contracting including partnerships with iwi, hapū and Māori businesses. ALMPs support people across a continuum of labour market attachment, from those in work but at risk of falling out of, or being displaced from work, through to those with no labour market attachment. Interventions are provided according to a person's distance from the labour market and specific needs, and at the level of intensity that is most appropriate or available. Individuals may sit anywhere along the continuum, may span several cohorts of those at risk of poor labour market outcomes, and may cycle through different levels of labour market attachment at different times. Some ALMPs are universally available (such as careers.govt.nz) while access to others is limited by eligibility criteria such as being at risk of long-term benefit receipt (such as MSD's Mana in Mahi programme).

### ALMP Review

A cross-agency Review of ALMPs has been underway since July 2021. A stocktake and gaps analysis undertaken in 2021 identified several gaps in supports for people at risk of poor labour market outcomes. Many displaced workers can navigate the labour market using their own networks and existing public or private resources without assistance from the Government. However, some people face additional barriers that place them at greater risk of poor long-term labour market outcomes, such as weak attachment to the labour market, low self-efficacy, and obsolete skills, and would benefit from access to employment services such as careers advice and job matching and placement services (with or without support for skill development), as well as support to counter the negative impacts of job loss on mental health.

Currently the ALMP Review work programme includes looking at existing access to employment products and services for displaced workers (people made redundant or who have reduced work capacity) to determine options for expanding services to meet potential increased demand from Income Insurance claimants.

Demographically, the profile of displaced workers varies over time, but negative impacts are particularly felt by and entrenched for marginalised groups, including Māori, Pasifika, ethnic communities, women, Rainbow communities, older people, and young people. These groups have also reported barriers in accessing services, and limited opportunities that support reemployment in suitable work. While the profile of displaced workers changes depending on the economic cycle and impacted sectors, these trends could indicate areas where we could focus our effort to improve outcomes and reduce wage scarring.

We know relatively little about who is displaced or what their path back to work looks like, nor how many do not get back into work at all. Estimates of numbers of workers who are economically displaced each year ranges from around 39,500 to 125,000. The wide variance in the estimates reflects the limitations of the data we can draw on, and the uncertain impact of economic downturns<sup>40</sup>. There is currently no statutory provision in Aotearoa New Zealand for notice periods, statutory redundancy, or notification to public employment services. MSD, which provides the bulk of ALMPs, does not currently have a mechanism to capture macro-level information about displaced workers who may engage with supports.

The ALMP Review supports the objectives of the Employment Strategy, in particular building a skilled workforce, responding to the changing nature of work in an equitable way, and supporting our labour market to be inclusive. By improving the support available for those at risk of losing their jobs, displaced from work, affected by a health condition or disability, and those with no labour market attachment, we can improve the resilience of our labour market and help cushion the impact of economic shocks.

## **Key relationship aspects between Income Insurance and the ALMP work**

### **Claimants**

Income Insurance claimants are likely to be a diverse group, with varying needs. Many claimants may not need much help to return to suitable work, beyond the opportunity provided by Income Insurance for a considered job search, or respite from work. Others will benefit from the coaching, encouragement, and support of case managers. A smaller group will likely need or benefit from more intensive support. This may be especially true of people losing employment because of HCD. Māori, Pasifika and disabled people are priority groups that require deeper insights to be understood about their experiences and ways to more effective support them as claimants.

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<sup>40</sup> Data generated for the development of Income Insurance. This comes from the Household Labour Force Survey (HLFS) that was matched with other Statistics New Zealand data to create displaced worker profiles. The HLFS is survey-based and therefore subject to sampling error, and in some cases, matching was not possible.

## Case management

The Income Insurance case management model is under development by ACC and MSD and will include co-design with Māori. Case management is distinct from claims administration and involves coaching and supporting claimants to address their barriers and achieve their return-to-work goals. It is intended to be targeted to those who need it and tailored appropriately.

In addition, Income Insurance claimants who need additional return-to-work support may be referred by their case manager to other ALMPs to the extent these are available from partner agencies. Work underway through the ALMP Review is examining what capacity and eligibility constraints exist in such services and exploring options for expanding services to meet potential increased demand from Income Insurance claimants.

For some Income Insurance claimants, a gap in appropriate needs assessment and referral pathways is likely to lead to poorer return-to-work outcomes, e.g. accepting a role that is less well paid, culturally misaligned, or not finding any work before their Income Insurance entitlements end.

Income Insurance could allocate case management resources to where there is best value and to improve outcomes for claimants (e.g. an 'invest-to-save' approach). ACC similarly invests accident compensation levy funds to reduce the incidence and impact of injuries, leading to lower costs and better client outcomes.

A good evidence base about what type of case management interventions work for whom will be required to enable well targeted, efficient use of funds. This will include the current evidence base about the effectiveness of MSD services as well as the broader set of literature about the effectiveness of case management as an intervention. In a short-term scheme such as Income Insurance (a maximum of six months of entitlements), it would be important for case management services to avoid prioritising a rapid return to work over suitable work (which includes wage/salary level and longer-term factors such as sustainability).

Case management services for different cohorts of claimants (particularly those with mental health issues, those with obsolete skills, and those who are more likely to succeed through a Distributed Service Model approach) will be procured from external service providers. Service design would need to consider effective transition from ACC to third party providers so that the client's experience is seamless. Co-design with Māori, for all approach is particularly relevant to the case management model.

There may be further consideration as to whether Income Insurance should be empowered to purchase other ALMPs (including vocational rehabilitation) for non-accident compensation clients once Ministers have taken decisions on the ALMP Review.



Further work would include what the impacts would be on the wider market for such services, including prices and service quality.

### Displaced workers

The introduction of Income Insurance will improve the pipeline of information about displaced workers. Income Insurance would require employers to notify the scheme of upcoming ED at least four weeks in advance. This will provide a new and more reliable flow of information about ED in Aotearoa New Zealand. Allowing for information sharing between Income Insurance and MSD will assist MSD to target its resources, especially interventions that can be provided prior to ED. Understanding the information needs of iwi, hapū and Māori organisations will inform the data strategy for Income Insurance and support the scheme to give effect to Te Tiriti principles.

### Workers with health conditions and/or disabilities

The introduction of Income Insurance will also improve the pipeline of information about HCD workers and will assist with MSD's future planning of support services. The ALMP Review identified several gaps in services for people with HCD. These included integrated health and employment support services and vocational rehabilitation services for workers with non-injury related musculoskeletal conditions. As ACC is the main purchaser of vocational rehabilitation services, further consideration is being given to assess how ACC's existing services could be leveraged to meet the needs of people with non-injury related needs.

In the longer-term there will be choices to make about what additional employment services may need to be funded through appropriations to meet the expected increased demand from Income Insurance claimants, and which agencies should provide these services.

## Strategic Alignment with the Ministry of Social Development

### Role of MSD in the sector

The Ministry of Social Development (MSD) is Aotearoa New Zealand's lead agency for assessing welfare needs and providing employment, income support, student, and superannuation services. More than a million people contact MSD for support each year.

MSD's 2021-25 Statement of Intent sets out three outcomes that drive how it operates:

- Aotearoa New Zealanders get the support they require
- Aotearoa New Zealanders are resilient and live in inclusive and supportive communities
- Aotearoa New Zealanders participate positively in society and reach their potential.

These outcomes encompass a strong employment focus whereby MSD seeks to improve people's readiness for and access to employment. Income Insurance and MSD will work together to build on existing and developing employment capabilities in Government and avoid duplication and unnecessary client handoffs.

### Role of MSD in employment services

MSD provides services to connect people to employers and job opportunities. It helps upskill people to better prepare them for work through industry-based recruitment partnerships and training opportunities. MSD responds to local labour market conditions and community needs by working with local employers and partners through their regional employment teams and providing redeployment support where people face job loss. MSD supports a wide range of people to get back to, and stay in work, not just the most disadvantaged.

Cabinet has confirmed MSD's role in providing public employment services with its core objective to proactively help people at risk of poor labour market outcomes to prepare for, find, and retain suitable employment. This includes prioritising MSD's employment services to provide a level of service proportionate to people's needs, with a focus on people who most need support – whether they are on benefit (and potentially further from the labour market) or not (but still have barriers to employment).

Cabinet agreed that MSD will continue to support other people on benefit who have fewer barriers to employment. MSD will also identify specific opportunities to continue to support people who are not on benefit but may be at risk of poor labour market outcomes.

MSD's confirmed role in providing public employment services means that many people eligible for Income Insurance will fit the criteria for MSD's employment services, both before and after they are displaced.

### Strategy of MSD – Te Pae Tawhiti

MSD's strategic direction to achieve its outcomes is set out in its strategy, Te Pae Tawhiti – Our Future, supported by Te Pae Tata, MSD's Māori strategy and action plan and Pacific Prosperity, MSD's strategy, and action plan for achieving positive outcomes for Pasifika. Te Pae Tawhiti describes the three shifts MSD is making across its organisation:

- **Mana manaaki** – a positive experience every time – working towards a service model that puts clients and whānau at the centre of everything it does.
- **Kotahitanga** – partnering for greater impact – designing a system that gives MSD's partners the information and support they need to deliver better outcomes for whānau and communities.

- **Kia takatū tātou** – supporting long-term social and economic development – building a sustainable and resilient welfare system; working with people and whānau earlier so they can achieve and sustain their goals.

These shifts will significantly impact how MSD provides employment services.

### Te Pae Tawhiti’s vision for a future service model

At the core of a transformed MSD is a transformed service model. MSD is developing a vision for an integrated future service model that will enable the provision of holistic employment, welfare, housing, and disability services. This future service model offers many potential opportunities for alignment with Income Insurance.

While it is still very early in the development cycle, the overall client service model is expected to comprise five core components:

1. Respond early to people at risk of falling into financial hardship (e.g. as a result of unemployment)
2. Better understand what people need
3. Connect people to the right service
4. Deliver a service from MSD that provides the right level of service intensity
5. Help people to sustain the outcomes they have achieved.



In the context of employment services, this approach will help people to maintain their independence without falling into hardship, enable MSD to better understand and connect them to the right service to address their employment needs, provide the right levels of service as their situation changes, and support them to sustain and advance their outcomes.

Income Insurance and MSD will work together to be aligned around how these services are provided, which agency takes the lead at which point of a customer's journey and to meet the diverse needs of different whānau and families, and how collaboration and transitions might occur. For example, at the “understanding needs” stage, Income Insurance and MSD may not need exactly the same information and so a joint needs assessment will need to be developed. Alignment will also be needed at the “responding early” and “sustaining outcomes” stages. A person may interact with MSD through the Early Response Redeployment Support service before their job actually ends and before they can claim Income Insurance.

MSD envisions that people will be supported through their service lifecycle by a needs-based, tiered service delivery model. The model currently anticipates five tiers of support services.

1. **Online Support** – enables people to do the things they need to do with minimal intervention from MSD staff
2. **Service Support** – provides over-the-phone help so people can get the things done that they need to do
3. **Service Co-ordination** – people with a specific short-term need (or needs) can receive coordinated support until their need is addressed



4. **Case Management** – dedicated case manager provides consistent, one-to-one, strength-based support for people with multiple and/or long-term needs
5. **Intensive** – dedicated case manager to support the complex, long-term needs of people.

With respect to people with employment support needs, those whose circumstances and ability suit will be able to access employment opportunities and services solely online. This will include a wider range of people than currently access MSD’s employment services, including those not currently on benefit. Those with more complex circumstances and needs would be elevated to more targeted support through service co-ordination, case management, and intensive support.

Given the scale of MSD’s ambition, Income Insurance and MSD will work together to promote early alignment of case management and service delivery models, including alignment with the Distributed Service Model. This will need to include alignment of the provision of services to those that need it, especially across service co-ordination, case management, and intensive support. Income Insurance and MSD will also need to be aligned around management of client identity, what data is captured, what data is shared, and how client data is used by both agencies.

### Te Pae Tawhiti Transformation Programme

In November 2021, the Minister for Social Development and Employment submitted a Strategic Assessment to Cabinet [GOV-21-MIN-0039 refers]. This set out the case for a large transformation programme (Te Pae Tawhiti Programme) to fundamentally change MSD’s service model, systems, processes, and staff capability. This would include developing and implementing the vision for the future services model.

This transformation would enable MSD to realise the Government’s vision to overhaul the welfare system to better meet the needs of Aotearoa New Zealanders and achieve the three shifts set out in Te Pae Tawhiti – Our Future. This transformation would include a significant uplift in how MSD delivers employment services.

### MSD Te Pae Tawhiti Horizon One ambitions

MSD is currently scoping its Horizon One ambitions and developing a Detailed Business Case for Horizon One. Te Pae Tawhiti Horizon One ambitions are focused on the foundations for digital services and case management change. The work is currently being scoped to include:

- implementation of a new digital experience and case management platform to support the developing future service model, and rollout of this to one client cohort
- implementation of a digital employment platform to provide joined-up, end-to-end online employment services integrated with case management provision
- development and testing of a transformed foundational operating model for relational commissioning with MSD's more than 2,000 partners
- development of the case management practices and processes that will be needed across all MSD services
- continued development of the future service model.

The ambitions for Horizon One with respect to employment are expected to significantly improve MSD's ability to provide online employment services beyond those it currently provides services to. This will be supported by an effective case management capability – both systems and capability – that can target assistance on the basis of need. This enhanced digital service could provide a very cost-effective channel for Income Insurance claimants to access return-to-work employment services.

### Key alignment areas to enable interface between Income Insurance and MSD

The alignment areas between Income Insurance and MSD are significant given MSD's role in employment and the need for Income Insurance to take a customer centred approach. These alignment areas include:

- **Digital Employment** – As part of Horizon One of the Te Pae Tawhiti investment, there is a significant focus on a Digital Employment Service. This investment will provide a wide range of digital services to be able to connect people to jobs (job matching) as well as a range of support services to prepare people for work. This service is intended to go beyond people who are receiving income support service and employment interventions and work services from MSD. Therefore, this service

will be critical for Income Insurance as it will provide a low touch, cost effective channel for claimants.

- **Data Definition, Capture and Analysis** – Income Insurance is seen as providing definitive information about people who are near to ED. There is also significant value in the data itself for the purpose of providing insights into the value of interventions. To ensure this is effective, there needs to be alignment between Income Insurance and MSD on data definition, what is captured, how it is analysed and used, and how it is meaningful and accessible for Māori and iwi providers and gives effect to Māori Data Sovereignty.<sup>41</sup>
- **Confirming Customer Identity** – It is clear that many Income Insurance claimants will already be customers of IR, ACC, the Health System and MSD. Subject to detailed design, Income Insurance will have a significant interface with MSD in that some claimants will also be clients of MSD for employment services and income support in some cases, and these will be required to be continued (There will also be handovers of clients to MSD whilst they are still claiming Income Insurance, and some will be handed over to MSD for Income Support services after the claim period has been completed (subject to detailed design). Also, some claimants will be getting a range of services from IR and MSD, such as Working for Families, Child Care Assistance, Child Support, and income support services. It is essential that we are dealing with the right person as well as ensuring that the service experience is optimal for the claimant and client. It is important to understand how identify management is enabling of collective whānau structures and decision making and considers such as delegation authorities. This requires that identity is managed in a consistent way between Income Insurance, ACC, IR, Health, and MSD, leveraging all-of-Government identity approach and solutions.
- **Single Client View/Case Management Model** – Given the need to have a high degree of interaction between Income Insurance, MSD, and social service providers for a significant number of claimants, it will be important that each party has visibility of the person and any services (supports or interventions) provided. This approach also requires a degree of alignment of the case management approach and service model so that the experience can be as seamless as possible from the claimant perspective, as well as efficient for the agencies and social service providers. Included in this is an ability to refer the claimant to MSD or an external service provider, but also understand the result of any services provided. Therefore, there

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<sup>41</sup> In June 2022, Ministers agreed to further work on the ALMP Review which includes action to improve monitoring and evaluation of ALMPs across Government. A plan to complete this work is underway and includes working with agencies to agree best practice approaches to what data is collected and a shared definitions of terms.

needs to be alignment on identity, customer records (subject to appropriate privacy considerations) and broader case management and service model.

- **Access to Employment Services** – In the early stages of Income Insurance there will not be any employment services provided by the scheme directly by ACC, except for high level case management. However, for certain claimants it is clear that services will be valuable to support a return to work. MSD leads on the provision of services that support people to prepare for, gain or retain work. Subject to joint detailed design, it is possible that a small proportion of Income Insurance claimants will continue to be directly managed by MSD and get access to employment services (subject to availability). Income Insurance and MSD will work closely on the catalogue of services and ensure that any referral process can be supported operationally and financially. This includes working closely with the co-design elements of the Income Insurance scheme and Māori
- **Assessment** – Income Insurance needs to make an assessment of the claimants needs as soon as possible in the lodgement process. This is required to be able to determine the best support or interventions required. It is also required to be able to refer the claimant to MSD and/or other services. MSD and Income Insurance service objectives are to ensure the claimants requirements are met at the first touch point. Therefore, assessments for employment needs to be consistent so that if referred to MSD case management or employment services, the assessment process does not have to be replicated. ACC and MSD will work together to design the needs assessment approach.
- **HCD Eligibility** – As part of determining worker eligibility for HCD claims a medical certificate or work capacity assessment will be required. Income Insurance will work closely with MSD to ensure that, where possible, customers are not required to conduct multiple assessments across different agencies to prove eligibility for the same HCD.

## Alignment with the Strategy for a Digital Public Service

The Strategy for a Digital Public Service sets the direction to modernise and transform the public service, putting people and businesses at the centre of Government services. The preferred option for the scheme – Digital Capability and Optimisation – is a significant digital investment and falls in under the Government Chief Digital Officer (GCDO) system lead requirements and the Strategy for a Digital Public Service and Digital Strategy for Aotearoa.

Income Insurance contributes to all four key outcomes of the Strategy through:

- Better results for Aotearoa New Zealand through a digital public service – so the scheme is part of integrated services, which support the needs of people and

businesses by offering the opportunity to provide all New Zealanders with a better experience of Government services

- New Zealanders' experience with government improves – so the scheme is responsive to New Zealanders' needs and expectations and is inclusive and accessible.
- A modern, agile and adaptive public service – where the scheme continually adapts to change, working closely with Delivery Partner agencies.
- A strengthened Māori–Crown relationship – by building, strengthening and embedding an enduring and reciprocal relationship with iwi/Māori leaders to ensure the scheme delivers with and for Māori.

## Strategic Alignment with ACC

ACC currently delivers the Accident Compensation Scheme. This has similarities with the Income Insurance scheme in several key areas, including:

- The payment of levies by employers and employees
- The collection of funds through levies, which get invested until needed for claims
- A case management approach to claimants
- An approach to recovery and rehabilitation of people who are displaced due to health (through accident) conditions.

To support the timely return of people to health and/or suitable work and thus efficiently managing the overall claims liabilities. In addition, ACC has a range of capabilities that provide a strong basis for having Income Insurance administered within ACC, which includes:

- Large change delivery, including technology and business improvement
- Systems that are used to manage accident compensation that are similar to what is required to manage Income Insurance claimants
- National customer service operations that are claim and case focussed
- The management of employer's levy payments
- A fund management capability that manages significant investments
- Corporate functions that support large scale, complex operations
- A Board that has experience of insurance schemes.

There is opportunity for Income Insurance to support ACC to enhance its return-to-work offerings and outcomes for the ACC population.



These capabilities will be leveraged as part of the development and implementation of Income Insurance. In addition, ACC is reviewing its strategy, brand and key shifts required to manage two schemes within the same entity. This is outside of this Business Case and not considered further in this document.

## The Evolution of Income Insurance

Income insurance will be a critical part of a better support system for workers who lose jobs through no fault of their own. The objectives of the scheme sit within a wider support system to:

- minimise immediate financial impact of losing income or work
- provide a sufficient opportunity for workers to engage in a considered search for a suitable job, to upskill, or rehabilitate
- support the economy to adjust more rapidly to shocks or downturns.

### Free and frank opinions

[Redacted content]

42 Noting that this is a vision, not a mandated Government directive.

Free and frank opinions

### Closing the service gap in supporting claimants to return to work

ACC considers the evolution of the scheme to a more “self-contained” insurance approach, and like the ACC accident scheme, this is critical for the development of an effective and efficient insurance model. This model provides the best incentives for the participants in the system to improve outcomes for claimants by investing in effective interventions, such as prevention and services. It is recognised that Income Insurance sits within broader ALMP and health systems and all cases will need to work in partnership with agencies such as MSD, Health, and Education. However, over time, as Income Insurance evaluates Programme effectiveness, the scheme may also define new programmes and seek funding for extending or creating new programmes.

The policy decision is for Income Insurance to provide no return-to-work services or prevention services directly. Other agencies will provide these functions, with Income Insurance case management using information and referrals to provide customers with access to these services. From an insurance model perspective this creates some risk that Income Insurance will not be able to directly reduce the volume of people entering the scheme by being proactive and supporting the prevention of displacement. Income Insurance will need to rely on access to funded programmes led by other agencies to return people to suitable work through ALMPs.

Income Insurance will work in partnership with other agencies to support the development of appropriate prevention and return to work services. Income Insurance will be in a strong position to understand the need of customers (businesses and claimants) as it will receive notifications and information early in the displacement process. The scheme will also be able to track the outcomes of customers and the degree of success of specific programmes. This information will be built up over the early years of the scheme and provided to agencies and Government to enable the evaluation and development of prevention and return to work programmes.

## Background of Aotearoa New Zealand Income Insurance Policy Development

### Tripartite Unemployment Insurance Working Group

In the 2021 Budget speech the Minister of Finance announced that Cabinet had agreed to work with unions and business to design an income insurance scheme, which would be the subject of public consultation.<sup>43</sup>

“At the urging of Business NZ and the Council of Trade Unions we have committed to the development of a Social Unemployment Insurance scheme. Many countries around the world have such a scheme. We are investigating an ACC-style scheme that would provide 80% of income for a fixed period of time, with minimum and maximum caps, linked to training opportunities. This proposal is being developed by a tripartite working group with Business NZ and the CTU, and public consultation will occur later in the year.”

Social insurance is a form of government-mandated insurance for risks not effectively covered by private markets, such as loss of income. ‘Government-mandated’ means governments either provide or closely regulate insurance services. Social insurance models are common across OECD countries for various services, including income protection. Social insurance is used to support effective income smoothing for people who are displaced or who lose their job, or have reduced work capacity, due to HCD.

Officials, alongside social partners, developed a proposal for Income Insurance, the discussion document, “*A New Zealand Income Insurance Scheme: A Discussion Document*”, outlining the proposed Income Insurance was released on 2 February 2022, and was subsequently consulted between 2 February and 26 April 2022.<sup>44</sup>

The proposal for Income Insurance arose from the Future of Work Tripartite Forum, a partnership between the Government, Business New Zealand (as representatives of business groups) and the New Zealand Council of Trade Unions (as representatives of unions).

The aim of the Forum is to support Aotearoa New Zealand businesses and workers to meet the challenges and opportunities presented in a rapidly changing world of work and provides a place to discuss issues and work together to identify and implement solutions.

The Forum directed a Tripartite Unemployment Insurance Working Group, made up of officials from a range of agencies, and representatives from the social partners, Business NZ and CTU, to begin the initial policy work in 2019 and 2020 to consider options and

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<sup>43</sup> Cabinet Minute CAB-21-MIN-0069 of 15 March 2021. Social Unemployment Insurance: Approach to the Tripartite Forum.

<sup>44</sup> Future of Work Tripartite Forum. (2022). *A New Zealand Income Insurance Scheme: A discussion document*. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz/publications/a-new-zealand-income-insurance-scheme-a-discussion-document).

scope to meet this goal.

Their Strategic Assessment in 2019 noted “The Forum would focus on identifying priorities to support workers who are displaced or at risk of displacement. This involved partners collectively creating a problem definition, and over the longer-term, involved jointly developing advice on options for displaced workers”.

The Working Group then provided options to labour market Ministers, which included:

- do nothing
- widen access to personal savings or loans (e.g., access to KiwiSaver funds, or a loan scheme for those made redundant)
- increasing out-of-work transfers (e.g., increasing eligibility for in-work tax credits)
- statutory redundancy provisions, potentially with a collective financing scheme
- social unemployment insurance.

The key conclusion presented to Ministers from that work was that a social unemployment insurance scheme (Income Insurance), was the only option that would encourage employers to support workers through transitions, reduce adverse financial impacts of unemployment spells, and reduce wage scarring upon re-employment.

In March 2021, Cabinet agreed to work with unions and business to design an income insurance scheme which would be the subject of public consultation.<sup>45</sup>

This intention to develop a Social Unemployment Insurance scheme was announced by the Minister of Finance in Budget 21.<sup>46</sup>

### Public Consultation

In October 2021, Cabinet agreed to undertake the public consultation on the proposal for the scheme.<sup>47</sup> The details of the proposed Income Insurance scheme, are set out in the consultation document *A New Zealand Income Insurance scheme* released in February 2022.<sup>48</sup>

The key elements of Income Insurance were as follows:

- It will be mandatory and will cover approximately 2.2 million workers (75 percent of the labour force).

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<sup>45</sup> Cabinet Minute CAB-21-MIN-0069 of 15 March 2021. Social Unemployment Insurance: Approach to the Tripartite Forum.

<sup>46</sup> New Zealand Government. (2021, May 20). Budget speech: Wellbeing Budget 2021 Securing our Recovery. [press release]. [Budget Speech - Hon Grant Robertson, Minister of Finance - 20 May 2021 - Budget 2021 \(treasury.govt.nz\)](https://www.treasury.govt.nz/budget/speeches/2021)

<sup>47</sup> Cabinet Minute CAB-21-MIN-0397 of 4 October 2021. Report of the Cabinet Economic Development Committee: period ended 1 October 2021.

<sup>48</sup> Future of Work Tripartite Forum. (2022). A New Zealand Income Insurance Scheme: A discussion document. Ministry of Business, Innovation & Employment. [New Zealand Income Insurance Scheme Discussion Document \(mbie.govt.nz\)](https://www.mbie.govt.nz/publications/a-new-zealand-income-insurance-scheme).

- Replacement income will be 80% of prior income for workers losing their jobs either for economic reasons or as a result of HCD (including reduced work capacity), for up to six months or until they find other employment.
- Coverage will include full and part-time employees (and in certain situations, casual and fixed-term employees), along with self-employed people whose employment situation resembles that of an employee.
- There will be a mandatory four-week notice period and a 'bridging payment' of four weeks paid to the economically displaced workers by their employer, prior to receipt of replacement income.
- Employers of people with HCD will be required to take reasonable steps to keep them in their current job; and if they leave their job due to HCD, to keep their jobs open for up to six months.

Income Insurance would be funded from levies, at an annual rate of 1.21% of wages and salaries for workers (1.39%, rounded, including GST), and an equal levy on employers.

Feedback was sought via public submissions, an online survey and targeted engagement with Māori/iwi and key stakeholders.

Findings from the engagement showed mixed views on the proposal. Those responding through targeted engagement showed strong support, especially those who had experienced redundancy or job loss due to HCD. Most self-selected respondents to the survey opposed it.

A common concern across the engagement, irrespective of level of support, was the impact of the levy on low-income workers, and the timing of the proposal, given the low unemployment rate and costs of living.

### Working with Māori

ACC recognises and acknowledges the importance of meeting the obligations under Te Tiriti o Waitangi in the design of Income Insurance. ACC has established Rā Matua, an independent rōpū that provides support to the Programme and Social Unemployment Insurance (SUI) Committee to shape the implementation of the scheme to meet Māori needs and aspirations, and to ensure whānau receive the full benefit of the scheme as designed. Rā Matua has equal decision-making rights with other implementation governance forums on Māori and equity items, as defined in the decision framework.

The Enabling Legislation<sup>49</sup> for Income Insurance specifies the scheme's responsibility to deliver for, and with Māori – this responsibility guides ACC's thinking and decision for the overall delivery model for the scheme.

The Act includes a provision that recognises the Crown's commitment to the Treaty of Waitangi/Te Tiriti o Waitangi principles. This includes partnering with, supporting, and empowering Māori to fulfil their potential.

The Act requires ACC to engage with employers, workers, and Māori, and to be purposeful in developing a scheme platform that will contribute to improving Māori economic and labour market outcomes.

The Te Tiriti o Waitangi and Equity Case further outlines how Income Insurance will give effect to the principles of Te Tiriti.

## Budget 22 Decision

In Budget 22 the Government provided Income Insurance (ACC and MBIE) with \$47.5m funding, through tagged contingency, for the initial work to establish the scheme with the commentary: 'This initiative will fund the ACC to undertake preliminary work to establish the systems and operational processes for a new levy-funded income insurance scheme to provide income replacement cover for people made redundant or who are impacted by a health condition or disability. This work will provide ACC with a sound basis on which to efficiently operationalise an income insurance scheme and support the development of scheme policy. The scheme is expected to be operational in 2024.'

## Scheme Design Policy Decisions

Please note that the contents of this Business Case are draft and subject to ongoing Cabinet policy decisions and legislative development.

On 4 July 2022, Cabinet considered the key policy decisions that defined the key parameters for design of Income Insurance (CAB-22-MIN-0250.02), it was summarised that Income Insurance would:

- cover workers – permanent, casual, and fixed term employees – who lose their job involuntarily (ED) or need to temporarily reduce their hours or cease work due to HCD.
- provide replacement income of up to 80% of prior wage/salary earnings up to a wage/salary cap of \$136,544 p.a. (indexed annually, using the cap current at that time); for up to six months and include case management to encourage job search

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49 New Zealand Government. (2022). Income Insurance Scheme (Enabling Development) Act. [Income Insurance Scheme \(Enabling Development\) Act 121-1 \(2022\)](#), [Government Act Contents – New Zealand Legislation](#)

along with other basic assistance needed to support workers' return to work (except for people exiting the workforce due to HCD).

Employers would also be required to give four weeks' notice prior to ED and pay the first four weeks of income replacement following ED as a 'bridging payment' and keep jobs open for people with HCD.

Confidential advice to Government

funded by compulsory levies of ~2.77% (incl. GST) paid in equal share by employers and employees of ~1.39% (incl. GST) on wages and salaries up to the wage/salary cap. This will fund replacement income entitlements (~90% of costs), ACC's case management and administration of the scheme (~9.5% of costs)."

### Coverage and Entitlements

Income Insurance will:

- cover complete job loss due to ED, this includes the complete loss of a job due to redundancy (including voluntary redundancy) or similar event but excludes job loss due to resignation (including where this is determined to be a constructive dismissal), poor employee performance, and misconduct
- cover loss of work capacity caused by any HCD (not covered by the Accident Compensation scheme) that is assessed as reducing work capacity by at least 50 percent and is expected to last four weeks or longer
- determine a person's eligibility due to HCD primarily on the basis of a work capacity assessment in the form of a medical certificate the claimant obtains from a health practitioner registered under the Health Practitioners Competence Assurance Act 2003, working within their scope of practice
- have regulation-making powers established to specify the types of health practitioner to undertake work capacity assessments and the details to be provided in a work capacity assessment certified by a health practitioner
- cover permanent, full-time, part-time, fixed-term, seasonal, and casual employment arrangements

**Editor's Note:**

Non-standard employment is being considered by Ministers.

- for non-standard employment arrangements (fixed-term, seasonal and casual work) be covered using a principles-based approach, namely that Income Insurance would cover the loss of income from reasonably anticipated work and be based on an established pattern of work

**Editor's Note:**

The inclusion of self-employed is being considered by Ministers.

- how self-employed workers could be included in the scheme
- require people to meet a contribution history requirement of six months in the 18 months preceding a triggering event to be eligible for Income Insurance, and that statutory parental leave would be considered part of the contribution history
- have a transitional provision, for the first 18 months of the scheme's operation, a person's work history and any statutory parental leave will be used to determine eligibility regardless of whether they paid an Income Insurance levy on any earnings from that work
- provide coverage for eligible Aotearoa New Zealand citizens and residents and temporary visa holders who have been continuously resident in Aotearoa New Zealand for at least two years at the time of the trigger event
- provide a replacement rate of 80 percent of prior income up to a maximum cap which aligns with ACC's maximum cap (currently \$136,544 per annum, adjusted annually according to changes in average wages)
- cover for a duration of six months, with a limit on subsequent claims so that workers can only claim a cumulative total of six months of cover in an 18-month period
- cover where someone may be eligible for Income Insurance while still retaining some income and hours from employment, including those with multiple jobs, and people with HCD who have continued to work part-time
- cover where a person loses one of multiple jobs, or reduces their hours due to HCD, and the Income Insurance entitlement will 'top-up' their total income to 80 percent of the total pre-loss level
- Income Insurance payments will be calculated on an individual basis (with no asset testing or partner income assessment)
- Income Insurance payments will abate (reduce) dollar for dollar (100 percent) once the combination of personal exertion income and insurance reached 100 percent of pre-loss income
- insurance payments are treated as income to determine eligibility for welfare and student support, and liability for child support
- insurance claimants are not eligible for the In-Work Tax Credit, Minimum Family Tax Credit, or Independent Earner Tax Credit



- insurance claimants could also receive Aotearoa New Zealand Superannuation or the Veteran's Pension
- where eligible, insurance claimants could choose whether to access Paid Parental Leave or income insurance, and may receive both sequentially
- insurance claimants could also receive weekly compensation from the Accident Compensation scheme where it covers a different income loss
- insurance claimants could not receive both insurance and weekly compensation for the same income loss, but they could choose to receive the weekly compensation or income insurance instead
- Income Insurance entitlements and bridging payments will be defined as salary and wages under the Income Tax Act 2007 and will be subject to income tax
- Income Insurance levies will not apply to payments under the Income Insurance scheme
- Income Insurance entitlements will be subject to ACC levies, KiwiSaver employee contributions, Student Loan repayments, and Child Support deductions
- KiwiSaver employer contributions will not be made on Income Insurance entitlements

**Editor's Note:**

Policy relating to crisis support is being considered by Ministers.

- the intention for the scheme to have the flexibility to deliver additional, Crown-funded support during crises, and that further advice will be provided on proposed legislative settings and the necessary operational capability to enable crisis payments.

**Employer obligations**

- notify the scheme at least four weeks prior to making an employee's position redundant
- where appropriate, notify the scheme that an employee may be eligible due to HCD if the employee has provided a relevant medical certificate to the employer
- provide appropriate information about the worker or the requirements of their job to support the claim.

There would also be some obligations and expectations for employers that apply whether or not the employee is eligible for Income Insurance:

- where an employer makes an employee's position redundant, the employer must provide a minimum four-week notice period between the notification of redundancy and the redundancy taking effect

- employers are required to provide a four-week bridging payment when making an employee's position redundant, calculated based on 80 percent of their prior income from that work (methodology to be defined in regulation if necessary).

**Editor's Note:**

Policy relating to bridging payments is being considered by Ministers.

Further work on whether the bridging payment is in addition to any contractual entitlement to redundancy compensation:

- the statutory notice periods and bridging payments be given effect through amendments to the Employment Relations Act 2000
- the scheme will make bridging payments in cases of insolvency or receivership where the employer cannot meet their bridging payment obligations, including to employees who are not eligible for the scheme
- the scheme will seek to recover bridging payments paid on an employer's behalf alongside other ordinary unsecured creditors.

Under the Human Rights Act 1993, employers have existing obligations to take reasonable measures to support an employee with HCD to continue working, including redeployment where possible.

Employers will be expected to make reasonable efforts to protect an employee's job if their employee has a reasonable prognosis of returning to work within six months.

### **Employees Obligations**

- employees will also have the right to lodge a claim directly with the scheme
- provide the scheme with information to determine their eligibility if required
- inform the scheme of any changes in circumstances that may affect their eligibility
- be based in Aotearoa New Zealand, except if they have received a waiver from the scheme because they meet criteria specified in regulations to be outside of the country for up to 28 days; or would face undue hardship if their original waiver is not extended; or are receiving publicly funded specialist health care overseas
- actively search for work and demonstrate job search activity
- accept offers of suitable employment
- complete a return-to-work plan if required
- participate in employment-related programmes if required.

Claimants who have lost work capacity due to HCD be subject to the following additional obligations:

- provide further work capacity assessments completed by a health practitioner if their health practitioner recommends any reassessment within the entitlement period
- participate in any independent assessments related to returning to work required, and funded, by the scheme if it considers there are grounds to seek assurance about the claimant's health practitioner's assessment
- participate in vocational rehabilitation programmes if required.

ACC may defer a claimant's work obligations, for a period ACC determines is appropriate, if the claimant:

- has HCD that means they are unable to search for, or prepare to return to work
- is undertaking approved training or is participating in employment-related programmes or vocational rehabilitation.

ACC may waive a claimant's work obligations completely if:

- ACC agrees with an assessment by the claimant's health practitioner that they have no reasonable prospect of being able to return to any work within the entitlement period
- the claimant would face undue hardship if required to meet the obligations during the entitlement period.

Regulation-making powers will be established to specify the information employers and claimants are to provide to the scheme to meet their obligations.

Criteria for a claimant to be eligible for a waiver from their obligation to be in Aotearoa New Zealand.

In cases of non-compliance:

- entitlements could be suspended for as long as the claimant unreasonably refused or unreasonably failed to meet their obligations
- the claimant would receive written notice of the proposed suspension within a reasonable period before the proposed starting date, with the opportunity to re-comply before the suspension took effect
- entitlements would resume once the claimant had re-complied and the duration of entitlements remaining would be based on the original start date
- the scheme would be required to make Income Insurance claimants aware of their obligations, explain the consequences of non-compliance, and ensure claimants are aware of their rights to review and appeal decisions relating to the obligation.

## Dispute Resolution

Dispute resolution would consist of:

- **internal review** – the insurer will undertake an internal review of a review application. It is expected that a large proportion of disputes would be resolved at this stage
- **mediation** – for reviews unable to be resolved internally, mediation could be offered as an alternative dispute resolution tool
- **formal review** – unresolved disputes will be referred to an independent, third-party reviewer for a legislatively defined formal review. Claims could be withdrawn or settled before a review hearing took place
- any review decision will be fully appealable to the Courts, via the District Court
- there will be reasonable costs or contributions payable by the scheme to support a claimant to access the review process
- regulations will be established for timeframes for completion of each stage of the review process
- the scheme will pay for the costs of an independent review process, including for Court capacity to manage appeals

### Editor's Note:

Offences are being considered by Ministers.

- offence provisions in the Accident Compensation Act 2001 are also appropriate to address potential abuses against the Income Insurance scheme, but that some additional offences will also be required for the Income Insurance.

## Levies

- the costs of Income Insurance be met through a compulsory levy paid by all employers and employees.
- the levies be equally shared by workers and employers at the outset of Income Insurance, but that this could be adjusted over time by regulation as is deemed equitable.
- it is estimated the scheme will require an initial, total, GST-inclusive levy of 2.77 percent of salary and wages (with workers and employers paying a flat rate of 1.39 percent each (rounded), but that this may be updated prior to Income Insurance taking effect.

- that Income Insurance be largely funded on a Pay-As-You-Go (PAYGO) approach, but with a levy loading incorporated to build up a small reserve fund over time to smooth out levy fluctuations through the economic cycle.
- funding requirements for claims respectively due to ED and loss of work capacity due to HCD be accounted for separately (including apportioned administration costs).
- the Crown will act as lender of last resort when required according to terms established by New Zealand Debt Management and as part of a funding policy established by Ministerial direction.
- the legislation will enable inter-account loans between the ED and HCD funds, according to terms prescribed by the funding policy established by the Minister.
- the scheme to publicise an annual statement of the financial condition and outlook for Income Insurance.
- there will be periodic review of, and consultation on, levy rates at intervals not longer than three years.
- the scheme Board can recommend to the Minister the need for a levy review if this is required earlier than the default interval (based on Income Insurance's financial condition).
- the Income Insurance levy-setting consultation would align with the ACC levy setting consultation but be Minister-led, with support from the administering Government agency and ACC.

The funding legislation has the following overarching principles:

- Income Insurance would be funded to be sustainable and resilient
- Levies would be set so as to promote levy stability over time
- Levies would be set so as to avoid over-collection to maintain economic efficiency
- Levies and the processes surrounding setting and use would be transparent and accountable.

### **Administration**

ACC will administer Income Insurance and be accountable for the delivery of the scheme outcomes as part of a wider system that people navigate and experience.

Introducing a new scheme to the existing system of services that people and their whānau experience means ACC will continue to refine how it operates, integrates, and leverages within this system to deliver a seamless experience for customers.

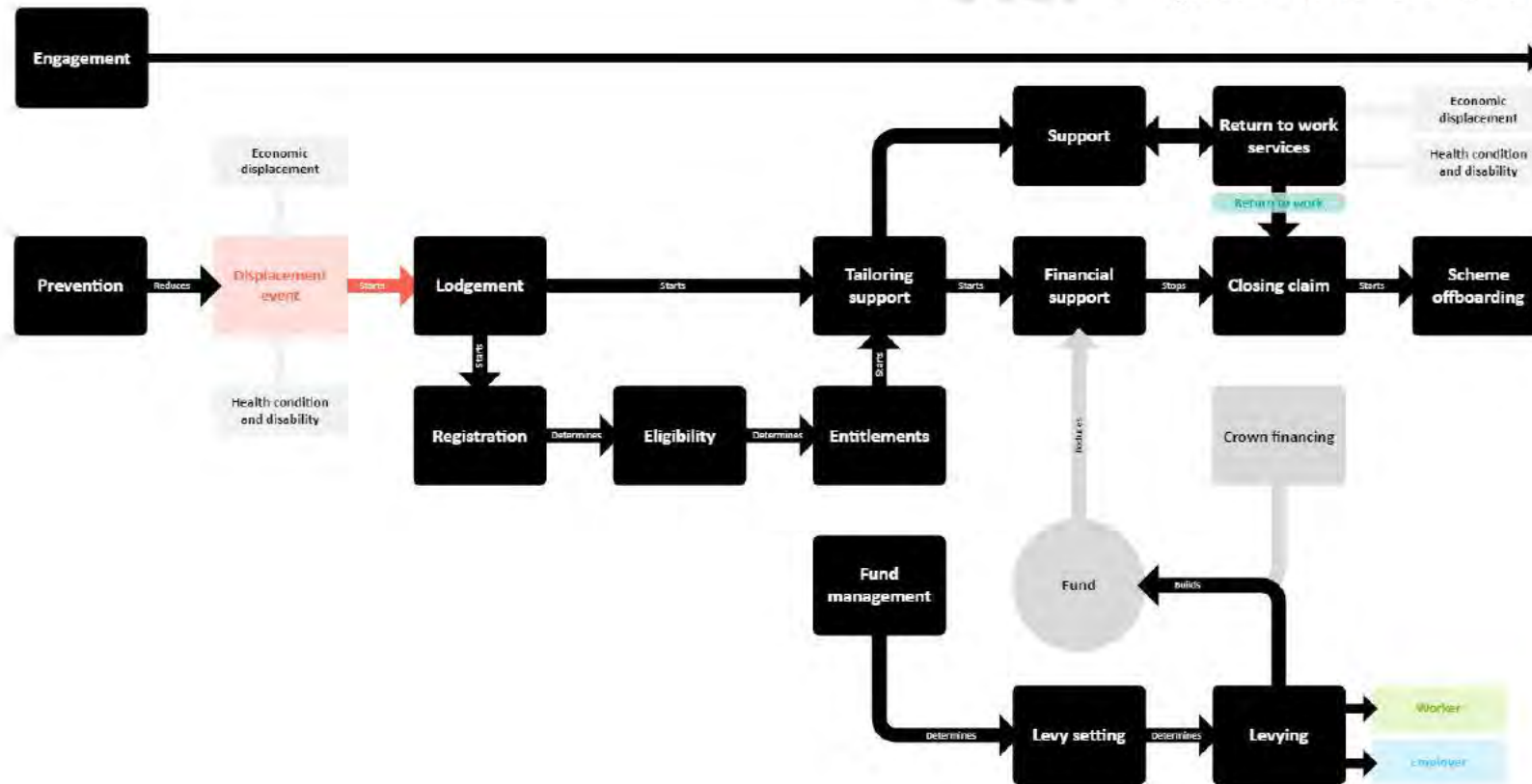
The scheme will have the following functions:

- Collection of employer levies (including, if appropriate, self-employed)
- Scheme Fund Management (managing investment assets from collected levies such that the required funds are available at the time of a claim)
- Debt recovery
- Claims administration
- Case management
- Facilitation of dispute resolution
- Monitoring of compliance and taking enforcement action
- Receipt and sharing of information with other agencies to support good claimant outcomes, Income Insurance integrity, and other agencies' objectives
- Data collection and reporting of Income Insurance performance
- Additional functions that are in keeping with Income Insurance purposes that are authorised by regulation or ministerial direction
- IR be responsible for collecting the employee levy.

## Income Insurance Scheme Functional Model

Within the context of the policy decisions a functional model has been developed that describes the key functions that need to be developed to implement the scheme. This functional model is used to support the design decisions that are required to create the operating model. The operating model is a description of the scheme from policy through to technology design and is captured in the Income Insurance Blueprint.

Figure 5 – Income Insurance Functional Model



The functions to build into the scheme are:

- **Engagement** – to engage and educate the public by showing how the scheme works, as well as sharing scheme information on what the levy would be, how the levy is calculated, the process of lodgement and support provided to claimants
- **Prevention** – processes that reduce the potential of people becoming claimants of Income Insurance. While prevention services are outside the scope of Income Insurance provided services, they are in scope of service design activities with MSD and any other agency that is identified as a provider of prevention services, as well as co-design activities with Māori as part of the Distributed Service Model definition. Prevention is part of the evolution of the scheme.
- **Lodgement** – create and submit an Income Insurance claim for eligible Workers and Employers
- **Registration** – to identify, verify and authenticate levy payers and claimants, as well as giving them access to information, and the ability to choose communication options
- **Eligibility** – determine claim eligibility and monitor compliance for Workers, as well as verification of ongoing eligibility and compliance while the Worker is on the scheme
- **Entitlements** – calculate claim entitlements (bridging payments and Income Insurance payments) and offer cover to the claimant for the Income Insurance scheme and allow them to accept or decline the offer
- **Tailoring support** – assess the claimant situation, analyse what the claimant needs, establish the level of support, and welcome the claimant to the scheme. Claimants will know where to go for help and have certainty on what is happening, and when (subject to funding for providers of interventions)
- **Support** – provide automated, self-service support services as well as providing support for return-to-work claimants, and links to other services
- **Return to work services** – provide individualised and tailored person support to a claimant over the duration of a claim, as well as transferring to other services where appropriate (i.e.: Kaupapa Māori providers)
- **Financial support** – pay entitlements to claimants and manage deductions and abatements over the claim entitlement period
- **Closing Claim** – identify and notify a claimant who is nearing the end of their entitlement period and accept notification of new employment, or return to work, and close the claim



- **Scheme offboarding** – share information of what will happen now the claim has closed, notify the claimant of any debt to the scheme as well as transfer the claimant to other services such as MSD, if needed and appropriate for the claimant.
- **Levying** – the process for calculation and collecting levies from employers and employees
- **Levy setting** – consult and set levy settings for the scheme. Levy setting is a key input to fund creation and management
- **Fund management** – monitor and manage scheme funds and investments
- **Financial management** – monitor and administer scheme finances and liabilities; and
- **Scheme management** – monitor and manage scheme operations, services, and outcomes.

## Delivery Timeframe

### Editor's Note:

The scheme launch date is being considered by Ministers.

Income Insurance was initially targeted for launch in December 2023 and was to seek the full implementation cost **Confidential** in Budget 22. However, with competing priorities in Budget 22, ACC was asked by the Treasury to provide additional options for delivering Income Insurance that had a lower budget bid for Budget 22. ACC provided a briefing (ACC Briefing Paper: GOV-017288) that:

- provided advice on several delivery options and timeframes
- noted that drafting of policy and legislation in parallel to Income Insurance design and development was a high-risk approach and recommended that implementation not commence until July 2023
- noted that ACC will require at least six quarters to deliver a 'basic' Income Insurance scheme.

The substantive legislation being produced to govern the operation of Income Insurance is intended to be introduced in late 2022 and enacted in mid-2023. Ministers have agreed that Income Insurance will take effect in April 2025.

# Economic Case

## Overview

This Economic Case provides monetary and non-monetary analysis on the options for delivering a New Zealand Income Insurance Scheme (Income Insurance). The preferred option has been identified as:

**Digital Capability & Optimisation** – leverage off existing infrastructure and processes while building new digital capabilities and sector integrations for more optimal customer and case management.

The rationale for that selection is explained through the use of the Treasury’s CBAX tool and an adaptation of Eni Oil and Petroleum’s integrated risk analysis.

Also included in this Case is the analysis of implementation options which are a sub-set of possibilities considered for the delivery of the preferred option. This analysis was performed from a ‘best fit’ perspective within the envelope of the costs of the preferred option, therefore no further cost analysis is provided. It is included for completeness and transparency only.

## Critical Success Factors

The critical success factors (CSF) in Table 4 were identified as relevant for distinguishing between options. These relate to the objectives and criteria identified by the Future of Work Tripartite Forum (Forum) but are focussed on organisational configuration choices. These CSFs are used throughout this document to assess the options.

Table 4: Critical Success Factors

Generic CSF	Broad Description	Income Insurance specific CSF
Public trust and confidence (20%)	How well the option supports organisation integrity and upholds public trust and confidence.	<ul style="list-style-type: none"> <li>Business and claimant stakeholder expectations are met; confidence is maintained.</li> <li>Te Tiriti o Waitangi is honoured.</li> </ul>
Organisational capability (20%)	How well will the option support effective delivery of services, are easy to engage with, timely?	<ul style="list-style-type: none"> <li>Levy processes are low compliance, easy to understand.</li> <li>Claims processing, management is low compliance and timely.</li> <li>Personal information is handled well.</li> </ul>
Value for money (20%)	How well the option optimises policy objectives (i.e., the optimal mix of potential benefits, costs, and risks), and supports coherence.	<ul style="list-style-type: none"> <li>Services cater well to needs to optimise Forum objectives (e.g., return to work, reduce wage scarring).</li> </ul>

Generic CSF	Broad Description	Income Insurance specific CSF
		<ul style="list-style-type: none"> <li>Existing services are disrupted to a minimum.</li> <li>Service provision complements other Government services.</li> </ul>
Financial sustainability (20%)	Administration of services are cost efficient, mitigating against administration cost increases over time.	<ul style="list-style-type: none"> <li>Administration is right sized, focused on returns to investment/policy objectives.</li> </ul>
Achievability (20%)	How achievable is implementation of the option to specification, timing, and budget within the constraints?	<ul style="list-style-type: none"> <li>Service establishment meets specification, is on time and to budget</li> </ul>

## Income Insurance Delivery options

Given the decision that ACC is the agency to deliver the scheme, there are only two viable options on the short-list (other than the status quo, the counterfactual):

- **Option 1 – Digital Capability & Optimisation:** leverage off existing infrastructure and processes while building new digital capabilities and sector integrations for more optimal customer and case management; or
- **Option 2 – Minimum Build:** leverage off existing infrastructure and processes and build the minimum to stand up Income Insurance but defer additional digital optimisation to a later date.

From a long list of options assessed the above options were short-listed as the only ones that are viable in being:

- likely to achieve the critical success factors
- likely to deliver sufficient benefits and deliver public value (not just value-for-money)
- considered to be realistic and achievable as they provide appropriate recognition of the uncertainties and risks with implementation.

## Economic assessment of the short-list Income Insurance options

The following sections undertake a more detailed economic analysis of the costs, benefits and risks of the short-list options identified above. The intent is to:

- determine the preferred option likely to optimise the relative value
- ensure that decision-makers are well-informed about the implications of using economic resources and are provided with a consistent basis for assessing and ranking competing options.

This analysis includes:

- cost-benefit analysis of the monetary benefits and costs
- assessment of any intangible benefits and costs
- assessment of risk and uncertainty.

This analysis informs the recommendation of a preferred option. The assessment methodology uses the status quo, 'do nothing', as the counterfactual. The outcomes of the analysis are summarised in Table 5 below.

Table 5: Appraisal of the short list options

(\$m, 2022/23 prices)	Option 1	Option 2
Appraisal Period (years)	50	50
Confidential advice to Government		Confidential advice to Government
Present Value (PV) of		
<ul style="list-style-type: none"> <li>• monetary benefits</li> </ul>		Confidential advice to Government
<ul style="list-style-type: none"> <li>• monetary costs</li> </ul>		
Net Present Value (NPV)	6,846	2,911
Benefit/cost ratio	1.08	1.04

(\$m, 2022/23 prices)	Option 1	Option 2
<b>Multi-criteria analysis of non-monetary benefits:</b>		
Criteria 1 – Trust, confidence	10	10
Criteria 2 – Organisational capability	10	6
Criteria 3 – Value for money	10	6
Criteria 4 – Financial sustainability	10	6
Criteria 5 – Achievability	6	6
Weighted total /50	46	34
<b>Preferred option</b>	<b>Yes</b>	<b>No</b>

## Long list of Income Insurance options – discarded

Other options were identified for Ministers but were subsequently discarded (MBIE BP 2122-1851 refers):

- **Option 3 – Remove Risk Contingencies:** same as Option 1 but without sufficient budget to secure resources in a tight labour market (no ability to be more financially appealing than current employment position or other employment options).
- **Option 4 – Minimum and Remove Risk Contingency:** same as Option 2 and without sufficient budget to secure resources, as per Option 3.

The discarded options were absent of any contingency for risk and uncertainty and relied on low-cost expertise to deliver the scheme. These options were assessed as not viable as risk and uncertainty are unavoidable and acquiring low-cost expertise is unrealistic in the context of an extremely tight labour market.

## Income Insurance Options Assessment

The analysis takes into account macroeconomic fluctuation by adopting an average claims rate across an economic cycle, based on HLFS data on ED and HCD job stops across 2009-2019 as a representative economic cycle. The analysis assumes that on average, 75% of the labour force and their employers will be subject to earnings-based levies. Wage rates are assumed to increase by 1.0% per annum, based on the Treasury's 2021 Long-Term Fiscal Model<sup>50</sup>. These values are projected over 50 years taking account of Stats NZ assumed increase in the labour force<sup>51</sup>.

Some impacts have been quantified using the 'Valuing Wellbeing Outcomes' framework set out in Smith and Davies (2020), which places a value on a number of changes in life circumstances and have been incorporated in the CBAX tool. The calculation uses a technique known as subjective wellbeing valuation which involves measuring the monetary value of wellbeing outcomes, by indirectly valuing these outcomes relative to the importance of income to wellbeing. Base data on positive and negative impacts of specific events on life satisfaction were collected by Statistics New Zealand through the New Zealand General Social Survey (NZGSS).

All costs and benefits are expressed in today's (2021/22) dollars and are discounted according to the Public Sector Discount Rate specified by the Treasury for projects of this type of 5%. The short-list options are assessed in this economic case against the status quo. A number of impacts have been identified and monetised using the Treasury's CBAX tool<sup>52</sup> to model the overall potential impact of the options, using an orthodox cost-benefit analysis framework.

The impacts monetised for the model are:

Table 6: Monetised impact descriptions

Impact #	Type	Description
1	Disbenefit	The cost of Income Insurance to be paid by employees.
2	Disbenefit	The cost of Income insurance to be paid by employers, including an estimated average bridging payment for economically displaced workers.
3	Benefit	Income smoothing provided by Income Insurance to people economically displaced or taking time out to recover from HCD.

50 The Treasury. (2021). He Tirohanga Mokopuna 2021: The Treasury's combined statement on the long-term fiscal position and long-term insights briefing.

51 Statistics New Zealand. (2021). National labour force projections: 2020 (base)–2073. [National labour force projections: 2020\(base\)–2073 | Stats NZ](#)

52 See The Treasury's CBAX Tool.

Impact #	Type	Description
4	Benefit	Improvements in mental health among the HCD cohort through enabling people to take time out from work to recover, and from financial support
5	Benefit	Improvements in physical health among the HCD cohort (through the channels outlined for impact 4)
6	Benefit	A benefit to wellbeing from income smoothing and relieving financial stress
7	Benefit	A fiscal offset resulting from the scheme diverting people from the welfare system, and increased taxation receipts from tax on replacement income
8	Benefit	An improvement in post-ED wages and/or tenure.

The impacts non-monetised for the model are:

Table 7: Non-monetised impact descriptions

Impact #	Type	Description
9	Benefit	Counter-cyclical macro-economic smoothing
10	Benefit	Reduced risk aversion among workers, employers, and the community
11	Benefit	Improved social cohesion
12	Disbenefit	Potential for increased unemployment

Other factors considered when assessing the short-list options:

- The start date for the scheme is 1 April 2025.
- The economic life of the investments (the period over which costs and benefits are assessed) is assumed to be 50 years.
- The Public Sector Discount Rate specified by the Treasury for projects of this type is 5% per annum. All costs and benefits are expressed in today's (2022/23) dollars.
- Depreciation, capital charges, interest and other financing costs are excluded from the analysis.

The comparative estimated establishment costs of the short-list options are displayed in Table 8 and are exclusive of GST:








## Estimating benefits and disbenefits/costs

Analysis has been undertaken to estimate monetary and non-monetary benefits and disbenefits/costs of the viable options against the status quo, as set out in Tables 9 to 12 below. At the time of writing this Business Case, levy assumptions were under review. Changes in assumptions relating to levy may change this analysis in future.

Table 9: Estimated monetary benefits

Domain	Impact #	Monetary benefits	Estimated values NPV over 50 years	Description and assumptions
<b>Income and consumption</b> 	3	Income smoothing provided by the scheme to people economically displaced or taking time out to recover from HCD (including bridging payments)	Both options - \$63,067 m	<ul style="list-style-type: none"> <li>• Income Insurance has the effect of offsetting the income drop associated with job loss or taking time out due to HCD. This in turn helps to smooth consumption; lowers impact on households, and whānau and families, where workers are displaced.</li> <li>• The monetary impact is estimated based on:               <ul style="list-style-type: none"> <li>○ The number of people claiming due to being economically displaced or an HCD in an average year across the economic cycle is estimated at 247,600, of which 112,300 will be due to ED and 135,300 would be due to HCDs (based on Household Labour Force Survey data).</li> <li>○ The average duration of claims:                   <ul style="list-style-type: none"> <li>▪ ED claims – 4.9 months</li> <li>▪ HCD claims – 2.7 months</li> </ul> </li> <li>○ (Estimated using Aotearoa New Zealand and international data to account for any potential behaviour change that could arise with the introduction of an Income Insurance scheme). The combination of flow and duration produces an estimation for active claims at any one time of 76,000.</li> <li>○ The average wage in 2020 dollars of \$57,072.</li> </ul> </li> </ul>

Domain	Impact #	Monetary benefits	Estimated values NPV over 50 years	Description and assumptions
Health (primary) 	4	Improvements in mental health among the HCD cohort through enabling people to take time out from work to recover, and from financial support	Option 1 - \$2,930 m Option 2 - \$2,344 m	<ul style="list-style-type: none"> <li>The median projection of the labour force over the next 50 years (Statistics NZ).</li> <li>Workers experiencing HCDs that substantially effect work capacity will be able to take time out to recover and have improved return to work and wellbeing outcomes.</li> <li>This impact applies the standard CBAX value for mental health improvement of \$5,286 for every one-point improvement on a scale of 1-100<sup>53</sup>; assuming that 30% of the HCD cohort experience a 5% improvement in mental health.</li> <li>This is based on evidence that time out with financial assistance can support improvements in mental health for some people and enabling them to recover and return to their original job or working hours.<sup>54</sup></li> <li>Option 2 assumes a 20% reduction in this impact to reflect the likelihood that the minimum build option would result in a reduction in service targeting, and in turn inferior outcomes.</li> </ul>
Health (primary) 	5	Improvements in physical health among the HCD cohort	Option 1 - \$647 m Option 2 - \$518 m	<ul style="list-style-type: none"> <li>The provision of Income Insurance to workers experiencing HCDs will promote improved return to work and wellbeing outcomes.</li> <li>A similar rationale and the same set of assumptions are applied to that set out in Impact 4, but the CBAX measure has a lower impact value, \$1,329, resulting in a lower influence on the output of the model.</li> </ul>




53 The CBAX value provides a monetised estimation of the value of scalar changes in mental and physical health derived from the New Zealand General Social Survey (NZGSS), as outlined in [https://kaingaora.govt.nz/assets/Publications/Housing-wellbeing-valuation\\_final-paper\\_2020.pdf](https://kaingaora.govt.nz/assets/Publications/Housing-wellbeing-valuation_final-paper_2020.pdf)

54 See for example, Avendano, M., Moustgaard, H., & Martikainen, P. (2017). Are some populations resilient to recessions? Economic fluctuations and mortality during a period of economic decline and recovery in Finland. *European Journal of Epidemiology*, 32(1), 77–85;

Cylus, J., Glymour, M.M., & Avendano, M. (2015). Health effects of unemployment benefit program generosity. *American Journal of Public Health*, 105(2), 317–323;

Kuka, E. (2020). Quantifying the benefits of social insurance: Unemployment Insurance and Health. *The Review of Economics and Statistics*, 102(3), 490–505;

Shahidi, F.V., Ramraj, C., Sod-Erdene, O., Hildebrand V., & Siddiqi, A. (2019). The impact of social assistance programs on population health: A systematic review of research in high-income countries. *BMC Public Health*.

Domain	Impact #	Monetary benefits	Estimated values NPV over 50 years	Description and assumptions
<b>Subjective wellbeing</b> 	6	A benefit to wellbeing from income smoothing and relieving financial stress	Both options - \$4,134 m	<ul style="list-style-type: none"> <li>Receipt of replacement income lowers financial impact of permanent or temporary job loss on workers, and their whānau and families, promoting an improvement in subjective wellbeing through reducing financial stress.</li> <li>This impact is supported by a large body of international evidence that consumption smoothing is beneficial to wellbeing, particularly for those on low incomes, and therefore a positive value is assumed.<sup>55</sup> 60% of the total cohort assumed to experience a wellbeing improvement, with an average 25% impact across that group (using a standard CBAX value of \$15,060 per annum for every 1 point change in having a money shortage, on a scale of 0 to 2 derived from the General Satisfaction Survey)<sup>56</sup> from the receipt of replacement income from Income Insurance while unemployed.</li> </ul>
<b>Civic engagement and governance</b> 	7	A fiscal offset resulting from the scheme diverting people from the welfare system, and increased taxation receipts from tax on replacement income	Both options - \$4,264 m  (Welfare being 60% (\$2,558 m and tax being 40% (\$1,705 m) of the offset.)	<ul style="list-style-type: none"> <li>Income Insurance is expected to produce savings by offsetting welfare payments to some (but not all) claimants, and through generating additional taxation receipts from the payment of levy and replacement income to people who are displaced.</li> <li>The estimate is derived from modelling by the Treasury and Inland Revenue. The figure represent the low-medium range of modelled outputs and is therefore considered to be of high evidence quality.</li> </ul>
<b>Jobs and earnings</b> 	8	Improved post-ED earnings and/or job tenure	Option 1 - \$8,730m Option 2 - \$6,984m	<ul style="list-style-type: none"> <li>Income Insurance provided to displaced people enables them to engage in a longer search to find a job that matches their skills and maximises their wage and job tenure.</li> </ul>

<sup>55</sup> See for example, Nekoei, A. & Weber, A. (2017). Does Extending Unemployment Benefits Improve Job Quality? *American Economic Review*, Vol. 107, No. 2, February 2017.

Farooq, A., Kugler, A.D., & Umberto M. (2020). Do Unemployment Insurance Benefits Improve Match Quality? Evidence from Recent US Recessions. NBER Working Paper 27574.




<sup>56</sup> The CBAX value provides a monetised estimation of the value of scalar changes in financial stress, defined as 'having a money shortage' and based on people reporting difficulties in paying bills; derived from the New Zealand General Social Survey (NZGSS), as outlined in ref [https://kaingaora.govt.nz/assets/Publications/Housing-wellbeing-valuation\\_final-paper\\_2020.pdf](https://kaingaora.govt.nz/assets/Publications/Housing-wellbeing-valuation_final-paper_2020.pdf). The value is \$15,060 per annum for every 1 point change in having a money shortage on a scale of 0 to 2.

Domain	Impact #	Monetary benefits	Estimated values NPV over 50 years	Description and assumptions
				<ul style="list-style-type: none"> <li>• This effect is discounted by the likelihood of behavioural impacts (moral hazard) in the form of extended job searching which results in little or no improvement in post-ED wages.</li> <li>• The net effect is assumed to be net positive but small. This assessment is based on a large, but mixed evidence base suggesting that the provision of reasonably generous income replacement can result in better job matches with slightly higher wages and/or longer tenure in replacement jobs, estimated across studies at ~60% of the total cohort.<sup>57</sup> The impact is reasonably conservative, adopting a 20% reduction in wage scarring across 60% of the total cohort.</li> <li>• Option 2 is modelled with an assumed 20% reduction for this impact to represent an assumed reduction in service targeting flowing to a reduced outcome value.</li> </ul>

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<sup>57</sup> See Nekoei & Weber (2017) and Farooq *et al.* (2020).

Table 10: Estimated non-monetary benefits

Domain	Impact #	Non-monetary benefits	Relative impact	Description and assumptions
Jobs and earnings 	9	Counter-cyclical macro-economic smoothing	This benefit is broadly equivalent for each of the options.	<ul style="list-style-type: none"> <li>The balance between levies and claims paid out would provide an 'automatic stabiliser' effect on the macro-economy, which would improve Aotearoa New Zealand's overall resilience during a downturn or a recession.<sup>58</sup></li> </ul>
Subjective wellbeing 	10	Reduced risk aversion among workers, employers, and the community	This benefit is expected to be more pronounced for Option 1 than Option 2, assuming more tailored support provided will improve post-ED outcomes.	<ul style="list-style-type: none"> <li>Guaranteed income protection provides certainty and reduces risks for employers, workers, and the Government, and mitigates employment losses and social costs.</li> </ul>
Civic engagement and governance 	11	Improved social cohesion	This benefit is broadly equivalent for each of the options.	<ul style="list-style-type: none"> <li>N/A</li> </ul>

<sup>58</sup> See for example,

OECD. (2015). *Adjusting fiscal balances for the business cycle*.

OECD. (2017). *Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers*.




Figura, A., & Barnichon, R. (2014). The Effects of Unemployment Benefits on Unemployment and Labor Force Participation: Evidence from 35 Years of Benefits Extensions. FEDS Working Paper No. 2014-65.

Boone, C, Dube, A., Goodman L. & Kaplan, E. (2021). Unemployment insurance generosity and aggregate employment. *American Economic Journal: Economic Policy* 13(2): 58-99.

Kekre, R. (2021). *Unemployment Insurance in Macroeconomic Stabilization*. BFI working paper, March 2021.

Carter, J., Bédard, M. & Bista, C.P. (2013). *Comparative review of unemployment and employment insurance experiences in Asia and worldwide*. ILO.

Table 11: Estimated disbenefits/costs

Domain	Impact #	Disbenefits/costs	Relative impact	Description and assumptions
<b>Civic engagement and governance</b> 	1	The cost of Income Insurance to be paid by employees	Option 1 - \$36,584 m Option 2 - \$37,388m	<ul style="list-style-type: none"> <li>The employee levy rate is 1.21% of payroll (plus GST), to cover Income Insurance payments and scheme administration. Levies collected from employees are estimated to cost \$818 per worker.</li> <li>Option 2 assumes a 20% efficiency loss which increases the administration component of the levy by that amount which increase the levy to 1.24%.</li> </ul>
<b>Civic engagement and governance</b> 	2	The cost of Income insurance to be paid by employers, including an estimated average bridging payment	Option 1 - \$39,668m Option 2 - \$540,540m	<ul style="list-style-type: none"> <li>As with the employee levy the employer levy rate is 1.21% of payroll (GST excl), to cover income insurance payments and scheme administration.</li> <li>Additionally, employers must pay employees they economically displace a bridging payment of four weeks income at 80% of their normal pay, before the employees can claim Income Insurance payments. Based on past ED rates, bridging payments are estimated to cost employers an additional \$0.38b.</li> <li>The total cost to employers is estimated at ~\$940 per worker per year.</li> <li>Option 2 is modelled with a 20% efficiency loss added to the administration component of the levy, which becomes 1.24%.</li> </ul>
<b>Jobs and earnings</b> 	12	Potential for increased unemployment	The overall effect of the scheme on unemployment is fundamentally uncertain, and it is not clear whether this effect is more pronounced under either option.	<p>The scheme may:</p> <ul style="list-style-type: none"> <li>increase the willingness of some employers to lay-off workers.</li> <li>discourage employers from offering jobs because of higher labour costs.</li> <li>It will also incentivise displaced people to spend more time in job search, increasing the number of unemployed people at any given time (even assuming no change in ED and re-employment).</li> </ul>

Domain	Impact #	Disbenefits/costs	Relative impact	Description and assumptions
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			Therefore, this is considered a qualitative risk.	
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## Multi-Criteria Assessment of Options

The non-monetary benefits for each viable option were assessed using multi-criteria analysis. The methodology used was a performance matrix, in which each of the options' performance is assessed against each criterion of the critical success factors outlined above. A qualitative assessment of trade-offs between the performance criteria was undertaken to inform the overall assessment. The assessment was concluded using a linear additive approach, where each of the options ratings against the criteria is multiplied by the critical success criteria factor equal weighting of 20% each. The detailed results of the multi-criteria analysis are outlined in Table 12 .

Table 12: Multi-criteria assessment of options

Critical Success Factor	Option 1	Option 2
Public trust and confidence	10 – fundamentally satisfies factor	10 – fundamentally satisfies factor
Organisational capability	10 – fundamentally satisfies factor	6 –discounted for the potential for manual claims handling that result in delay, compliance cost, and less secure information
Value for money	10 – fundamentally satisfies factor	6 –discounted for potential for less optimal delivery against scheme objectives (e.g. return people to suitable jobs), and poorer interface with other services
Financial sustainability	10 – fundamentally satisfies factor	6 –discounted for potential to require more labour intensive and costly administration over time, and a higher levy
Achievability	6 –discounted for greater uncertainty and risk associated with workforce and vendor requirements	6 – discounted for greater risk of not achieving the specifications, particularly for Māori, without new systems (ACC systems were built specifically for ACC); less system driven means obtaining and retaining a larger operational workforce in a tight labour market.
<b>Weighted total /50</b>	<b>46</b>	<b>34</b>



## Risk and Uncertainty

### Risk identification and assessment

The key risks have been assessed for each of the short-listed options that might prevent, degrade, or delay achievement of the Income Insurance scheme. The results of this assessment are detailed in Table 13 and are inputs for the risk quantification result displayed in Table 16.

Table 13: Risk assessment and management strategies

Risk	Consequences (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Changes in the passage of legislation could impact the start of implementation and therefore launch date of Income Insurance	M	L	<p>Legislative processes are beyond the control of agencies and departments, leading to potential for delays in passage of the main statute. Late policy changes, from October 2022 onwards, could alter design of the scheme and therefore impact the commencement of implementation (expected to start ~1 July 2023 at the completion of the legislative process) and consequently the launch date of Income Insurance.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>finalising designs ready for system configuration and development near to the completion of the legislative process.</li> <li>managing stakeholders' expectations carefully regarding delivery and timeframes.</li> <li>developing manual workarounds that could be applied, if necessary, at the start of implementation.</li> </ul>
Market place resources are not available to meet Income Insurance Delivery Partner implementation timeline and objectives	H	M	<p>Multiple Government agencies will draw on the same pool of expertise, in a tight labour market. There are recognised constraints in sourcing Māori cultural capability.</p> <p>Mitigations for Income Insurance Delivery Partners include:</p> <ul style="list-style-type: none"> <li>establish attraction and recruitment strategies to recruit team members with Māori cultural capability across a range of roles</li> </ul>

Risk	Consequences (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
MSD and IR have a role to play in design, implementation, establishment, and operations, but ACC does not have control over those agencies	L	M	<ul style="list-style-type: none"> <li>• utilise contractors outside of Wellington (virtual working).</li> <li>• establish an agreed process for utilising existing Income Insurance Delivery Partner staff/contractors to minimise disruption.</li> <li>• prioritise implementation roles and offer long-term opportunities through to establishment and into operations.</li> <li>• develop strategies for attracting high-priority talent in all roles.</li> </ul>
Legislative decision-making proves too slow	L	M	<p>ACC will rely on Income Insurance Delivery Partners for aspects of design, implementation, establishment, and operations, but has no direct control over those agencies, especially the resources applied and the decision-making process.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• maximise the use of the Income Insurance Programme Steering Committee.</li> <li>• use formal service contracts between Income Insurance Delivery Partners for the delivery of services.</li> <li>• jointly message in the Statement of intent of each Income Insurance Delivery Partners.</li> <li>• use formal accountability mechanisms.</li> </ul> <p>Delays in the legislative process has direct impacts on scheme design, and therefore on implementation.</p> <ul style="list-style-type: none"> <li>• maximise the use of the Income Insurance Programme Steering Committee.</li> <li>• use formal accountability mechanisms.</li> <li>• pay close attention to political and policy stakeholders, regarding risks from delays or incomplete decision-making.</li> </ul>

Risk	Consequences (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Issues arise with data-sharing, including potential breaches of the Privacy and Tax Administration Acts	H	L	<p>Data-sharing between schemes or agencies, or both, poses privacy risks, unless there are suitable provisions in legislation and/or data-sharing agreements.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• enabling legislation has been passed that supports information sharing during implementation.</li> <li>• identify necessary information-sharing agreements prior to implementation.</li> <li>• ensure information-sharing is addressed in the full legislation.</li> </ul>
Te Tiriti o Waitangi commitments are not met	H	L	<p>Te Ao Māori needs are not adequately considered and/or implemented, meaning delivery does not meet Te Tiriti o Waitangi commitments.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• Māori membership is in place at all levels of Income Insurance Delivery Partners formal governance; the Design Authority, Income Insurance Programme Steering Committee, Income Insurance Sub-Board.</li> <li>• ACC's Māori Customer Advisory Panel are engaged and have been since February 2022.</li> <li>• Iwi Leaders' Group Pou Tangata are engaged and have been since late 2021.</li> <li>• Approve the Te Ao Māori implementation plan through ACC's Tuma Pae Ora and the Income Insurance Programme Steering Committee.</li> <li>• Further iwi engagement, as implementation proceeds.</li> <li>• Rā Matua strategic co-design group has been established and is in operation.</li> <li>• Quality assurance (internal and external) and monitoring activities specific to Te Tiriti o Waitangi commitments during design and implementation phases.</li> <li>• Designing the Income Insurance outcomes framework in conjunction with the ACC Māori Outcomes Framework (Te Kāpehu Whetū).</li> </ul>

Risk	Consequences (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Te Ao Māori co-design is not adequately considered	H	L	<p>Te Ao Māori co-design is not adequately considered, or enacted, to give effect to the enabling legislation obligations of ensuring Income Insurance is accessible to Māori and responsive to Māori perspectives.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• enabling legislation has been passed that includes obligations to ensure accessibility to Māori and responsiveness to Māori perspectives.</li> <li>• Māori membership is in place at all levels of Income Insurance Delivery Partners formal governance; the Design Authority, Income Insurance Programme Steering Committee, Income Insurance Sub-Board (Sub-Board membership consists of three members of the ACC Board and an external Māori leader).</li> <li>• ACC's Māori Customer Advisory Panel are engaged and have been since February 2022.</li> <li>• Iwi Leaders' Group Pou Tangata are engaged and have been since late 2021.</li> <li>• Rā Matua strategic co-design group has been established and is in operation.</li> <li>• Approving the Te Ao Māori implementation plan through ACC's Tumu Pae Ora and the Income Insurance Programme Steering Committee.</li> <li>• Further iwi engagement, as implementation proceeds.</li> <li>• Quality assurance (internal and external) and monitoring activities specific to enabling legislation obligations during design and implementation phases.</li> </ul>
Equitable access to Income Insurance is not adequately considered	H	L	<p>Design does not adequately consider the needs of Māori, Pasifika, and disabled people to ensure equitable access to Income Insurance.</p> <p>Mitigations include:</p> <ul style="list-style-type: none"> <li>• A by Māori, for all approach with manaakitanga central to the design of the scheme.</li> </ul>

Risk	Consequences (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
			<ul style="list-style-type: none"> <li>• Māori, disabled people and Pasifika membership is in place at various levels of Income Insurance Delivery Partners formal governance; the Design Authority, Income Insurance Programme Steering Committee.</li> <li>• Disabled People Advisory Panel will be established for the purpose of providing strategic advice to scheme design and implementation from the Disability community.</li> <li>• Pasifika Advisory Panel will be established for the purpose of providing strategic advice to scheme design and implementation from the Pacific community.</li> <li>• Quality assurance (internal and external) and monitoring activities specific to equity.</li> </ul>

DRAFT IN CONFIDENCE

## Quantitative Risk Analysis

The methodological approach used to quantify and model risks is an adaptation of Eni Oil and Petroleum’s integrated risk analysis, as described by Rossi.<sup>59</sup>

The approach is a three-step quantification, namely:

- assessing the impact of each risk manifesting (consequences) on six business areas, namely: cost, quality, schedule, commercial gains or losses, corporate reputation (ACC), and third-party stakeholder’s reputation (the Government) – summarised in Table 14
- assessing the likelihood of each risk manifesting (probability) – summarised in Table 15
- combining the two measures into a single matrix (where total = I x P), to provide a comprehensive quantification of risk for the whole proposal – summarised in Table 16.

### Step 1 – Impact Assessment

Table 14: Impact by business area

Business area	Low (I = 0.10)	Medium (I = 0.50)	High (I = 0.90)
Cash cost (x)	Increase within contingency	Increase of x = 7-10% based on confirmed forecast	Increase of x > 15% based on confirmed forecast
Quality	Barely noticeable quality flaws	Customer-side shortcomings acknowledged; internal ongoing escalation required	Scheme failure an immediate possibility
Schedule (y)	Insignificant schedule slippage	Slippage in some aspects of scheme where y > 2 weeks	Slippage widely apparent, not acceptable to sponsor (Govt)
Commercial gains/ (losses)	Employer brand enhanced, experience widely shared within enterprise and externally	Delivery under pressure widely recognised, experience shared externally	Resources from elsewhere in business redeployed, substantial distraction factor

<sup>59</sup> Methodology adapted from Rossi, P. (2007). *How to link the qualitative and the quantitative risk assessment*. Paper presented at PMI® Global Congress 2007—EMEA, Budapest, Hungary. Newtown Square, PA: Project Management Institute.

Business area	Low (I = 0.10)	Medium (I = 0.50)	High (I = 0.90)
Corporate reputation (ACC)	Corporate reputation enhanced overall	Customer complaints in contained areas, some negative social media and news media	Reputational spill-over to existing business and employer brand, impact on likelihood of future projects
Third-party reputation (Govt)	Govt's reputation enhanced overall, recognised for quality delivery	Govt's reputation enhanced, delivery recognised for quality despite risks	Quality and cost escalated to sponsor, sponsor intervention an immediate possibility

## Step 2 – Likelihood Assessment

Table 15: Probability and consequences of risk occurring

	Negligible (P = 0.10)	Medium (P = 0.50)	High (P < 0.90)
Description	Occurrence unlikely, existing mitigations provide sufficient risk management	Occurrence likely, attention to existing mitigations necessary	Occurrence highly likely, internal escalation inevitable, additional mitigations and resources required

## Step 3 – Quantification of Risk

The combined result, in the following table, is that Whole Project Risk is 15%. But the risk of 'Resources are not available to meet implementation timeline and objectives' is much higher than the average overall Whole Project Risk – at 43% – as is the risk for 'Corporate reputation (ACC)' – at 17%.

Table 16: Risk quantification summarised by main risk and by business area

Risks	Cost	Quality	Schedule	Quality	Corporate reputation (ACC) <sup>(1)</sup>	Government reputation	Total per-risk <sup>(2)</sup>
Changes in the passage of legislation or changes or delays in design could affect implementation planning	0.05	0.01	0.05	0.01	0.01	0.09	0.22/4.86 (5%)
Resources are not available to meet implementation	0.45	0.45	0.45	0.05	0.45	0.25	2.1/4.86 (43%)

Risks	Cost	Quality	Schedule	Quality	Corporate reputation (ACC) <sup>(1)</sup>	Government reputation	Total per-risk <sup>(2)</sup>
timeline and objectives							
MSD and IR have a role to play in design, implementation, establishment, and operations, but ACC does not have control over those agencies	0.05	0.09	0.05	0.01	0.01	0.05	0.26/4.86 (5%)
Legislative decision-making proves too slow	0.05	0.05	0.09	0.09	0.05	0.09	0.42/4.86 (9%)
Issues arise with data-sharing, including potential breaches of the Privacy and Tax Administration Acts	0.01	0.01	0.01	0.09	0.25	0.01	0.38/4.86 (8%)
Te Tiriti o Waitangi commitments are not met	0.01	0.05	0.01	0.01	0.05	0.25	0.38/4.86 (8%)
Te Ao Māori co-design is not adequately considered	0.01	0.05	0.01	0.05	0.25	0.05	0.42/4.86 (9%)
Equitable access to Income Insurance is not adequately considered	0.01	0.25	0.01	0.01	0.05	0.09	0.42/4.86 (9%)
<b>Total per business area<sup>(2)</sup></b>	<b>0.64/6.48 (10%)</b>	<b>0.96/6.48 (15%)</b>	<b>0.68/6.48 (10%)</b>	<b>0.32/6.48 (5%)</b>	<b>1.12/6.48 (17%)</b>	<b>0.88/6.48 (14%)</b>	<b>Whole project risk: 5/32 (15%)</b>



Notes:

- (1) the business area 'Commercial gains/(losses)' is considered to be functionally the same as 'Corporate Reputation' and the two areas have been combined in this table.
- (2) 2 decimal places, maximum value  $x = 4.86$

## Testing by sensitivity analysis – Identifying the preferred option

The results of the CBAX cost benefit and sensitivity analysis, based on the assumptions within this document, are detailed in Tables 17 and 18.

Table 17: Summary of benefits and costs by Wellbeing Domain





Domain		Option 1	Option 2
<b>Benefits (\$m, 2021/22 prices, NPV over 50 years)</b>			
Jobs and earnings (primary)		71,797	70,051
Health (secondary)		3,577	2,862
Income and consumption (secondary)		4,134	4,134
<b>Costs (\$m, 2021/22 prices, NPV over 50 years)</b>			
Civic engagement and governance		71,988	73,665
<b>Preferred Option</b>		<b>Yes</b>	<b>No</b>

Table 18: Summary of benefits and costs by impact

(\$m, 2021/22 prices)	Option 1	Option 2
<b>Benefits (\$m, 2021/22 prices, NPV over 50 years)</b>		
Impact 3: Income replacement	63,067	63,067
Impact 4: Improved mental health	2,930	2,344
Impact 5: Improved physical health	647	518
Impact 6: Improved wellbeing from financial security	4,134	4,134
Impact 7: Fiscal offset	4,264	4,264
Impact 8: Improved post-displacement earnings and tenure	8,730	6,984
Impact 9: Counter-cyclical macro-economic smoothing	High	High
Impact 10: Reduced risk aversion among workers, employers, and the community	Med	Med
Impact 12: Improved social cohesion	Low	Low
<b>Total (monetised) benefits</b>	<b>83,772</b>	<b>81,310</b>
<b>Costs (\$m, 2021/22 prices, NPV over 50 years)</b>		
Set up costs	Confidential advice to Government	
Ongoing operating costs		
Potential increase in joblessness	Low	High
<b>Total (monetised) costs</b>	<b>76,925</b>	<b>78,400</b>
<b>Net Present Value (Monetised)</b>	<b>6,846</b>	<b>2,911</b>
<b>Assessment (Non-Monetised)</b>	<b>High</b>	<b>High</b>
<b>Rank</b>	<b>1</b>	<b>2</b>

## Testing the robustness of the options analysis

Scenario testing resulting from the CBAX analysis is described in Tables 19 to 21. This options analysis is sensitive to the following significant assumptions that, under **Option 2**

### – Minimum Build:

- ongoing administration costs will be higher, on the basis that administration will be more labour-intensive and expensive than under Option 1 - Digital Capability & Optimisation, and therefore the administrative component of the levy will be 10% higher
- outcomes for economical or health displaced workers will be inferior as services will not be targeted as effectively as under Option 1 - Digital Capability & Optimisation, and therefore mental and physical health improvements and post-ED wage gains are 10% lower.

The following scenarios were tested:

- **Scenario 1** assumes that there is no difference in administrative costs between the two options, and therefore levies are the same.
- **Scenario 2** assumes that there is no difference in claimant outcomes between the two options.
- **Scenario 3** combines scenarios 1 and 2.

Table 19: Scenario 1 - no difference in administrative costs

Scenario 1: (\$m, 2021/22 prices)	Option 1	Option 2
<b>Cost-benefit analysis of monetary costs and benefits</b>		
Present Value (PV) of		
• monetary benefits	83,772	83,772
• monetary costs	Confidential advice to	
Net Present Value (NPV)	<b>6,846</b>	<b>5,170</b>
Benefit/cost ratio	1.09	1.06

<b>Multi-criteria analysis of non-monetary benefits:</b>		
Criteria 1 – Trust, confidence	10	10
Criteria 2 - Organisational capability	10	6
Criteria 3 - Value for money	10	6
Criteria 4 - Financial sustainability	10	10
Criteria 5 - Achievability	6	6
Weighted total /50	46	38
<b>Preferred option</b>	<b>Yes</b>	<b>No</b>

Table 20: Scenario 2 - no difference in claimant outcomes

<b>Scenario 2: (\$m, 2021/22 prices)</b>	<b>Option 1</b>	<b>Option 2</b>
<b>Cost-benefit analysis of monetary costs and benefits</b>		
Present Value (PV) of		
• monetary benefits	Confidential advice to Government	
• monetary costs	Confidential advice to Government	
Net Present Value (NPV)		
Benefit/cost ratio	1.09	1.05
<b>Multi-criteria analysis of non-monetary benefits:</b>		
Criteria 1 – Trust, confidence	10	10
Criteria 2 - Organisational capability	10	6
Criteria 3 - Value for money	10	6
Criteria 4 - Financial sustainability	10	6
Criteria 5 - Achievability	6	6
Weighted total /50	46	34
<b>Preferred option</b>	<b>Yes</b>	<b>No</b>

Table 21: Scenario 3 - no difference in admin costs/levies or worker outcomes

Scenario 3: (\$m, 2021/22 prices)	Option 1	Option 2
<b>Cost-benefit analysis of monetary costs and benefits</b>		
Present Value (PV) of		
<ul style="list-style-type: none"> <li>monetary benefits</li> </ul>	Confidential advice to Government	
<ul style="list-style-type: none"> <li>monetary costs</li> </ul>		
Net Present Value (NPV)		
Benefit/cost ratio	1.08	1.08
<b>Multi-criteria analysis of non-monetary benefits:</b>		
Criteria 1 – Trust, confidence	10	10
Criteria 2 - Organisational capability	10	6
Criteria 3 - Value for money	10	6
Criteria 4 - Financial sustainability	10	10
Criteria 5 - Achievability	6	6
Weighted total /50	46	38
<b>Preferred option</b>	<b>Yes</b>	<b>No</b>

### Outcome of options Analysis

Under the three scenarios, Option 1 is still preferred. The difference in monetised impacts between the two options narrows, so that it is only marginally higher for Option 1 under scenarios 1 and 2, and the same under scenario 3. However, Option 1 still has higher non-monetised benefits.

## The preferred option

Despite the higher up-front cost, the preferred option is **Option 1 – Digital Capability and Optimisation**, because it provides a better likelihood that the scheme will deliver:

- well-tailored services that better support worker’s return to health and independence, and better wages for some workers, leading to an improved general wellbeing for individuals, their families, and whānau
- cost efficiencies over time, as digitisation will reduce the reliance on labour-intensive processes to deliver services, which will in turn help to maintain levy affordability over time.

Since Option 1 is a significant digital investment, the Programme falls under the Government Chief Digital Officer (GCDO) system lead requirements and the Strategy for a Digital Public Service and Digital Strategy for Aotearoa. Income Insurance aligns with the GCDO system lead and strategies.

## Implementation options considered

In April 2022, ACC decided to explore opportunities to use existing Government assets, seeking implementation options for an optimised solution that leverages existing strengths and native system capabilities.

A set of assessment criteria was developed to enable a consistent approach to identifying the strengths of options identified and support comparison of proposed model:

Table 22: Assessment Criteria for Options Analysis

Criteria	Considerations
Capability to deliver an exceptional customer experience and outcomes	<ul style="list-style-type: none"> <li>• Customer experience as defined by the customer principles</li> <li>• Outcomes as defined by the scheme intent, Te Tiriti o Waitangi and Equity principles</li> <li>• Capability defined as organisational ability and ability to control outcomes</li> <li>• Alignment with the GCDO strategy</li> </ul>
Alignment with ACC's technology principles and guardrails	<ul style="list-style-type: none"> <li>• Alignment with Architectural guardrails</li> <li>• Alignment with Technology principles</li> <li>• Alignment with the GCDO strategy</li> </ul>
Solution complexity	<ul style="list-style-type: none"> <li>• Cost to operate</li> <li>• Speed to deliver change</li> </ul>
Future flexibility to adapt to new and emerging policy needs and operational opportunities	<ul style="list-style-type: none"> <li>• Extensibility of the architecture (loosely coupled vs tightly coupled)</li> <li>• Ability to monitor and analyse data to inform future iterations</li> <li>• Alignment with the GCDO strategy</li> </ul>
ACC retains autonomous change control	<p>Both during the Programme implementation and when the scheme becomes operational, ACC has substantive control over:</p> <ul style="list-style-type: none"> <li>• priority to deliver platform changes (not dependent on other agency priorities)</li> <li>• continuous improvement and development of systems</li> </ul>
Delivery confidence – 1 April 2025	<ul style="list-style-type: none"> <li>• Timeframes to build, test and integrate technical components and to onboard and upskill operational workforce.</li> </ul>
Cost to deliver	<ul style="list-style-type: none"> <li>• Total cost of ownership – technology, workforce, licencing, support, maintenance, security</li> <li>• Cost to value ratio</li> </ul>

Working with Delivery Partners, three initial high level delivery models were developed to work through the options. The models were iterated as more was learned about the systems and capabilities available, leading to four further iterations. Overall, including the original delivery model assumed as part of early design work, eight iterations were explored.

Over the course of developing and evaluating options, the understanding of case management, as central to the scheme, developed significantly. Early considerations acknowledged, but did not recognise, the significance of integration and alignment with MSD that was required to deliver the scheme.

A process was undertaken to evaluate the models and the results identified the preferred option. The analysis was performed from a 'best fit' perspective within the envelope of the costs of the preferred option, therefore no further cost analysis is provided. This was presented to the Income Insurance Programme Steering Group on 25 August 2022 who supported the evaluation and recommendation. This is outlined here as **the preferred option**.

The preferred option leverages the opportunity to optimise data sharing between IR and Income Insurance and the opportunity to build alignment with MSD in the design and delivery of real time case management and support.

The understanding of case management as central to the scheme has developed significantly over the course of iterating the delivery model. The preferred option prioritises real time case and claim management experience for customers and delivering through service providers to meet customers' needs.

The options analysis outcome can be found in Annex 3.

# Te Tiriti o Waitangi and Equity Case

## Honouring the promise of Te Tiriti o Waitangi

*Whāia te iti kahurangi, ki te tuohu koe me he maunga teitei*

*Seek the treasure you value most dearly, if you bow your head, let it be the loftiest mountain.*

This whakataukī sets the scene for the ambition we have for Income Insurance. Te Tiriti o Waitangi (Te Tiriti) is the foundational document of Aotearoa New Zealand, and its articles and principles guide us towards authentic partnership with Māori. Together, through authentic commitment to this partnership, we seek tino rangatiratanga for Māori; equity for Māori; active protection of ngā taonga tuku iho; and mana motuhaketanga in its fullest expression.

The evolution of Te Tiriti principles has been shaped by the Waitangi Tribunal landscape. In this context, the principles as set out in the Wai 2575<sup>60</sup> Hauora Report, in Whakamaua – Māori Health Action plan 2020-2025, and ACC’s Whāia Te Tika Māori Strategy, guide how we think about Te Tiriti in the context of Income Insurance:

- Waka Hourua (Partnership): Māori and the Government to work in partnership in the governance, design, delivery, and monitoring of social, health, and disability services. Māori must be co-designers with ACC. Māori voices at all levels of the organisation.
- Oritetanga (Equity): Government commitment to achieving equitable wellbeing outcomes for Māori.
- Tino Rangatiratanga (Sovereignty): Guarantee for Māori self-determination in the design, delivery and monitoring of wellbeing and disability services.
- Tiakitanga (Active Protection): Promotion of Māori wellbeing and government to take active protection steps to addressing disparities to achieve equitable outcomes.
- Mana Motuhaketanga (Choices): Provision of and properly resource kaupapa Māori social, health, and disability services, provided in a culturally appropriate way that recognises and supports the expression of hauora Māori models of care.

The articles of Te Tiriti also maintain provenance to guide and to measure accountability of the scheme. Whilst ACC is on a journey to embed Te Tiriti and equity through its strategy and the organisation, Income Insurance has an opportunity to build and design the scheme with Te Tiriti and equity at its heart. It will take time, investment, continuous learning, courage, and sustained relationships to fully realise these intentions.

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<sup>60</sup> [Wai 2575 Health Services and Outcomes Kaupapa Inquiry | Ministry of Health NZ](#)



This case outlines the rationale and key considerations required to seek the treasures we value most dearly.

## How Income Insurance will work differently with and for Māori

He Korowai Oranga (2002) which underpins Pae Ora, the Government's vision for Māori health, has the overall goal of Māori families being supported to achieve maximum health and wellbeing. This is in recognition of whānau being the centre of Māori society; a "principal source of strength, support, security and identity [playing] a central role in the wellbeing of Māori individually and collectively". What Works for Māori identified the importance of recognising the centrality of whānau as a major influence on whānau members.<sup>61</sup> In support of this, Māori rate themselves and their whānau and/or friends as key sources of return-to-work decisions.<sup>62</sup> Whānau-centric services have also been found to create positive service experiences for both clients and whānau and establish stronger connections between the client and whānau.<sup>63</sup>

For these reasons, ACC is taking a whānau-centric lens to the design and delivery of the scheme, whilst also acknowledging the diverse needs and rights of individuals. Income Insurance is being designed and tailored for these communities as they are disproportionately impacted by unpredictable income loss, job displacement as a result of future of work megatrends, and health shocks that reduce their ability to earn. Income Insurance will allow whānau to be financially supported and sustain their mana motuhaketanga when their ability to earn is reduced. Whānau will be supported towards suitable jobs, have the choice to upskill or retrain, and maintain connections to work of their choice.

At the centre of the Income Insurance outcomes framework is Te Kāpehu Whetū – ACC's Māori outcomes framework. This places Te Ao Māori and Oranga Whānau (whānau wellbeing) at the centre of the design and delivery of Income Insurance. This approach was strongly endorsed through our engagement with key system partners as well as by Rā Matua and the Iwi Leaders Group.

The conceptual outcomes of Te Kāpehu Whetū are underpinned by Te Tiriti<sup>64</sup> and whānau capability and take a strength-based and solutions-focus approach. The

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61 Williams, L., & Cram, F. (2012). *What Works for Māori: Synthesis of Selected Literature*: Prepared for the Department of Corrections. Wellington, New Zealand.

62 ACC. (2014). *Return to Work Monitor Survey*.

63 ACC. (2018). *Vocational Rehabilitation Service using a Whānau Ora Model Evaluation Report*.

64 Whilst the outcome areas, or Pou, of Te Kāpehu Whetū are not intended to directly align with the principles of Te Tiriti – Mana Motuhake has a strong alignment with Mana Motuhaketanga (Choices); Wairua me Te Mauri and Rangatiratanga strongly align with Tino Rangatiratanga (Sovereignty); Tuakiritanga strongly aligns with Tiakitanga (Active Protection); and Puawaitanga strongly aligns with Oritetanga. Oranga Whānau sits at the heart of what the Māori Crown partnership expressed through Article 1 of Kawanatanga is working towards.

framework prioritises Te Ao Māori, mātauranga Māori and kaupapa Māori where whānau needs, goals, preferences and voice are respected and fulfilled.

Figure 6 – Te Kāpehu Whetū



The name Te Kāpehu Whetū means the ‘Star Compass’. Waka Hourua navigators used a kāpehu whetū to understand their position and direct their journey to a destination beyond the horizon. The name of Te Kāpehu Whetū<sup>65</sup> acknowledges that ACC is on a journey towards achieving improved outcomes for Māori and that it will need to use agreed markers (such as conceptual outcomes, measures and data) to support it reaching its destination. The framework was launched in July 2021 and includes three components:

65 ACC. (2021). IP Strategic Investment Theory of Change. Our Vision: Manini Tua.

- Māori Outcomes Framework – conceptual outcomes (completed in August 2021) - conceptual design of outcomes derived from a Te Ao Māori lens that align with Whāia Te Tika and are adopted by ACC to cascade into ACC core business and frame outcome measurement (including the Income Insurance scheme)
- Organisational wide data (completed in June 2022) – a ‘vital few’ set of organisation-wide data set that enable ACC to measure success (or not). This data comprises ACC Māori client data readily available and currently collected by ACC.
- Service specific data - A ‘vital few’ set of service-specific data that enable ACC to measure success (or not) for a specific service. Aligned with organisational-wide data, this level of data is designed to align with the role, scope and function of services delivered and/or commissioned by ACC.

Further work is required to align the expected outcomes and measures for the Income Insurance scheme with Te Kāpehu Whetū, including benefits for Māori business owners and employers. This work will be co-designed with Māori.

Te Kāpehu Whetū support ACC’s ability to:

- understand and improve the value of the mahi that is funded/commissioned and/or delivered
- reduce inequities
- transition to an outcomes-based approach
- maximise the coordination and collective impact of the organisation’s work.
- be an authentic and progressive agency, that contributes to fulfilling opportunities inherent but not yet realised in Te Tiriti o Waitangi including being more proactive within the context of equity.

Two key elements are critical to Income Insurance delivering to Te Kāpehu Whetū and to the principles of Te Tiriti. These are:

- partnering with Māori to design, deliver, and monitor the implementation of the scheme
- implementing a Distributed Service Model to deliver the scheme.

## Partnering with Māori

The Waitangi Tribunal states that through the principle of partnership the Crown should partner with Māori through the societal structures Māori prefer. This means whānau, hapū, iwi, communities or other organisations.<sup>66</sup> ACC's role as a Crown entity is to support the Crown in its Te Tiriti obligations<sup>67</sup>

In relation to ACC's role in operationalising Income Insurance there are specific requirements that ACC must meet in relation to Māori. This is to recognise and respect the Crown's responsibility under Te Tiriti o Waitangi and is included in the Enabling Legislation.

Income Insurance will co-design the scheme with Māori. Co-design is derived from participatory design and is a form of co-creation that engages users, in this case Māori, to be part of the design team. Wai 2575 states that Māori and the Crown must be co-designers of the primary health system for Māori.<sup>68</sup>

ACC has established Rā Matua, a Māori co-design rōpū to provide direction on the overall design and strategic direction of Income Insurance e.g. performance outcomes and Māori Data Sovereignty. Rā Matua has decision making powers to guide ACC in developing the operational design of Income Insurance, including endorsing co-design rōpū outputs. Rā Matua consists of leaders with experience in employment services and/or social services, as well as iwi representation.<sup>69</sup> To ensure intersectionality, one member of this rōpū also represents Tāngata Whaikaha/Whānau Hauā.

Through the design of Income Insurance:

- We will conduct co-design sessions with Māori to identify how to best design Income Insurance to meet the needs of Māori.
- Participants will be a combination of whānau, community members and providers and will all be paid an hourly rate to acknowledge their pūkenga and mātauranga.
- The outputs will identify key 'moments that matter', and include detailed design of customer interactions, such as onboarding.

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<sup>66</sup> Waitangi Tribunal, *Matua Rautia: The Report on the Kōhanga Reo Claim* (Wellington: Legislation Direct, 2013), pp 64–65. Retrieved from WAI 2575 report.

<sup>67</sup> ACC is a Crown entity, governed by a Board responsible to the Minister for ACC. ACC is governed by the Accident Compensation Act 2001 and delivers services and functions in accordance with the legislation. Unlike the Crown, ACC is not a Treaty partner. ACC's core role is as a no-fault scheme for people injured in an accident in New Zealand. Income Insurance would be a new and separate scheme administered by ACC to provide similar income protection for people made redundant or who lose work because of health conditions or disabilities.

<sup>68</sup> Waitangi Tribunal Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry (Wai 2575).

<sup>69</sup> See the Management Case for membership details.

- Insights will feed product development and blueprint implementation. For example, we will be asking our participants to help us identify success measures aligned to Te Kāpehu Whetū, which will then support customer experience design and the development of the data strategy.
- Co-design rōpū members will also be invited to participate in playback sessions, to ensure that the application of their mātauranga is correct within our design.

In recognition of the Māori/Crown Te Tiriti partnership, co-design will be with Māori and Whānau Hauā only. This partnership and co-design relationship will have downstream benefits – the more ACC builds capability in partnering with Māori and co-designing services from a Māori worldview – the more effective other services that ACC offer will become. Pasifika and Disability communities will be engaged for the purpose of collaboration and tailoring of services to deliver equity to these communities.

## Distributed Service Model

A Distributed Service Model was first suggested in the Supplementary report for ACC SUI Scheme<sup>70</sup>. It recognises the principle of *mō Māori, mā Māori* (for Māori, by Māori) – that Māori know what works best for Māori. It also recognises the difference in regional needs (and the specific needs of urban and rural communities) of Māori (and all Aotearoa New Zealanders) by enabling providers with regional, *iwi*, and *hapū* knowledge to serve their direct community. It is at the heart of enabling Income Insurance to be developed for local needs, while learning and sharing insights at a national level.

Feedback from Rā Matua and MBIE consultation has shown there is a need to reduce the number of Government agencies that whānau engage with in order to access the necessary support to thrive and flourish. Most Māori providers already deliver wrap around social services, so by including Income Insurance in their service design we not only reduce the number of individual services whānau engage with, but we can also refer whānau to a provider that meets a variety of their needs, not just the services within the scope of the scheme. Based on ACC data, 20% of Income Insurance customers are expected to be Māori. A total of 11,000 claims are expected to be managed through this model.

The positive effect that Māori clients and their whānau experience as a result of whānau-centric services has also been found to extend out to *hapū*, *iwi*, and community organisations.<sup>71</sup> In the My Home is My Marae approach to injury prevention, the capability and confidence of the Kaimahi to deliver the service was supported through a *tūākana*

70 GHA Limited (2021). Supplementary report for ACC SUI Scheme. Prepared for ACC, Wellington, New Zealand.

71 Williams, L., & Cram, F. (2012). What Works for Māori: Synthesis of Selected Literature: Prepared for the Department of Corrections. Wellington, New Zealand.

(older) teina (younger) learning method. Kaimahi worked with whānau using the method, building the capacity of whānau, who could then pass that knowledge on in their community and be facilitators of the programme.<sup>72</sup> This intergenerational impact of a whānau-centric approach has been identified in the Te Kāpehu Whetū outcome of Puāwaitanga and will be addressed in the long-term measures of success for the scheme.

A Distributed Service Model could involve:

- distributed service delivery, resources and decision making about what success looks like at a locally delivered level
- co-designing measures of success with whānau and Kaupapa Māori providers<sup>73</sup> – for example understanding what suitable work means for whānau Māori and the differences between urban and rural settings
- community providers delivering claims and case management to their community members
- a range of iwi, hapū and Kaupapa Māori providers to provide choices for Māori whānau (including Māori who do not live within their iwi rohe and cannot access iwi support remotely; and Whānau Hauā who often experience additional marginalisation when seeking support from social services)
- wrap-around holistic whānau services, including dispute resolution and engagement with local social services.

A 'cost to serve' analysis is required so these services can be adequately funded – for example acknowledging that Kaupapa Māori providers more often work with whānau that have complex needs that require high intensity and long-term engagement. The cost to serve complex needs is expected to be equivalent regardless of who provides the service.

Critical to the success of the Distributed Service Model is giving expression and effect to the Kaupapa Māori principle of āta. The principle of āta relates specifically to the building and nurturing of relationships. It acts as a guide to the understanding and acknowledgement of taking time and investing in building relationships when engaging with Māori.

Co-designing the Distributed Service Model with Māori will help to address feedback we have received about the level of effort required for service providers to adjust their ways

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<sup>72</sup> Hayward, B., et al. (2017). My Home is My Marae: Kaupapa Māori evaluation of an approach to injury prevention.

<sup>73</sup> We are working with Government departments and Māori to clarify a definition of a Kaupapa Māori service provider.

of working and outcome measurement, to meet Government systems and expectations. The Service Delivery workforce costs identified in the Financial Case recognise the need to provide support to Kaupapa Māori and other service providers so they are set up to deliver services successfully and equitably through a distributed model.

A Distributed Service Model benefits Māori by:

- recognising and supporting tino rangatiratanga as Māori deliver Income Insurance within their own communities
- acknowledging the value of iwi, hapū and community connections and relationships – and the time invested in building and sustaining these
- recognising and supporting the mahi Māori providers do and the relationships they hold in their communities
- valuing the voice and insights direct from whānau experiences of services
- recognising mana motuhaketanga – this approach provides options for Māori – they can connect to a local service provider, come through the centralised service offered by ACC’s Income Insurance teams, or move between the two as needed.

Rā Matua has also guided us towards an understanding that employment influences hauora and hauora influences employment – so if Income Insurance is able to refer whānau to wraparound services, Income Insurance will be more effective in contributing to Oranga Whānau (whānau wellbeing).

A Distributed Service Model requires a co-design approach to building and further developing the local service provider workforce. Recruitment of kaimahi to meet the needs of Māori includes a focus on:

- the impact that central Government’s role in the labour market has on the lack of capacity available to regions and within local communities
- the continued efforts to revitalise te reo Māori
- retaining and growing experience within Māori communities and organisations
- kaimahi with local and regional knowledge, particularly mātauranga-a-iwi and mātauranga-a-hapū.

There is also an expectation that capability uplift of cultural responsiveness occurs with all Income Insurance providers (frontline and non-frontline staff). Further intentions to give effect to Te Tiriti in workforce development is included in Annex 7.

## Giving practical effect to te Tiriti principles – setting our intentions

Through the design and delivery of Income Insurance we aim to implement Te Tiriti within ACC's role in the scheme, and the scope and functions of the scheme. In doing so we hope to mitigate and eliminate inequities for priority population groups and have a learning system in place that can detect when and how inequities are occurring so that these can be corrected.

We want to focus on outcomes not just outputs. The whānau outcomes included in Te Kāpehu Whetū are holistic, connected and require an end-to-end solution to achieve. Whilst Income Insurance involves individual entitlements, Te Kāpehu Whetū ensures Income Insurance will take a whānau lens to the customer journey and experience. We know that what works for Māori, works for all and we expect positive flow-on effects from Māori inspired design, development and implementation.

Further information outlining initial thinking for what this might look like in the design and delivery of the scheme is included in Annex 7. This work is fundamental and sits across the other five cases. While Annex 7 is focused on how the scheme will deliver for and with Māori through giving practical effect to the principles of te Tiriti, many of the intentions will also apply to Pasifika and the disability community. Achieving this will require leadership that is overtly pro-Tiriti and pro-equity and working with Māori and other partners continuously and ongoing past the design phase.

The intentions include:

- developing relationships with whānau Māori and Kaupapa Māori providers & ensuring their voice is privileged in designing and monitoring the customer journey / experience
- co-designing the case management model partnership approach
- co-designing scheme functions to support Māori providers and leverage their strengths
- co-designing technology that is accessible and enabling for Kaupapa Māori providers to tailor their services and delivery models
- recognising and valuing mātauranga Māori through remuneration and whakamana of our relationship
- enabling access to data that helps spot pressure points in the scheme and connecting data in ways that enable a single view of whānau aspirations and needs leads to better decision making and a focus on prevention. This work will be connected to the development of Hira.



## Building from lessons learned

Employment in quality work is an important contributor to wellbeing and socioeconomic outcomes. Work enables us to contribute to our communities, learn new skills and make social connections. The right education, training and support are key factors in finding and retaining quality employment. However, there are significant participation and achievement inequities experienced by Māori in education and training that limit their ability to experience these outcomes.

Meaningful work provides a sense of purpose, community and connection and supports the development of whānau and wider communities cumulatively across generations. To support this aspiration, the te Tiriti partnership must be upheld to support Māori participating fully in the labour market and to achieve equitable outcomes.

Consistent evidence suggests that Māori are overrepresented in negative statistics around employment and experience inequitable outcomes when compared with non-Māori across a range of Crown investments, including the accident compensation scheme. Te Wero: Te Ara Kōmihana i ngā rātonga kaupapa Māori ki Te Ara Te Kaporeihana Āwhina Hunga Whara report<sup>74</sup> published in May 2020 outlined a summary of ways that the ACC scheme is not performing for Māori. Data was presented that identified issues of access and highlighted that the situation had not progressed despite ACC's targeted attempts to improve outcomes. The Māori experience of engagement with ACC, the level of compliance to te Tiriti and the efficacy of the Whāia te Tika strategy were examined and opportunities for ACC to improve their engagement with Māori clients and Māori service providers were identified.

Most data sources that monitor population level labour market outcome take a deficit approach and focus on how supporting Māori will benefit the wider economy. ACC does not yet recognise Māori models of health in our measurement of recovery. Mātauranga Māori recognises that as well as the physical consequences, an injury can also have consequences that include wairua, mauri, mana, whānau and other areas. Evidence from the access to ACC services for Māori pilot programme indicates that these aspects are considered essential dimensions of rehabilitation for many Māori.<sup>75</sup>

Since the publication of Te Wero, ACC has taken steps to address concerns raised including:

- establishing Te Hihiri, ACC's first Māori leadership development programme

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74 ACC. (2020). *Te Wero: Te Ara Kōmihana i ngā rātonga kaupapa Māori ki Te Ara Te Kaporeihana Āwhina Hunga Whara, The Challenge*.

75 ACC Customer Insights and Experience Team. (2019). *Opportunity Scan of ACC Related Data & Research, to Improve Māori Access*.

- delivery of the Māori Health Action plan
- establishment of Te Tumu Pae Ora, the Chief Māori and Equity Officer
- investment in the Kaupapa Māori Injury Prevention team
- launch of Te Kāpehu Whetū
- establishment of Ōranga Whānau Pūmau, the Māori Customer Advisory Panel.

COVID-19 also afforded the opportunity to see the effectiveness of iwi/hapū/community provider networks that came together quickly to support and protect whānau with wrap around services further supporting the concepts of devolved decision making and local leadership.

Income Insurance will build on these positive steps forward and will address areas of marginalisation highlighted in Te Wero through reduction of institutional racism in how the scheme is designed. Income Insurance will focus on implementation with opportunities to influence the policy and legislation development. For example, Income Insurance will need to collect data that measures Māori reaching and fulfilling their potential and leading their own rangatiratanga.

## He Waka Eke Noa – Equity for all

New Zealand Productivity Commission’s Interim Report A Fair Chance for All: Breaking the cycle of persistent disadvantage (Sept 2022)<sup>76</sup> states that to get to a more equitable and productive future, we need to be brave and discuss some confronting issues like the ongoing impacts of colonisation, institutional and systemic racism, and who holds power. We also need to ask some fundamental questions about the purpose and nature of our public services. It is time to take a step back and reconsider some of the embedded “assumptions” that underpin the way we think about these issues.

While many of us are thriving, there are too many in Aotearoa New Zealand who are not. Eliminating persistent disadvantage would create substantial social and economic benefits and improve wellbeing for all.

Equity is part of te Tiriti and also a concept that sits alongside it – however, the two are not the same. Priority populations for the scheme include Māori, Pasifika and disabled people. This is because of the inequities they experience due to system inequities. These inequities are also disproportionately experienced by Pasifika and disabled peoples. Income Insurance is being designed and tailored for these communities as they are disproportionately impacted by unpredictable income loss, job displacement as a result of future of work megatrends, and health shocks that reduce their ability to earn.

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<sup>76</sup> <https://www.productivity.govt.nz/inquiries/a-fair-chance-for-all/>

In Aotearoa New Zealand, people have differences in health that are not only avoidable but unfair and unjust. Equity recognises different people with different levels and advantage require different approaches and resources to get equitable health outcomes.<sup>77</sup> The Programme has taken, and will continue to take, an evidence-based approach to equity. Both in terms of identifying why a population requires differentiation and evaluating and confirming that the equity issues are being addressed. This approach is fundamental to addressing equity issues and will be applied at all stages of the Programme using data and analytics.

Manaakitanga is a powerful way of expressing how Māori communities care about each other's wellbeing, nurture relationships, and engage with one another. Manaakitanga also extends to the whenua that needs care in order to ensure sustainability for future generations.<sup>78</sup>

The value of Manaakitanga is often expressed through the responsibility to provide hospitality and protection. Manaakitanga derives from two words - 'mana' and 'aki'. Mana is a condition that holds everything in the highest regard. Aki means to uphold or support. Extending Manaakitanga to all who live on the whenua of Aotearoa New Zealand requires respect, humility, kindness and honesty.

Privileging a Māori worldview, means we are all in the waka, with no exceptions. A by Māori, for all approach is the basis of the scheme. However, this doesn't mean that the mahi to support equity is to only come from Te Ao Māori. In respect to the Tiriti relationship, equity is an obligation for both Tangata Whenua and Tangata Tiriti, supported by documents such as the Bill of Rights, and the UN Convention on the Rights of People with Disabilities. Below we outline how we will engage and collaborate with Pasifika people and the disability community in the design of Income Insurance.

### Pasifika Communities

Māori and Pasifika have an ongoing relationship that extends beyond time and space. They have shared whakapapa, taonga, values, and principles. They share a growing number of people who identify as both Māori and Pacific. According to the 2018 census, of the 26 percent of Pasifika who identify with two ethnicities, nine per cent identify as Pacific and Māori.<sup>79</sup> They have also shared experiences with data inequities that have impacted their wellbeing and, in many ways, have shaped historical and current outcomes.

Aligned with the development of ACC's Pasifika Strategy, we will gather insights from Pasifika communities to inform scheme design through talanoa with community members

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77 Ministry of Health (2019). Definition of Equity

78 <https://www.imsb.maori.nz/maori-wellbeing-in-tamaki-makaurau/manaakitanga/>

79 Ministry for Pasifika (2020). Pacific Aotearoa Status Report: A snapshot.

and providers to identify and design key 'moments that matter' to inform our design. Similar to Kaupapa Māori design and engagement methods (underpinned by tikanga Māori), this process will ensure Pasifika communities feel listened to and that a process of whakamana has been followed in our engagement.

We will also be guided at a strategic direction level by a Pasifika Advisory Panel (similar to Rā Matua) with intersectionality also supported with Tangata Whaikaha and Whānau Hauā representation; Pasifika representation in the Design Authority (TBC) and Programme Steering Committee.

The te Tiriti framework presented in Annex 7 will be utilised in our Pasifika approach. Additional Pasifika equity considerations include:

- Pasifika languages strategy
- Funding for language translation to ensure that key communication and notification moments are available in multiple languages
- Targeted engagement approaches, which recognise regional and cultural differences and connects to key partners, such as Tupu Aotearoa.

### The Disability Community

Our approach to engaging and designing with disability community will be guided by the WAI 2575 supplementary reports to ground our thinking around Tāngata Whaikaha and Whānau Hauā. These reports highlight that while the international best practice model for disability is the Rights-based Model, it is a Western model which doesn't account for the interdependence and collectivism of Te Ao Māori.

To ensure we embed a Te Ao Māori understanding of disability into our design, Rā Matua has Tāngata Whaikaha and Whānau Hauā representation as will the Pasifika Advisory Panel. In a process of tauutuutu (or reciprocity) the Disability Advisory Panel will have Māori and Pasifika representatives.

Our co-design mahi will also include kaupapa Māori disability services and Whānau Hauā to ensure we are capturing their unique insights our design mahi.

To ensure there is disability perspective at decision-making points in the implementation governance levels of Income Insurance, there is disabled peoples' representation at the Programme Steering Committee level (member TBC) and Design Authority (Amber Coyle, Manager Disability Policy for Whaikaha, Ministry of Disabled People).

In addition to te Tiriti approach outlined in Annex 7, the following are particular design focus areas for disability:

- Design of the HCD customer journey and customer experience

- This will be folded into the Māori co-design activity to ensure the needs of Tāngata Whaikaha and Whānau Hauā are included in design decisions. This is in recognition that Māori are overrepresented in disability statistics.
- Language strategies
  - Development of an approach to the languages we use when talking about disability, including style guides
  - Guidance for communication such as the use of NZSL, and simple language
- Accessibility approach
  - Clear guidance and direction on areas such as technology, systems, and customer interactions
  - Targeted engagement approaches with representative stakeholder rōpū in the disability sector.

We acknowledge the diversity within the disabled community and across disabled people means there is need to recognise and support this diversity. Two disabled people with the same condition could have very different needs – recognise the person not the condition.

## Capability, Leadership and Collaboration

For ACC to achieve the lofty goal of creating a Tiriti-based scheme, we require overt pro-Tiriti and pro-equity leadership and capability across all levels of design implementation. The level of entrenched inequity within Aotearoa New Zealand means we have to acknowledge that our aspirations for the scheme will not be realised on day one of the scheme being operational. It requires a sustained focus on the intentions, courage, investment, and clear measures and indicators to help track progress towards our ultimate outcomes.

Income Insurance has moved in this direction through the creation of the Pou Mana Taurite role, Māori representation at the Board sub-committee level (SUI Committee), Māori and equity representation at the Design Authority and Steering Committee and establishing Rā Matua as a decision-making entity.

Leadership expectations also include:

- establishing coordinated and overt leadership and organisational champions with demonstrable accountability
- implementing a proactive, culturally safe and competent organisational culture where pro-Tiriti and pro-equity mindsets and behaviours are modelled and prioritised.

Capability expectations include:

- Minimum cultural intelligence and capability expectations built into recruitment and learning and development approaches
- Identification of capability needs through co-design with communities
- Capability within the workforce to extend across both Programme and BAU
- Expectations of providers to align with our Tiriti principles and equity aspirations.

This approach will require a tailored recruitment approach and clear communication of expectations across our people and our partners within the Income Insurance ecosystem.

Achieving a te Tiriti-based scheme also requires investment and support to strengthen communities and whānau capability and capacity development; and continuing to invest in relationships with iwi and hapū.

Through the Social Sector Commissioning work programme, Government has committed to the ongoing development of strong partnerships; this includes funding services in a way that recognises the ability for communities to successfully design local solutions to local issues. In November 2021 Government agreed to adopt the relational approach to commissioning, the foundational shift for Government departments and Crown entities.

The Distributed Service Model will use the updated principles for commissioning published in the Sector Update (2022)<sup>80</sup> and continue to work closely with Māori Crown sector relationships happening in Health and Education.

## Opportunity to embed te Tiriti and equity

ACC is in the process of implementing Te Tiriti o Waitangi within its role, scope and function. We have the opportunity through the design and development of Income Insurance to embed Te Tiriti and equity in the foundations of the scheme. Te Kāpehu Whetū guides this journey and through the co-design of outcome measures as agreed markers of progress, it will ensure ACC reaches its destination in its implementation of Income Insurance. We know that what works for Māori, works for all and we expect positive flow on effects from Māori inspired design, development and implementation.

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<sup>80</sup> MSD. (2022). Update on the Future of Social Sector Commissioning work programme. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html>

# Commercial Case

## Overview

This Commercial Case sets out the procurement strategy for Income Insurance with a focus on the core elements of delivery and operational establishment. It is based on the Procurement Strategy and Plan for the scheme and uses information currently available (note that the Procurement Strategy and Plan is currently under revision and yet to be finalised).

The Commercial Case reflects the current state of negotiations with service providers, and approval from the Social Unemployment Insurance Committee on the strategic approach to negotiations will be required before their finalisation.

The Procurement Strategy for this Commercial Case outlines the procurements ACC needs to undertake to achieve the successful establishment and delivery of the scheme. Three categories of procurement are required:

- Category 1 – Specialist services
- Category 2 – Digital and technology
- Category 3 – Accommodation and facilities

This case outlines the significant procurement processes undertaken and planned for. It also outlines what ACC is proposing to leverage from a people, process, and technology point of view to allow the scheme can provide the best public value and be established and operationalised within funding and timeline constraints.

Further details on the remaining procurement activities can be found in the Procurement Strategy and Plan, which is available upon request.

## Procurement Strategy

Income Insurance has a Procurement Strategy and Plan, which defines the high-level strategic requirements for the acquisition of capability, the overall procurement strategy, the progress of the plan to date and future activities.

ACC as an organisation is committed to achieving wellbeing outcomes for Māori enabled by a pro-Te Tiriti and pro-equity strategic approach. Procurement is an enabler and through our procurement and contracting processes, ACC will build in its Te Kāpehu Whetū (Māori outcomes framework) to Income Insurance and define how it intends to address the Te Tiriti o Waitangi principles including how they apply to everyone (Māori and non-Māori) and how they can be implemented in practical terms.

The procurement strategy outlines the three categories of procurement required to support implementation readiness. Tenders were undertaken for the key services and

technology components. Details of how these were progressed are covered in the Procurement Plan and available on request.

A fundamental aspect to the procurement process was the decision made in August 2022 by the SUI Committee to progress the Income Insurance delivery model in the scheme's Ecosystem Architecture Statement of Direction. This determined the accountability of the partner agencies (particularly MSD and IR) and therefore, the specific systems that needed to be progressed to the next stages in the procurement process.

The overall service design and architecture for the scheme has been continuously evolving and since early September 2022, there has been further clarity in the high-level service model to address equity. This is defined in the Business Case as the "Distributed Service Model" and extends beyond the initial design thinking of supporting Kaupapa Māori providers.

### Strategic requirements – all suppliers

Three main categories define the requirements for acquiring capability:

- Category 1 – Specialist services
- Category 2 – Digital and technology
- Category 3 – Accommodation and facilities

On the basis of the relative value of the procurement and the potential risk to the organisation, the preferred approach to the supplier market for the three categories is as follows:

- Category 1 – Specialist services: ACC, where possible, will source for this category through the All of Government (AoG) Government Chief Digital Officer (GCDO) Assurance Services Panel or Recruitment Suppliers Panel.
- Category 2 – Digital and technology: these will be procured with a view to leveraging what ACC already has in place where appropriate and using new technology and/or services where there are gaps. ACC will take into consideration Public Value, Speed of Delivery, Capacity, and capability, Change impacts, Cost, Compliance, Risk and Complexity.
- Category 3 – Accommodation and facilities: strategy for property will be developed once operational requirements are fully understood, taking into account the phased approach to the accommodation requirements over the lifetime of the Programme.

The Procurement Strategy is aligned with ACC's Progressive Procurement Programme (an MBIE mandated programme) and the procurement process complies with MBIE Rules of Procurement. The systems meet the Government's Digital Strategy and relevant



standards. The scheme follows ACC's Provider Management Framework for contract and performance management. The sourcing and management of services will be in line with the following principles from ACC and the broader Government approach.

In all three categories ACC will work with suppliers to ensure clear commitments and will work with them to lead change where needed. Where suppliers are less mature ACC will support improvement. ACC will expect prospective suppliers to be able to demonstrate:

- a clear understanding of ACC's requirements for the design and build of the Income Insurance Scheme
- an ability to deal with a level of ambiguity as the Income Insurance policy settings evolve until Income Insurance legislation is agreed
- an ability to operate within a partnership environment with Māori
- a clear commitment to delivery of Te Tiriti o Waitangi and Equity in the aspects of the scheme that they are delivering
- an organisation commitment to understanding Te Tiriti o Waitangi and Te Ao Māori and how it would practically apply to them
- local and (where appropriate) international level capability to support the design and build of a scheme of this size and complexity
- capability and capacity to deliver their components of Income Insurance on schedule
- to be able to deliver sustainably produced goods and services wherever possible, having regard to economic, environmental and social impacts over their life cycle
- to be able to establish a partnership relationship (as appropriate) with ACC which focuses on the long-term delivery of value
- compliance with all relevant New Zealand law.

The detailed requirements of the scheme are defined by the policy and by the scheme's Architecture Statement of Direction. Over the Programme life, these translate into a Design Blueprint that will be finalised by mid-2023. Suppliers will be expected to work with ACC as part of a broader design team (including working with Māori on scheme implementation design) until the design is finalised.

A critical foundation for the delivery of the scheme functions is the digital and technology system. Suppliers of these systems must be able to demonstrate that:

- the systems meet the Income Insurance functional requirements, including the delivery of the case management model, the Distributed Service Model and other functions required to achieve equity

- the systems can operate in an ecosystem of other systems supporting Income Insurance, including those of partners such as MSD and IR
- the suppliers' processes for design, implementation and ongoing development of those systems support co-design and ongoing iteration
- the suppliers' systems support effective privacy, security and Māori Data Sovereignty needs
- the systems meet the Government's Digital Strategy and relevant standards.

### Addressing Te Tiriti and Equity

In accordance with ACC's Whāia Te Tika framework and the Governments' approach to Broader Outcomes, specific comment and/or questions have been included in all RFP's relating to ACC's Whāia Te Tika Framework and an organisations alignment to the priority Broader Outcomes. For example, in the Business Implementation Partner procurement, Te Ao Māori principles were woven through the procurement and therefore considered in each element of the suppliers' responses, rather than in a standalone question.

ACC's Progressive Procurement Programme (an MBIE mandated programme) anchors our approach to engaging with Māori and includes targets that ACC needs to meet i.e. amongst other targets specific to Income Insurance, at least 5% of the total number of annual procurement contracts are awarded to Māori businesses.

ACC will engage with the market to increase access for Māori. This includes giving advanced notice, extended timeframes, proactive engagement with providers (kanohi ki te kanohi where possible), including co-design in the process, and considering contracting for outcomes.

ACC will consider, through our Broader Outcomes requirements, how our partners are also encouraging engagement with Māori and Pasifika, amongst other broader outcomes. There is active work being initiated or under way with the Income Insurance Programme to ensure the appropriate approach is taken with the range of commercial elements and procurement activities, in line with the overall Programme. In addition, an external agency will be monitoring our application of the Te Tiriti o Waitangi clause in the Enabling legislation, which will include procurement activities.

It is important to note that ACC's approach to market requires time, planning and effort to deliver in a meaningful way. This will be committed to by both the business and the procurement teams when planning future sourcing activity.

For technology-based solutions, there is a requirement for suppliers to identify:

- how they support access for Aotearoa New Zealand businesses including Māori, Pasifika and regional businesses, as well as social enterprises
- employment policies and how they support providing for sustainable, fair, and equitable employment environments
- any environmental or sustainability practices and outputs suppliers are committed to.

Further requirements covering the specific needs to support Māori are included (and will be in the future), such as:

- the ability to determine the preference for managing a claim, so that Māori employees can be case managed by Kaupapa Māori services (central to the Distributed Service Model)
- meeting the usability aspects of the user interface and how this complies with the New Zealand Web Usability Standard v1.3
- having multi-language support and in particular support for Te Reo Māori
- catering for typical training that a user will undertake and training material that is available, in order to become self-sufficient in the use of the solution.

Each of these areas is given a score and evaluation weighting consistent with the procurement plan. The engagement of service providers is outside the scope of the Procurement Plan and, although contracts will be established with providers, the approach to select/accredit service provider partners will be co-designed with Māori and completed by mid-2023.

## Category 1 - Specialist Services

These services will be procured wherever possible through the All of Government Consultancy Services Panel or Recruitment Suppliers Panel. These panels cover a wide variety of specialist services. It is anticipated that procurement processes will be conducted throughout the life of the Programme to ensure the most appropriate resources are engaged at the most appropriate time whilst ensuring competitive tension to drive value for money. This category includes:

### Business Implementation Partner

To implement the Income Insurance scheme, ACC needs the support of an implementation partner to work alongside ACC to provide programme management consultancy services. We required a partner who could support the core team to ensure the Programme is being implemented well, identify and manage risks, ensure implementation governance is in place and followed, has strong programme / project management, manages interdependencies, helps to remove blockers and potentially,

provides support in change management. ACC does not have the resources to be able to provide this service in house. We needed an implementation partner with sufficient resources and experience, and the capacity to take on this Programme.

ACC went to market via the All of Government Consultancy Panel for a Business Implementation Partner in February 2022. The procurement process followed complied with the Ministry of Business, Innovation and Employment (MBIE) Rules of Procurement. A secondary procurement from an All of Government panel did not require a Rules exemption. The procurement plan was submitted to MBIE for review, and MBIE's feedback was incorporated into the plan. The Procurement Plan is available on request.

#### Commercial Information

The contract for these services is being concluded at the time of submitting this Business Case and will be subject to being able to address the strategic requirements as detailed in this case.

#### Change Management

ACC will recruit additional resources (as per the Resourcing Strategy) via the various sourcing channels to augment the existing team. Should the primary plan not be successful, our fallback position would be to source from suitability qualified suppliers.

#### Customer Design

Pre-implementation and during implementation ACC will be conducting some market research – customer insights surveys as well as testing the customer experience. These are likely to be low value and direct source arrangements due to limited capability within the market. Additional resources (as per the Resourcing Strategy) will be recruited in the customer design teams using various sourcing channels to augment the existing team. Should the primary plan not be successful our fallback position would be to source from suitability qualified suppliers.

#### Equity Co-design and Delivery

ACC is partnering with Māori, Pasifika, and disability organisations to provide design and delivery requirements for the scheme. This is likely to include workshops to support the co-design and delivery.

#### Independent Quality Assurance (IQA)

ACC will leverage the All of Government IQA Panel to run a secondary process to obtain Independent Quality Assurance from suitability qualified Tier 1 providers. It is expected that there will be at least four IQAs required over the life of the Programme.

Additional resources (as per the Resourcing Strategy) will be recruited within the customer design teams using various sourcing channels to augment the existing team.

Should the primary plan not be successful, our fallback position would be to source from suitably qualified suppliers.

## Resourcing

ACC will require a significant number of additional resources to support the design, development and implementation of the Scheme. ACC has developed a resourcing strategy which focusses on the Implementation Phase only. This strategy outlines the guiding principles, high level resource profiles and indicative timings, potential challenges, workforce segments and sourcing approaches.

The high-level resourcing profile that has been completed indicates that the level of resources required will start ramping up from July 2022 and will continue throughout the Programme.

High level workforce segments outline resourcing will be required across Product delivery, Programme Management, Business integration, Customer and Design, Cultural Capability, and specialist enabling roles (legal, finance, talent etc).

ACC will resource this additional capability through a variety of supply channels including:

- All of Government recruitment panel (permanent, contract or fixed term)
- Direct (permanent, contract or fixed term)
- Secondments
- Engagement of suppliers to deliver specific services or solutions (contract for services, partnerships, or outsourced agreement)
- Leveraging existing supplier relationships
- Leveraging internal resourcing.

## Category 2 – Digital and Technology

Digital and technology services will be procured with a view to leveraging what ACC already has in place where appropriate and using new technology and/or services where there are gaps. Irrespective of the approach, ACC will take into consideration Public Value, Speed of Delivery, Capacity, and capability, Change impacts, Cost, Compliance, Risk and Complexity.

A technology Blueprint was created as part of the initial prework, which outlined key design principles. These were:

- Design for the Cloud
- Leverage Strategic ACC Platforms

- Design for loose coupling
- Configuration, before customisation
- Digital First.

It is expected that these procurement processes would be compared to the cost of utilising already existing products and services. Utilising existing systems will be considered if it is more cost effective.

The primary technical capabilities identified, which required go-to-market procurement plans be developed, with associated timelines were:

- The Contact Centre/Omni-Channel
- Claim Management / Administration
- Payments.

### Contact Centre Technology

To implement Income Insurance, ACC required cloud-based Contact Centre Services that it does not currently have. ACC also recognised the need to uplift its own Contact Centre services, which had been in the plan for FY22/23. Bringing this item forward into FY21/22 enabled ACC to release an initial RFI and RFP to the All of Government Telecommunications as a Service panel, which considered the broad set of requirements for ACC's purposes with some consideration of Income Insurance in advance of the public consultation.

The RFI was released on the 1 November 2021 and the shortlisted suppliers were confirmed on 10 November 2021. Detailed requirements for the RFP were subsequently released to the three shortlisted suppliers on 15 November with briefings held shortly thereafter.

Suppliers presented their technology solutions; evaluation and moderation were conducted on 15 December. A preferred supplier was identified and subsequently advised on the 22 December.

The procurement process followed complied with MBIE Rules of Procurement. Both MBIE and the Department of Internal Affairs (DIA) Digital Public Service branch (DPS) were briefed on the planned approach to undertake a two-stage secondary procurement process via the Telecommunications as a Service (TaaS) Panel and were supportive of the approach taken. The Procurement Plan and probity report are available on request.

Due to the shift in timeframes and focus for Income Insurance, ACC has negotiated a cloud-based services TaaS Contract from an ACC perspective and is working with both the supplier and DIA to publish a Service Catalogue of Services.

Once the requirements for Income Insurance, specifically the Distributed Service Model are more defined, work will commence with the supplier and contracts for delivery established.

### Claim Administration/Case Management Services

This procurement covered the selection of a supplier for a cloud-based Claims Administration platform and service, which can integrate with other key ACC platforms including Client relationship management, Digital channels, Data and Analytics, Levy and billing, Payments, and outbound communications.

Planning for the Claims Administration RFP commenced in November 2021. Due to delivery time constraints at the time, ACC elected to run a closed competitive tender with three of its existing strategic technology partners that were globally recognised for their claim management capability. Due to the timing and that no public announcement on the scheme had yet been made, the ACC internal Assurance team were engaged to provide probity across the process and the three suppliers were briefed of our intention in December 2021 to release an RFP early in February 2022.

RFP requirements were released on 18 February 2022. The tender articulated that it would be a two phased approach where ACC would:

- contract under the existing supplier(s) agreement via a statement of work to support the high-level design and implementation planning services for Income Insurance
- separately contract for implementation and licensing for the scheme's claims administration services, subject to cabinet and business case approval.

ACC indicated to suppliers that it expected to select the preferred supplier(s) for the scheme's Claims Administration services by the end of March 2022.

This recommendation was subsequently deferred due to early indications from the Treasury/MBIE that timeframes were likely to change. Based on this, cross-agency work was initiated to begin to review, reprioritise and replan.

As the review work progressed, it became clear that it would be beneficial if ACC could make some procurement decisions in relation to the selection of technology suppliers.

A preferred supplier was engaged via an Order Form under their existing contract with ACC for an initial engagement to support the scheme design work and outputs for the Business Case.

The strategy and plan for ongoing engagement is to:

- Define a specific Contract Plan for the preferred supplier (in accordance with this Strategy and Plan), with appropriate governance and management oversight, to be able to deliver the outcomes at lowest possible long-term cost. This plan will need to

consider how to address the co-design aspects with Māori and how to ensure the Claim Administration and Case Management vendor will contribute to building capability in Māori.

- Establish a process of engagement with the preferred supplier, at all levels (including Global Parent organisation) that ensures the Claim Administration and Case Management vendor focus on ACC and Income Insurance outcomes and achieve the required outcomes for Māori.
- Establish a contract for design services to support the design of the scheme from late 2022 to mid-2023, which includes designing to ACC requirements and in particular a Distributed Service Model. This will include the requirements for design which supports the ability for providers to deliver significant aspects of the scheme.
- Once design is complete and funding is received through Budget 23, then establish a contract for complete build of the preferred supplier components of the scheme for a launch date of 1 April 25
- Through the contracts establish the requirements for working in a co-design approach and meeting ACC's strategy for engagement with Māori, including meeting content requirement (as detailed in Strategy for Addressing Te Tiriti and Equity)
- Reduce the overall lifetime costs by reducing overall licencing costs through negotiation and leveraging ACC.

#### Entitlement and Payment

Income Insurance will require a payments engine to be able to pay claimants and calculate disbursements to be paid. Commercial Information

[Redacted text block]

In parallel to the Claims RFP, ACC released a Request for Information on 24 February 2022 to the open market via GETs, seeking information on the market's ability to deliver a cloud-based solution and services to provide payments to claimants within the proposed Income Insurance scheme.

Responses closed on 31 March 2022. Seven responses were received, which were assessed. A summary of the responses was prepared and the RFI was closed out.

Commercial Information



The strategy and plan for ongoing engagement and contracting is to:

- Define a specific Contract Plan for the supplier (in accordance with this Strategy and Plan), with appropriate governance and management oversight, to be able to deliver the outcomes at lowest possible long-term cost. This plan will need to consider how to address the co-design aspects with Māori and how to ensure the Claim Administration and Case Management vendor will contribute to building capability in Māori.
- Establish a process of engagement with the supplier, at all levels (including Global Parent organisation) that ensures the Claim Administration and Case Management vendor focus on ACC and Income Insurance outcomes and achieve the required outcomes for Māori.
- Once design is complete and funding is received through Budget 23, then establish a contract for complete build of the supplier's components of a scheme launch of 1 April 25
- Through the contracts establish the requirements for working in a co-design approach and meeting ACC's strategy for engagement with Māori, including meeting content requirement (as detailed in Strategy for Addressing Te Tiriti and Equity)
- Reduce the overall lifetime costs by reducing overall licencing costs through negotiation and leveraging ACC.

### Category 3 - Accommodation and Facilities

There are number of accommodation requirements over the lifetime of the Programme. The first phase is requirements for the design team of approximately 200 people until mid-2023. These requirements will be met by utilisation of existing space in the Justice Centre. Procurement of property is not expected to be required for this phase.

The second phase is during the build from mid-2023 until late 2024. This phase will peak at over 500 people for the build and the start of operation of around 300 people at the end of 2024. Procurement of property is likely to be required for this phase, which intersects

with the third phase, with increasing requirements for operational staff.

The third phase will be full operation with approximately 800 operational staff and 200 support staff. Procurement cannot begin until detailed design work is completed to establish the exact location of operational staff. The complete design incorporating the Distributed Service Model approach is expected to be completed by mid-2023. However, initial procurement activity will be required early 2023 to identify suitable locations.

The strategy for property will be developed once operational requirements are fully understood, however:

- Existing ACC property footprints and leases will be leveraged wherever possible.
- All of Government property considerations will be taken into account if any expansion of property footprint is required.

## Managing Risks and Issues

Procurement considerations will include whether service providers have the requisite skills, capacity and experience to deliver the services and/or outcomes in the timeframe required.

In determining the preferred option/s for each Category, ACC will assess its options and be cognisant of the ongoing impacts of COVID-19, constraints across the supply chain and a tight resourcing market.

ACC will focus on qualitative factors, including:

- alignment with the required delivery under the enabling legislation
- cost competitiveness and the ability to ensure market tension
- ability of the procurement approaches to meet the Scheme establishment and delivery deadlines
- targeting all opportunities to partner with Māori businesses for co-design and delivery. Also incorporating targeted outcomes for all suppliers that are engaged to assist with the delivery of Broader Outcomes, particularly working with Māori and Pasifika businesses
- the ability to accommodate unexpected changes to scope or original specification during procurement and implementation due to potential changes in Scheme settings (uncertainty around policy settings and legislation)
- the ability to deliver innovation in design, development and management, achieving lower whole of life scheme costs.

As ACC begins to negotiate and contract with suppliers for the different components of

the scheme, it will create additional opportunities for us to explore and weave in Te Ao Māori design principles and include Māori in how we design scheme delivery.

The procurement strategy, procurement plans and contracting approach for Income Insurance will take into account risks associated with changes to the scheme. These include the prospect of Income Insurance:

- not proceeding as planned
- policy settings changing
- being transferred to another agency in the future.

ACC's procurement strategy and contracting approach for services related to Income Insurance will seek to manage these risks by:

- not creating contractual commitments that extend beyond the scope, term and/or funding of activities ACC is empowered to undertake
- including the right to terminate services for convenience, if required due to scheme policy changes
- designing services and deliverables that are able to be varied and adapted, to align with changes to policy settings
- including the right, to the extent practicable, for ACC to transfer or novate contracts to another Government agency including potential license portability
- standardising, subject to commercial negotiations, contractual terms and conditions related to the above considerations.

## **Additional Opportunities**

ACC is committed to achieving wellbeing outcomes for Māori enabled by a pro-Te Tiriti and pro-equity strategic approach. As ACC begins to negotiate and contract with suppliers for the different components of the Scheme it provides additional opportunities for ACC to work jointly with Māori, suppliers and other key stakeholders in how we design scheme delivery, systems, processes and services in a way that provides benefit for all Aotearoa New Zealanders.

# Financial Case

## Overview

This Financial Case identifies the costs to implement and operate Income Insurance. The scheme will leverage off existing infrastructure and processes while building new digital capabilities and sector integrations for optimal customer and case management. Digital capability and optimisation have been the focus of the design process and has influenced the scheme design and costs.

The implementation costs to launch Income Insurance requires an investment into new technology and the workforce to design and build the new scheme. The digital capability of Income Insurance will be provided through Software as a Service hence the technology costs are predominantly operating expenditure in both the implementation and operating phases. Once Income Insurance commences, the operating costs will largely be driven by service delivery workforce costs and influenced by claims volumes.

System design and costs have been developed through consultation and collaboration with other Government partners, including IR and MSD, consultation with technology providers, and with subject matter experts who lead comparable operations within ACC.

**Editor's Note:** Please note that the technology costs identified in this Financial Case are the result of a procurement process which is currently at pre-contract negotiation. As we are at the preferred supplier stage, we expect to refine the costings over the coming months. As the underpinning assumptions are refined and preferred supplier contract negotiations concluded, the costings in this Business Case may change, however, these are not expected to materially affect the conclusions of the cases. These revised costs will be reflected in the final budget bid for Budget '23.

## ACC, MSD, IR and the Treasury Costs Only

The costs defined in this case are for ACC, MSD, IR and the Treasury only. [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Implementation and Operating costs

This Financial Case includes both the implementation costs required to launch Income Insurance and the on-going operational costs once Income Insurance commences.

### Implementation Costs to be Funded by Appropriation

The costs to implement Income Insurance include the workforce costs to engage with stakeholders for the design and development of new services, the development of new technology solutions and enhancement of existing solutions, and property related costs. It also includes the cost of onboarding the operational workforce, so they are in place prior to commencement. Implementation costs also include Programme Management and enhancement costs during the first year of operations.

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### Operating Costs to be Levy Funded

Operational costs take effect once the scheme is live and include the service delivery workforce and the staffing of administration functions, supported by technology and property costs. These operational costs will be funded via levies.

## Implementation Planning

### The Planning Approach

In April 2022, ACC began to explore opportunities to use existing Government assets to deliver Income Insurance. The purpose was to leverage the Government's existing investments where systems provided native strengths and capabilities, instead of investing in new systems and products.

When considering how to deliver Income Insurance using the Government existing assets, a wide range of choices and considerations were addressed. Three initial high-level delivery models were developed to help identify the spectrum of possibilities for delivering Income Insurance. These were further iterated as more was learnt about the systems and capabilities available.

After consideration of several variations, the final Statement of Direction was confirmed. This iteration is the combination of systems and capabilities that best enables the scheme to deliver the desired case and claim management experience for customers and for staff across Delivery Partners.

The entities involved contributed to the development and refinement of cost estimates. This process included:

- A series of workshops focusing on aligning strategy, policy intent, and operational implications with IR, MSD, MBIE, and others.

- Utilising the outcomes from the above, an initial high-level service delivery model was designed.
- Technology vendors participated in RFP and RFI processes which provided costs for the investment required in technology to deliver the systems needed to support the proposed service delivery model.
- Analysis to estimate the workforce requirements to support the technology build, implementation, and on-going delivery of the scheme.

The Programme team also drew on external specialists with expertise in delivering transformation programmes of this size and scale. This expertise assisted in developing:

- The high-level service model and implementation plan which details the work required to deliver the overall scheme.
- A cost model incorporating the implementation requirements and costs associated with enabling Income Insurance to be appropriately resourced, trained, and ready to deliver. This has been used to inform the budget bid and this Financial Case.

#### Outcomes of the Planning Process

The planning process identified the key experience and skills that could be provided by ACC, IR, and MSD in an integrated delivery model, and confirmed how each organisation would contribute to the implementation and operation of Income Insurance.

In this delivery model, case management is end-to-end case, from lodgement through to possible transfer to another service provider and outcomes monitoring. This would be a coordinated effort between ACC, MSD, and other service providers. Claim administration (lodgement, eligibility, and cover) would be coordinated within ACC systems with data sharing with IR and other agencies to determine claimant eligibility. Employer Levies would be collected by ACC and worker levies collected by IR.

The role of each organisation is further described below, with associated costs identified in the following section.

#### ACC's Role in Income Insurance

ACC will be responsible for the overall planning, implementation, and operation of Income Insurance. This includes:

- Customer and partner engagement to inform scheme and process design.
- Set-up and operation of a service delivery centre and websites for claim lodgement and customer interactions.
- Building systems to calculate and make financial support payments to customers.

- Providing some case management and all claim administration services in conjunction with MSD and other providers, subject to detailed design.
- Management of the levy process including the invoicing of employers.
- Management of investments.
- Statutory reporting for Income Insurance.
- Overall scheme management.

### Areas of Alignment with MSD

The implementation of Income Insurance will be closely aligned with the investment in, and implementation of, the Te Pae Tawhiti Programme, and the implementation of the outcomes of the Active Labour Market Programmes (ALMP) review (including other agencies involved in ALMP delivery). It is essential that the experience for customers who are part of Income Insurance is seamless across Delivery Partners and external service providers as part of the Distributed Service Model. To achieve this there would need to be significant alignment on identity, case management approach (including triage/needs assessment, transition between service providers and overall service model design), MSD service access, and MSD digital employment. We would need to work closely with MSD to define which customers of Income Insurance would be managed by MSD for case management.

The full picture of alignment is yet to be determined in detail, but the areas of focus can be summarised as:

- **Digital Employment** – as part of Horizon One of the Te Pae Tawhiti investment, there is a significant focus on a Digital Employment Service. This investment will provide a wide range of digital services to be able to connect people to jobs (job matching) as well as a range of support services to prepare people for work. This service is intended to go beyond people who are receiving income support service and employment interventions and work services from MSD. Therefore, this service will be critical for Income Insurance as it will provide a low touch, cost effective channel for claimants.
- **Data definition, capture and analysis** – the ALMP review identified an opportunity to collect data about people who are near to ED to expand the collective understanding of ED and create the ability to intervene early (the definition of ‘intervene’ will be agreed with MSD). Income Insurance will provide more systematised notice of redundancies.
- **Confirming Customer Identity**– consistent management of identity between Income Insurance, ACC, IR, Health, and MSD, leveraging all-of-Government identity approach and solutions, is key to create a smooth customer experience across

services. How this can be enabled needs to be designed and feasibility to deliver in the timeframes needs to be validated.

- **Single client view/case management model** – many people will have a degree of interaction between Income Insurance and MSD, it will be important that each party has visibility of the person and any services (supports or interventions) provided.
- **Access to employment services** – Subject to joint detailed design, it is possible that a small proportion of Income Insurance claimants will continue to be directly managed by MSD and get access to employment services (subject to availability). Income Insurance and MSD will work closely on the catalogue of services and ensure that any referral process can be supported operationally and financially.
- **Assessment** – assessment for employment needs should be consistent so that if people are referred to MSD case management or employment services, the assessment process does not have to be repeated.

### Areas of Alignment with IR

IR will be responsible for collecting the Income Insurance levies from employees through the PAYE process and paying these to ACC. The addition of a new levy and increased data sharing between IR and ACC will require the enhancement of software and internal processes.

## Implementation Costs

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The Income Insurance Statement of Direction (scheme Blueprint) sets the direction of travel for the scheme architecture and delivery model. This includes the systems that will deliver the scheme and the Delivery Partners who will enable the implementation and operations of Income Insurance. This direction of travel enables the progression of detailed design with Delivery Partners and external service providers and has been used to inform the development of implementation and operational cost models.

The implementation of Income Insurance requires the input from ACC, MSD, and IR. Implementation costs for each Delivery Partner are identified below.

### ACC Implementation Costs

ACC will be responsible for the overall planning, implementation, and operation of Income Insurance.

A financial model for Income Insurance was developed using a combination of bottom-up estimations and top-down assumptions to create a detailed structure for each area of the scheme. A range of collaborative processes were used incorporating feedback from subject matter experts, Delivery Partner agencies and vendors to develop the costings.



The financial model quantifies people, technology and property costs in the implementation and operational stages.

It is anticipated that some of the Programme Management and Technology workforce will continue once Income Insurance is operational to allow a smooth transition to operations and support and deliver the on-going enhancement of technology solutions in the first year.

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|| - Indicates Go Live 1 April 2025

### Implementation Programme Workforce

The implementation Programme workforce represents the incremental staff required to design, build, and implement the Income Insurance scheme. Income Insurance will have its own leadership structure but there will also be an allocation of costs for key ACC staff who will be involved.

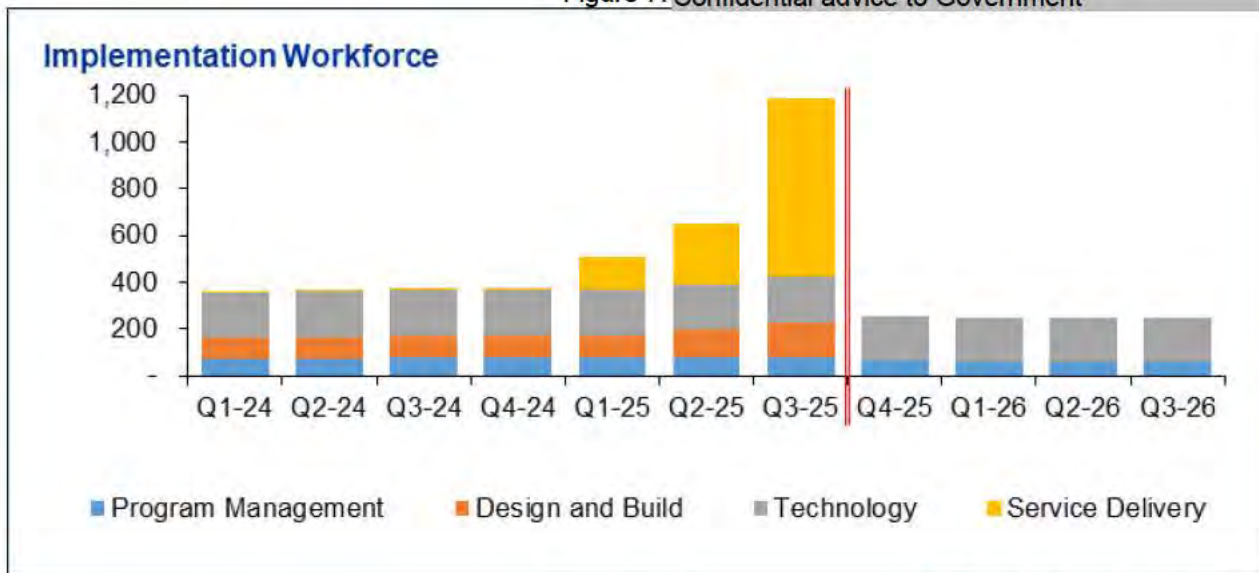
Experts within ACC were included in a number of design workshops to develop models for the anticipated workforce. Bottom-up models for each area of the workforce were created. Estimated costs for each area of the workforce have been developed based on ACC salary grades, expected contractor costs and current vendor rates.

Table 24: Implementation Programme Workforce Headcount

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|| - Indicates Go Live 1 April 2025

Figure 7: Confidential advice to Government



|| - Indicates Go Live 1 April 2025

### Programme Management

An experienced Programme Management team is critical for the delivery of Income Insurance. This workforce will be a mix of Income Insurance staff, contractors, and consultants. ACC will engage with an implementation partner who will provide leadership and programme management expertise and supplement this with employee and contractor roles, where appropriate.

The Programme Management workforce includes:

- Programme Management leadership
- Governance, Delivery, and Integration
- Project coordinators and administrators
- Internal/External Communications
- Learning and Instructional Design

A procurement process to confirm the implementation partner has been completed. Estimates of the team size required and costs have been modelled based on ACC experience of similar projects. Costs reflect a mix of employee, contractor, and consultant rates based on current projects.

The Programme Management workforce ramped up during the Implementation Readiness phase (July 2022 to June 2023) and will continue through the Implementation phase. It is anticipated that some of this workforce will continue once Income Insurance is operational to allow a smooth transition to operations and support the on-going enhancement of technology solutions in the first year.

### Design and Build Workforce

A range of functional groups are required to design the scheme, its processes, and develop the administrative functions. These functions include service design, equity, policy, and strategy, actuarial and finance. ACC has experience managing these types of functional groups and leaders from within ACC have been involved in the development of this workforce modelling.

Leaders within ACC were consulted during the design phase to assist with the development of the staffing model. In determining the staffing required, each group considered the level of work that was required, whether processes were similar to ACC or needed to be developed specifically for Income Insurance, the impact of scheme settings (claims volumes, funds, staff size) and the implementation time available. Where appropriate, comparisons to existing ACC staffing structures were made to validate staffing numbers.

Once the extent of the workforce was identified for each group, consideration was given to the type of resource which would be appropriate for the role. Anticipated costs for employees were based on ACC pay grades and current contractor rates were used to populate the resourcing model.

Many of the design and build roles are expected to transition to operational roles once Income Insurance commences. For this reason, these functions have been costed using a mix of expected salary rates and contractor rates. Salary rates align with ACC pay-grades and recruitment; on-boarding and training costs have been included.

The operational workforce in these areas will begin onboarding in the last two quarters prior to the go-live date, allowing time to training prior to the commencement of the scheme.

Table 26: Design and Build Workforce Headcount

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Income Insurance is a new scheme and is being designed from the ground up. The design and implementation of the scheme requires a wide-ranging workforce. Costs for this workforce are a mix of salaries and contractor rates. Some of the implementation staff will continue in operational roles so are modelled on ACC salary rates while other positions will only be required during implementation and are modelled on contractor rates.

### **Policy & Strategy, Design & Engagement**

During the implementation phase significant work is required in the Policy and Design areas. A Policy team of Co is required to manage the process as new legislation is designed for the scheme. Significant work will be completed to engage with customers to ensure the services and technology are designed in an effective way. A Service Design group of Co is required to design and then implement these new services.

### **Equity**

It is important that the new scheme is designed with equity in mind throughout the process. Equitable outcomes need to be considered in the drafting of new legislation, the design of new services, and the functionality of new technology. An Equity team of Co is required during the design and implementation of Income Insurance.

The Income Insurance workforce will grow quickly, and a strong leadership group is required. **Confi** key leadership positions have been identified and will guide the workforce through the implementation of the scheme and into operations.

Additional workforce for finance, actuarial, legal, and people and culture are required to assist in the design of the scheme as well as developing the administrative processes required to support the scheme during implementation and operations.

### Service Delivery Workforce

Income Insurance will implement a Distributed Service Model which means a range of service providers will contribute to the provision of case management services, particularly for Māori. Based on ACC data, 20% of Income Insurance customers are expected to be Māori meaning a total of 11,000 claims may be managed through this model. This approach is being included as it is more likely to result in improved access and participation in Income Insurance for Māori and lead to better outcomes. The modelling of the Service Delivery workforce assumes that costs for service delivery on a per customer basis will be equivalent whether delivered by ACC, MSD or service providers and relevant to case complexity.

The Service Delivery workforce will be onboarded during the last three quarters of the implementation period. Managers will be hired in advance to lead the hiring process and workforce training, as well as a small proportion of the operational workforce to support system testing and be trained as subject matter experts to support training and onboarding of the bulk of the service delivery teams. The majority of the Service Delivery workforce will start in the quarter before go-live.

Service Delivery workforce numbers are influenced by claims volumes and case complexity; these also drive the number of managers and leaders required to oversee these operations. Using experience gained through ACC's management of claims, assumptions have been made regarding the expected complexity of claims, the number of interactions each claim will require and associated time costs, and time available per service delivery staff member. The Distributed Service Model is still under development, and this may influence final costing of the Service Delivery workforce, including understanding how capacity and capability within the provider market may need to be supported by ACC.

Further detail of the assumptions supporting the Service Delivery staffing model are included in the Operational Cost Modelling section below.

Based on the current claim volumes estimates of 244,969 assumed for the first year (commencing Q4 2025) the following service delivery staff will be required during the implementation phase:



vendor costs. Further information is detailed in the following section.

The workforce has been modelled on the basis of Agile teams/squads. An Agile team is a cross-functional group of 5-11 individuals who define, build, test and deliver an increment of value.

Given the significant size **Confidential advice** and speed in which these resources are required along with the shortage of skilled IT staff in the market, the cost of this workforce has been assumed as a mix of contractor (~80%) hourly rates and vendor rates (~20%).

The key implementation costs are identified below.

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## A. Case Management and Claim Administration Services

An effective customer-centric Case Management and Claim Administration process will be key to the success of Income Insurance and will rely on a well-trained workforce supported by a highly functional technology solution.

It was determined that a new cloud-based system was required to deliver and future-proof the Case Management and Claim Administration processes. An RFP process was completed in July 2022 and identified a preferred vendor. An initial engagement with that vendor is providing more certainty of implementation and operational costs.

The current costs are based on estimates provided by the vendor and the additional internal workforce required to support the implementation of this system.

### Commercial Information

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

ACC anticipates that, in addition to the implementation costs for the solution infrastructure from the vendor, Confidential advice to Government [REDACTED] will be required to complete the following key functions:

- Support requirement gathering and testing of the vendor workforce delivery.
- Delivery management and governance, such as Certification and Accreditation (C&A), Service Transition Plan (STP), Production Promotion.
- Design and develop a Security model and user access to ensure internal and external users can only see and do what they are approved to do.
- Change management and training content development.
- DevOps - Environment and release management, all quality assurance testing (security, UAT, system testing), operational support.
- Development journeys to support targeted comms and notifications.



- Develop privacy, consent, delegations, and subscription management to ensure appropriate access and use of client data.
- Implementation of Identity services via Customer Identity and Access Management (CIAM) – enabling RealMe, MyHealth, Microsoft and Google in line with the Trust framework – to help manage customer user identities and offer those customers a secure, seamless login experience.
- Implement systems to track user actions and page visits.
- Workforce management and skills-based routing for queue cycle and management.
- Embed knowledge into each channel, to enable articles and Q&A to be surfaced at the right point in the customer journey, as well as call scripts for the contact centre.
- Implement chatbots, email, mobile, live chat, to enable customers to experience a seamless interaction with the Income Insurance, on a wide variety of platforms, channels, and devices.
- Design and development of Customer Relationship Management for internal teams, to enable management of all relationships and interactions with customers and potential customers.
- Cross-government case management to support hand off with other agencies (such as MSD) to support the client through their journey to reemployment.
- Develop reporting (including fraud reporting), dashboards and metrics to provide insights and analysis at every level.

Confidential advice to Government [REDACTED] also include integration activity to ensure the vendor solution is successfully linked and built into flows to surface the right information at the right time, via the right channel to support the client journeys. These integrations and workflows include:

- Systems to support data management (this includes data transformation, cleansing, aggregation, and de-duplication of imports or exports, as well as data storage, back-up and archival).
- Migration and feeds of business customer and levy data.
- Telephony.
- The net entitlements and payments solution.
- Financial management.
- Customer surveys and feedback.
- Systems to consume client data for notifications and comms.
- Checking policy requirements.

- CRM for analytics, artificial intelligence, and reporting.
- Systems for event and security monitoring.

## B. Employer Levying

ACC's system for employer levying was reviewed and it was determined it could be utilised for Income Insurance if enhancements (including moving the service into the cloud) were completed. Planning work to confirm the extent and timing of enhancements required is underway and expected to be completed in September 2022.

It is expected that the enhancements will be delivered by several development squads utilising a mix of employees and contractors and ACC's existing provider. The enhancements will cover the updates required and the integration work required to link to the Case Management and Claim Administration solution and other systems utilised by Income Insurance.

Costs for this work reflect the expected vendor costs for the setup of the solution and the internal workforce required for implementation. Salaries for the internal workforce are based on a mix of expected employee salaries and contractor rates.

### Contact Centre

To implement Income Insurance, ACC required Cloud based Contact Centre Services that it does not currently have. ACC also recognised that it had a need to uplift its own Contact Centre services which had been planned for 2022/23. An RFP with detailed requirements for ACC and with some consideration for Income Insurance was released in December 2021. A preferred supplier was identified in December and negotiations commenced.

Due to a change in timeframes and focus for Income Insurance on confirming the delivery approach with partners, design work with the vendor continued for ACC purposes only.

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The Contact Centre implementation costs cover the current providers development teams, and internal development squads to design and deliver the following functionality:

- Configuration of Cloud system to accommodate the requirements of Income Insurance, including, but not limited to, queue management, call routing, call back functionality, user training.
- Designing and building the reporting metrics that will be required to manage Income Insurance.

- Integrating outputs of the Cloud system into the Case Management and Claim Administration solution, such as the loading of call transcripts.
- Integrating key outputs from the Case Management and Claim Administration solution into the Cloud system.
- Advanced functionality, such as Interactive Voice Response.

The timing, extent and costs of enhancements are expected to be confirmed by October. Costs have been estimated based on a similar project currently underway at ACC.

#### C. Financial Support (Payments)

Income Insurance will require a net entitlements/payments engine to calculate disbursements and make payments to customers. An RFI was released in February 2022 seeking information on the delivery of a cloud-based solution to provide payments to claimants. Confidential advice to Government

[Redacted content]

#### D. Website

An Income Insurance website will be developed as a means of communication and education with businesses and the public. ACC provides similar services, and these have been used as a basis to estimate the work and costs required to deliver the website.

Website development will require Confidential advice to [Redacted] throughout the implementation period to stand up the website, deliver homepage and site navigation, and content. This also assumes the website is live in advance of the scheme go-live date for early customer insights and communication. Salaries for the workforce are based on contractor rates.

Online portals allowing customers and businesses to lodge claims are included in the Case Management and Claim Administration Services costs.

#### E. Financial Management

ACC has recently implemented a new Enterprise Resource Planning (ERP) system, which will require enhancements to enable separate accounting for Income Insurance including the ability to accurately allocate costs, where appropriate, between ACC and

Income Insurance scheme.

The work required, and associated costs have been developed by the ACC team responsible for the recent ERP implementation. Costs are based on the need for **Confidential advice to Government** delivering the implementation. The workforce will be made up of vendors, contractors, and employees. Vendor costs are based on the recent project completed by ACC and salaries will be a mix of contractor and employee rates.

#### F. Data and Analytics

Income Insurance will require significant data analytic capability, encompassing a range of data from different systems. Key areas of the implementation include, multi-data source ingestion, and data manipulation, to support fraud detection analytics, outcome reporting, and operational reporting across the product.

It is expected that up to **Confidential** may be needed, though not for the entire duration of the implementation, as certain elements can only be covered once other development work has been completed. A maximum of **Confidential** will be active at the peak of data and analytics work.

#### G. Product Enhancement Costs

Technology enhancements are planned to take place during the first year of operations. These will include further automation and other requirements that are likely to emerge during detailed design, from legislation drafting, or after go-live. **Confidential advice to Government**

[Redacted content]

#### Cost Allocations during Implementation

Operating as a separate scheme to ACC, the design of Income Insurance will ensure that there is no cross subsidisation of costs between the two schemes. Where a resource contributes to both Income Insurance and ACC, an estimate will be made of the effort expended on each scheme and the associated costs then allocated to each scheme.

During the implementation phase the majority of resources working on Income Insurance will be working 100% for Income Insurance. There will be allocations of property and technology costs from ACC to Income Insurance. A technology charge per employee will

cover hardware, software licenses and maintenance. Property will be charged at market rates based on the space utilised by Income Insurance staff.

### Property Fit Out costs

The Income Insurance workforce is expected to grow to 1,200 personnel once operational. During the implementation phase, since the workforce will gradually increase based on scheme needs, it is expected that there will be space available in existing ACC property to accommodate staff. New office space will be developed specifically for Income Insurance operational staff prior to commencement of the scheme.

ACC recognises that offering a hybrid (flexible, in-office and remote/work from home) working environment is valued by employees. This approach will be offered to the Income Insurance workforce, in line with ACC's hybrid working model. This will reduce the number of staff in the office at any point in time. Property costs have been modelled on the assumption that 50% of the workforce will be in the office at any point in time, which is comparable to current ACC trends.

During the implementation period, ACC will charge Income Insurance for ACC office space utilised. The lease cost (to ACC) over the implementation period is expected to be

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Confidential advice to [REDACTED] the number and locations of new offices have not yet been confirmed and procurement processes are expected to take place in FY24. The number and location of offices will depend on availability, cost, and workforce availability. Confidential

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is expected to be sufficient to address a range of outcomes with respect to office location decisions.

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## Other Costs

A range of non-personnel costs are required to support the implementation of Income Insurance.

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An expansion of ACC to include Income Insurance requires effective multi-channel engagement with Aotearoa New Zealanders to ensure people are clear on the purpose and benefits of the new scheme, and customers know how to engage with the scheme when needed. Income Insurance will require:

- Brand design and development including research to support market positioning of Income Insurance.
- New visual identity (including logo) for Income Insurance across all visible and customer facing touchpoints and channels.
- Communications and marketing (including content creation and social media) to ensure Aotearoa New Zealanders are aware of the Income Insurance scheme and its role and services.
- Internal communications plan for the scheme workforce and Delivery Partners.

Costs for these activities are based on existing agreements with service providers and influenced by the costs of recent ACC initiatives.

## Equity

Feedback from engagement with priority populations will inform the design of new processes for Income Insurance. Non-resource costs will be incurred to engage with identified priority populations, set up equity panels, develop frameworks and embed equity best practice.

ACC currently performs or is in the process of developing these processes. ACC costs have been used as a basis for the costs in this Financial Case.

## Actuarial

Consulting costs will be incurred during the implementation period to so actuarial tools can be enhanced to account for Income Insurance activity. These costs have been

estimated based on current agreements.

## Finance

Additional audit fees will be incurred for Income Insurance. These have been estimated based on existing ACC costs.

## MSD Implementation Costs

It is essential that the experience for customers who are part of Income Insurance is seamless across Delivery Partners. To achieve this there needs to be significant alignment on identity, case management approach (including triage/needs assessment, transition between service providers and overall service model design), MSD service access, and MSD digital employment.

Enhancements to MSD's technical solution required to support Income Insurance are required to enable successful alignment between MSD and ACC.

A combination of new build solutions and enhancements are required to deliver:

- Secure information sharing between agencies
- Data matching management and data storage capability.
- Income management capability.
- New client application functionality.
- New web service interfaces and eligibility calculator changes.

Resources will be required to design, develop and implement new solutions and enhancements.

Table 37: MSD Implementation Costs

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## IR Implementation Costs

IR will be responsible for collecting Income Insurance levies from employees through the PAYE process. Implementation of Income Insurance requires IR to design, build and test additional capability within START, IR's core tax administration system. The key aspects of the implementation project include changes to Employer Information returns, significant expansion and updating to information sharing, and updating of social policy products within the START system.

IR uses a phased methodology approach to assess the resources required to develop

additional information system technology through the scoping, design, development and verification, testing and early life support phases. The work in each of these phases is estimated on the number of days required. Total days are estimated at approximately

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Table 38: IR Implementation Costs

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## Summary of modelled Whole of Life - Implementation Costs (WoLC)

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## Funding sources

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## Implementation contingencies and funding risk

### Quantitative Risk Assessment

This Programme of work has been rated as high risk through the Treasury Risk Profile Assessment (RPA). This is due to the number of parallel technology capabilities being developed, the parallel legislative process, and the challenge of sourcing appropriate resources in the current labour market.

An independent Quantitative Risk Assessment (QRA) was undertaken in September 2022 to provide a better understanding of the sources of risk to Programme outcomes and more accurate estimates of the 'likely' costs that will better inform the funding risk,

and therefore, what an appropriate contingency may be. The QRA included ACC and MSD costs but excluded IR costs due to their size. The QRA was conducted using inputs from the ACC Programme team and business stakeholders, and MSD's equivalent.

## ACC

Based on the QRA results, Confidential advice to Government

The majority of the risk uncertainty comes from the following risk areas:

1. Duration uncertainty affecting technology costs.
2. Claims and Customer Technology costs.

Refer to Annex 4 – Quantitative Risk Assessment Report for further information.

## MSD

The QRA results recommend Confidential advice to Government

## IR

Confidential advice to Government

## Operational Cost Modelling

### Approach

The operational cost model was built from the ground up through collaboration with subject matter experts within ACC, IR and MSD and external vendors. Operational costs include the Service Delivery workforce, Administration workforce, Technology and Property costs. Some of the operational costs, including the Service Delivery workforce

and some technology costs will vary depending on claims volumes and scheme payments assumptions.

Initial modelling included in the public consultation process anticipated annual claims of 247,600, resulting in \$3.5b of levy income, \$2.8b of customer payments claims costs, \$0.5b GST and \$0.3b administration costs.

The levy rate, claims volumes and claims duration continue to be reviewed by Income Insurance actuaries. A range of methods (with varying levels of risk) have been presented to Ministers. Changes to these assumptions will have an impact on operating costs.

Further modelling has been completed since the public consultation period, to consider (among other things) population growth, wage inflation and the impact and timing of economic cycles. These changes have impacted claims volumes and scheme payment assumptions.

The Treasury has advised that scheme commencement on 1 April 2025 is likely to be at the end of a negative economic cycle, reducing the number of claims expected in the first year. This is likely to be outweighed by an increase in the working population and wage inflation between 2018 (the effective date of initial modelling, see Levy and Payment calculation assumptions in the Strategic Case) and 2025. The result is increased scheme payments in the first year compared to the modelling included in the consultation.

The administration costs shown in Table 41 include the updated assumptions.

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As the scheme design progressed it was noted that some potential costs to the scheme were not considered at the time of consultation. This includes the possible cost of non-payment of bridging payments by employers due to insolvencies and any potential interest costs on Crown borrowing.

It is anticipated that business insolvencies will result in some non-payment of bridging payments by employers. The annual cost expected for 2026 is **Confid** which has been calculated as **Confi** of bridging payments (assuming average annual insolvencies, employee numbers and wages). This cost has not been included in administration costs in Table 41.

The Crown will be the lender of last resort, providing funding to Income Insurance

(according to the Funding Policy which is yet to be drafted) when required. This lending may incur interest costs which had not been considered in the initial modelling and have not been included in the current calculation of administration costs given the Funding Policy has yet to be determined.

## Workforce

The operational workforce comprises Service Delivery, Administration and Technology staff. Some of the workforce, particularly Service Delivery, will fluctuate based on claims volumes, while others are task or process based and will not vary.

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Table 42: Workforce Headcount

### Service Delivery Workforce

Income Insurance will implement a Distributed Service Model. This approach recognises that customers from different populations and different geographic regions have different needs. Key to this approach is the use of external service providers to deliver services in the most appropriate way for the customers and area they serve. The modelling of the Service Delivery workforce assumes that costs for service delivery on a per customer basis will be equivalent whether delivered by Income Insurance staff or providers and relevant to case complexity.

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Staffing models and assumptions for each of these areas were developed with ACC and the experience gained from running similar service delivery operations. Once operational, the Service Delivery workforce is likely to need to flex based on experienced claim volumes and complexity versus the assumptions built into the model.

The workforce will manage a variety of activities in an integrated way that provides a quality customer experience. There is an expectation that the workforce will be skilled in multiple activities including the following core functions:

- Ensuring customers have provided the information required to enable claims to be lodged, assessed and eligibility validated.
- Supporting accurate calculation and timely payments to customers, including the management of adjustments, debt collection, and the cessation of payments.
- Responding to inbound calls and emails and managing digital channels that will be linked to customer records, to support ongoing claim management.

- Providing ongoing case management and support to clients to support their return to employment.

### **Demand Assumptions**

ACC's actuarial modelling estimates that in the first full year of operations Income Insurance will manage approximately 245,000 claims made up of:

- Economic Displacement (ED), lasting an average of 4.9 months for each claim
- Health Conditions or Disabilities (HCD) of 134,000 claims, lasting an average of 2.68 months for each claim.

These claims will generate demand for customer service delivery across a range of interactions and customer channels.

#### [Service Delivery Workforce](#)

### **Lower support needs**

66,500 of ED (60%) and 21,400 of HCD (16%) claims are expected to be for customers who have high confidence in finding work and the ability and access to use digital channels to update their scheme information. This assumes that there are limited interactions required to ensure customers understand the lodgement process and are comfortable accessing and using digital channels as designed.

Payments are assumed to be set up accurately and customers keep the scheme informed of developments in a timely manner limiting the need for recovery actions and recalculations.

Case management and support requirements include an introduction and assessment on joining the scheme and allows for escalation or additional support as required.

### **Intensive Support needs**

44,500 ED (40%) and 112,600 HCD (84%) of claims are expected to be for customers with more complex needs who require more individualised support. This assumes a higher number of interactions are required to ensure customers understand processes, and to help customers access and load information as required.

Payments may be missing key information and customers may need support to keep the scheme informed of developments in a timely manner, and potentially have increased recalculations and recovery actions.

Ongoing case management and support to clients is more intensive due to lower confidence in finding employment, lower digital ability or access, or requirement for navigation between government services. In the case of HCD claims, higher support needs to liaise between health providers, employers, and clients to facilitate a return to

work. A higher number of interactions would be required to give adequate support for each customers' needs, to connect to services, and to assist them in finding suitable employment or returning to work.

### **Customer interaction Volumes**

Across both low and high support needs, for the entire claim lifecycle from lodgement, payments set up, through to case management and customer queries it is estimated that customers will generate ~2 million interactions.

### **Response to Demand - Workforce Assumptions**

The workforce modelling has the following key assumptions that translate customer demand (2 million expected interactions) to a workforce of 673 FTE including team leaders and capability/training support. These interactions can be broken into:

#### **A. Claim lodgement, eligibility assessment and acceptance**

At the claim lodgement stage, it is estimated that 210,000 manual claim assessment interactions would be required based on the following assumptions:

#### **Claim adjustments**

- 40% (97,600) claim notifications would require client matching.
- 10% (24,400) claims would require data validation because the employee has lodged the claim.
- 20% (48,800) of claims would require validation of client data.
- 7% (17,080) of claims would require investigation where there is employee/employer disagreement on data.

It is estimated that an FTE could make 100 claim adjustments a day.

#### **Claim Assessments**

- 8% (19,520) claims will require manual assessment.

It is estimated that an FTE could make 10 manual assessments a day.

#### **B. Payment set-up**

- All claims (245,000) will require one payment set up calculation, each taking approximately 30 minutes.
- Each claim will on average have one payment related adjustment over the lifecycle of claim each taking approximately five mins.
- 37,050 (15%) of claims will receive overpayments and require some form of debt management, each on average taking approximately 30 minutes to process.

### C. General interactions

Workers may call and email with questions and queries prior to lodging a claim, and to make updates or to seek additional information once they are included in the scheme.

For general interactions the inbound call/email volume was projected at 290,000 contacts per year. This is based on call and email interaction data analysis of current ACC interactions, made up of the following assumptions:

- Client Voice Calls - 60% of claims will result in a call, with a further 25% of general enquiries compared to actual claim volumes. Requiring 15 minutes per call.
- Emails - 14% of claims will result in an email, with a further 10% of General enquiries compared to actual claim volumes. Requiring eight minutes per email.
- Approximately 26,000 other client tasks taking eight minutes a task.

### D. Case management support

- Approximately 1 million case management interactions, ~60% of which relate to HCD, due to the increased number of cases requiring intensive support, compared to ECD.
- On average it is estimated that each HCD case will include an average of 4.7 interactions compared to 3.8 interactions for ECD over the claim duration.
- On average 1 FTE can manage 9.7 interactions for HCD and 10.9 for ECD a day.

### General Operational/Productivity Assumptions

Alongside the estimates of tasks and interactions an FTE could carry out, a set of productivity and availability assumptions were included.

General operational/productivity assumptions underpinning the analysis include:

- Answer 80% of inbound calls in 120 seconds.
- Answer emails within 24 hours.
- Adherence 93% (adherence measurement refers to how well staff adhere to their schedules. During a shift this includes how much time they were available to take calls, time spent handling calls, and time spent waiting for calls to arrive).
- Shrinkage 35% (Shrinkage is a measurement of anything that takes a staff member away from their ability to take customer contacts. i.e. coaching, breaks/lunches, meetings, planned & unplanned leave).
- Occupancy 85% (Occupancy is the percentage of time that advisors take on call-related activity compared to the logged-in time. 'Call-related activity' covers talk time, hold and after-call work).

## Customer Service Delivery Leadership and Capability

A team leader ratio of one Leader per 10 FTE has been applied. For inbound calling where teams are larger, one peer mentor/trainer (providing ongoing learning and training support) per Commercial is also included.

### Business Customer Service Delivery

The Business Customer Service Delivery workforce undertakes three key functions:

- lead on the management of relationships with businesses to provide education and engagement on levies and scheme services.
- provide the operational support required for maintaining business customer records,
- levy invoice generation, and when required the management of debt collection.

There is also a business customer contact centre capability required to respond to inbound voice and email queries. This is estimated at 134,000 calls per year taking 23 minutes per call and 96,000 emails per year taking eight minutes per email based on data analysis of current ACC business customer interactions.

Workforce modelling for Business customer service delivery was based on current workforce numbers for ACC as the work requirements and number of business customers will be similar to the management of ACC business customer engagement and levying.

### Management of Service Delivery

Management of the operational and support functions for Service Delivery includes performance monitoring, document management and administrative support, specialist and technical support services, senior management, operational support, and dispute resolution services.

Dispute resolution has been modelled on ACC review experience and is expected to cover the following types and number of disputes:

- Cover reviews - 2% cover decline rate and 4% decline decision review rate = ~195 reviews.
- Payment reviews - 7% adverse decision and 16% decision review rate = ~2733 reviews.
- Jurisdiction reviews - assumes 63 per year.
- Employer reviews - assumes 89 a year.
- It is calculated that one specialist can undertake 190 reviews a year.
- A team of five FTE is required to manage and administer this work.



## Administration Workforce

A range of functional groups are required to support the scheme once it is operational including actuarial, financial reporting, legal, risk and fraud management. ACC has experience managing these types of functional groups and leaders from within ACC have been involved in the development of this workforce modelling. This workforce will increase existing ACC teams so that they can deliver internal services that meet the demands of the Income Insurance Scheme.

The scale of the Administration workforce is influenced by a number of factors including, scheme settings (claim volumes, levy income, number of funds), Service Delivery Workforce size, other corporate and strategic functions required, and the workload required to manage new systems. Where appropriate, comparisons to existing ACC staffing structures were made to validate staff numbers.

The administration functions have been costed using salary rates which align with ACC pay-grades. The administration workforce modelling will be updated to align with ACC's new operating model. An allocation methodology will be introduced to ensure costs are recorded correctly to both the ACC and Income Insurance schemes, and that this will be achieved within the currently modelled costs.

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Table 43: Administration Workforce Headcount

### Actuarial

This group is responsible for the modelling of Income Insurance claims volumes, durations costs, liabilities, and levy setting. Workforce for this group has been modelled in-line with the similar resources required to manage ACC's actuarial services. Salaries for these positions align with ACC salary ranges.

### Finance and Performance

The Finance and Performance group will be responsible for financial forecasting, budgeting and financial and non-financial performance reporting, preparation of accountability documents and maintenance of financial systems. Also included in this group is support for Property and Procurement. The size of this workforce has been

modelled in-line with the similar resources required to manage ACC's financial reporting, planning, property and procurement groups services. Salaries for these positions align with ACC salary ranges.

### People and Culture

The People and Culture group provides human resources advice, services and support to help attract, retain and develop the workforce. The size of the Income Insurance workforce has a direct impact on the staffing of the People and Culture workforce required. Ratios used to determine the workforce are aligned with those used for ACC. Salaries for these positions align with ACC salary ranges.

### Equity

Significant equity related work is required in the implementation phase. It is expected that most of the workforce responsible for planning will transition to operational roles after commencement.

### Policy, Strategy, Design and Engagement

Significant work on policy settings and design is required during the planning and implementation phases. Once Income Insurance is operational the policy and design related work and staff will reduce and is offset by growing numbers in engagement roles.

### Technology Workforce and Operating Costs

A number of new or enhanced technology solutions will be in place for the launch of Income Insurance. Once operational, these solutions will require continued investment in licence fees and a workforce to support them and deliver future enhancements of the platforms through a continuous improvement process.

The following annual operating costs have been developed using ACC expertise and vendor estimates:

Commercial Information

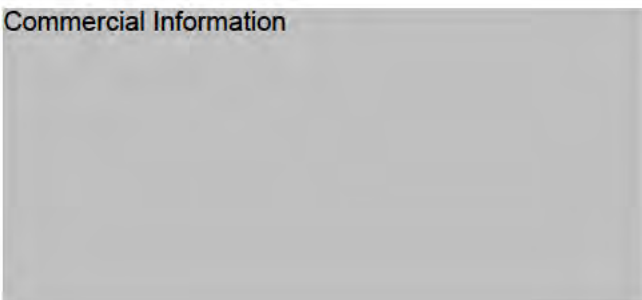
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Table 44: Annual Technology Cost by Platform, \$m

**Sections A-G provide further detail of the costs identified in Table 44.**

#### A. Case Management and Claim Administration

A new solution for Case Management and Claim Administration will be implemented as part of Income Insurance. The preferred vendor has been identified and an engagement is underway to confirm the implementation and operational costs. Costs are currently based on an early estimate provided by the vendor and the Income Insurance workforce required to support the solution during operations.

The annual operating costs are estimated **Commercial** and made up of:

- Licensing 50%
- Operational Support 25%
- Continuous Delivery 25%

Operational Support and Continuous Delivery costs are internal workforce costs for the estimated 14 squads required to manage the core Case and Claims systems, integrations into other systems, and security.

#### B. Levy & Employer Self Service

Annual costs for the enhanced Levy Management system are expected **Commercial** made up of:

- Licensing 71%
- Operational Support 16%
- Continuous Delivery 13%

The Levy Management system will require several operational squads to support it.

#### C. Contact Centre

The annual operating costs of the Contact Centre solution are estimated **Commercial** made up of:

- Licensing 65%
- Operational Support 18%
- Continuous Delivery 17%

Licence costs are based on estimates received from the current ACC vendor.

#### D. Financial Support (Payments)

Income Insurance will require a payments engine to calculate disbursements and make payments to customers. ACC's current payment provider is developing a high-level plan which will confirm the operating costs.

The annual operating costs are estimated Commercial made up of:

- Licensing 21%
- Operational Support 43%
- Continuous Delivery 36%

The operational costs have been modelled using information obtained from vendors through the RFI process, combined with costs for the internal teams required to support the new system.

#### E. Website

The continued support and development of the website is largely workforce costs with an expectation that one squad will be required.

The annual operating costs are estimated Commercial made up of:

- Operational Support 54%
- Continuous Delivery 46%

#### F. Financial Management

The ERP System will require two squads and a support team of approximately eight to ensure appropriate support for the platform.

The annual operating costs are estimated Commercial made up of:

- Licensing 15%
- Operational Support 46%
- Continuous Delivery 39%

#### G. Data & Analytics

Six squads will be required to support the data and analytics processes, ensuring that linkages to cloud data and reporting function as designed.

The annual operating costs are estimated Commercial made up of:

- Licensing 42%
- Operational Support 32%

- Continuous Delivery 27%

### Cost Allocations during Operations

Once Income Insurance is operational the administrative functions (including finance, actuarial, people and culture) are expected to sit within ACC business groups. Underlying drivers of workloads will be identified and will inform the allocation of business group costs between the ACC and Income Insurance schemes.

Though the current modelling of operational costs is based on the additional workforce required to manage Income Insurance it is expected that a change to an allocation-based model can be achieved within the existing costs.

### Property

The Income Insurance workforce is expected to grow to 1,200 personnel once operational and additional office space will be required. Office space will be developed late in the implementation period. The number of offices and locations is to be confirmed and will be influenced by property availability, workforce availability and service delivery model design. Implementation and operational cost estimates will allow for flexibility in the decision-making process.

Lease costs are expected **Commercial** per year and have been modelled based on:

- Commercial
- Information
- n

Commercial Information

Table 46: Property Cost by Type, \$m

### Other Operating Costs

A range of non-personnel operating costs are required to support Income Insurance, and these are detailed below.

Table 47: Other Cost by Type, \$m

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### Equity Service Provision

Through the Distributed Service Model it is anticipated that a range of external providers will contribute to the provision of services, to support the needs of marginalised / diverse populations as an integrated part of an overall service model, particularly for Māori, Pasifika and disabled customers.

Annual costs **Confidenti** in addition to Service Delivery costs of approximately **Confid** have been included in this Financial Case.

### Bad Debt

It is assumed that Income Insurance will experience levels of bad debt in line with that of ACC. Bad debt on levies is assumed at **Con** of employer levy revenue, in line with ACC's longer term average bad debt level, resulting in an annual cost of up to **Confident**

### Brand and Customer Engagement

Ongoing awareness, education, and engagement activities will be important to create a successful and trusted scheme. A range of research, advertising, engagement, and education campaigns will be implemented with an annual cost of **Comm** These activities will include social media, TV, and radio advertising. Costs for external engagement are based on similar activities undertaken by ACC.

### Dispute Resolution – External Provider Costs

Insurance Income customers will have the right to review claim decisions. With anticipated annual claims of 244,969, up to 3,000 reviews are likely to be lodged, based on ACC experience. The volume of reviews will drive internal staffing levels and associated external provider costs.

Reviews will result from:

Cover-related reviews:

- ~244,969 claims per year with an anticipated 2% cover decline rate and 4% decline decision review rate results in 198 reviews.
- Assumption: Claims can be lodged despite not meeting cover requirements.

Payment-related reviews:

- ~244,969 payment commencements per year with an anticipated 7% adverse decision and 16% decision review rate results in 2,773 reviews.
- Assumption: Payment calculation, payment changes, adjustments (abatement), backdated interest, bridging payment (employer) calculation, overpayment decision, substitute payment collection decisions can be reviewed.

In addition to staffing costs, external costs to fund navigation service providers, independent resolution suppliers, costs for review, mediation, and appeal costs totalling **Confid** per year will be required.

ACC funds Navigation Service providers who provide assistance for customers through the review process. Review, mediation, and appeal costs relate to services provided by third parties. Costs have been modelled based on current ACC experienced volumes and contracted rates.

#### External Legal Costs

Litigation costs are expected from the second year of operations as reviews in the first year are dealt with via the disputes process before proceeding to court action. It is assumed that external providers will be utilised to manage legal proceedings, as is currently done for ACC.

Costs have been modelled based on experience gained in ACC and annual costs of **Confide** are expected, which would be incurred from 2026.

#### IR-Related Operational Costs

IR will charge Income Insurance for the collection of the employee levy. The cost is based on the Income Insurance Levy as a percentage of total PAYE collected by IR and applied proportionally against IR's costs to administer the PAYE system. This methodology is in line with the existing ACC levy collection process and cost.

#### MSD Operational Costs

Once Income Insurance is operational, 8 additional FTE will be required to provide People and Capability, contact centre, housing and income support services. In addition to the resource costs there will be costs associated with communications and depreciation.

Total annual operating costs relating to MSD services for Income Insurance are expected **Confidential** This is based on an assumption there will be a high-level of information sharing and automated decision making built into the solution.

## Other Assumptions and Operational Risks

The following matters have been identified as having the possibility of impacting operational costs. As noted below, some of these have been included in cost modelling but could be impacted if actual results differ from the modelled assumptions, while others have not been included in the modelled costs.

### Claims Volumes

The current cost model for the implementation and operations of Income Insurance is based on actuarial modelling of 244,969 claims (in year one). The volume of claims has an impact on the design of systems and operational costs. The number of service delivery staff required, and key technology costs are closely linked to claims volumes. A change to claims volumes will result in operational costs different than presented in this Financial Case.

### Service Needs

There is a risk that the volume and extent of services provided by Income Insurance or the wider Government system cannot meet the needs of customers. This may have an impact on outcomes (e.g. longer durations) and customer service delivery costs.

### Claims Duration

Operational cost assumptions are based on actuarial modelling of durations of 21.2 weeks for ED claims and 11.6 weeks for HCD claims. The duration of claims will impact the number of service delivery staff required, and some key technology costs, which are transaction based. A change to claims durations will result in operational costs different than presented in this Financial Case.

### Case Complexity

The number of service delivery staff and the costs of case management will be impacted by the complexity of claims. If the complexity of claims is different from that expected, there will be an impact on operational staffing levels and costs.

ED:

- 40% High Complexity / 60% Low Complexity

HCD:

- 84% High Complexity / 16% Low Complexity



## Wage inflation / Labour Market Challenges

Given the current tight labour market, ACC continues to face challenges securing suitably qualified employees, which is also creating cost pressures of wages and contractor rates. There is a risk that ACC employees may not be hired at the assumed rates, particularly for equity and technology roles, and salary costs will increase, or the mix of employees and contractors will change resulting in higher contractor volumes and costs.

## Insolvency Non-Payments

It is likely that there will be non-payment of bridging payments by employers due to business insolvencies. Based on historical insolvency numbers, average number of employees per business and average salaries, **Confid** of bridging payments may need to be funded by Income Insurance or the Government when not funded by the employer. These costs are treated as scheme payments and included in the levy calculation process.

## Crisis Payments

Cabinet policy decisions (CAB-22-MIN-0250.02) included the intention for the scheme to have the flexibility to deliver additional, Crown-funded support during crises, and that further advice will be provided on proposed legislative settings and the necessary operational capability to enable crisis payments. As decisions and policy settings have not been confirmed, costs to design and implement crisis payments have not been included in this Financial Case, nor has an estimate been made as to the cost of such support payments.

## Self-employed

Administration costs and scheme payments relating to the management of self-employed claims have not been included in the modelling in this Financial Case. If scheme settings change and self-employed are included in Insurance Income, increased implementation costs will result from the added complexity of the scheme and increased service delivery staffing will be required once the scheme is operational to address the increase in claim volumes.

## Interest on Crown Lending

The Crown will act as lender of last resort when required according to terms to be established by New Zealand Debt Management and as part of a funding policy to be established by Ministerial direction. Interest costs associated with possible borrowing have not been included in the modelling of administration costs.

## Key milestones

Costings have been developed based on the following expected decision and implementation timeframes:

- Outstanding policy decisions made: October 2022.
- Confidential advice to Government
- Substantive legislation passed without material change to agreed settings: July 2023.
- Launch date: April 2025.

### Inflation assumption

Long-term inflation rates, in line with ACC actuarial and the Treasury assumptions are included in the modelling of the costs in the Financial Case. Resource costs have 3% per annum inflation built-in, and all other costs have 2% per annum inflation.

## Impact on Income Insurance financial statements and other agencies

Income Insurance will operate as a separate scheme to ACC. Its design will avoid cross subsidisation of costs between ACC and the scheme. New Income Insurance 'Accounts' will be set up to ring-fence all funding received and capital and operating expenses relating to the scheme. Where a resource contributes to both Income Insurance and ACC, an estimate will be made of the effort expended on each scheme, with the associated costs then allocated as appropriate.

In instances where the development of technology solutions to support Income Insurance have been on ACC's technology roadmap for delivery within the next two years, and ACC stands to gain benefit from the solution, these costs will be funded by ACC based on degree of benefit to each scheme and/or share of use of the technology capability.

Income Insurance is a new scheme, and the structure of required reporting is being developed. It is likely that Income Insurance will be presented as a separate fund with appropriate financial disclosures within ACC financial statements.

### The financial impacts to Income Insurance:

- Confidential advice to Government
- 
- Capital assets relating to the fit-out of additional office space and workstation costs to support operations will be created. Building fit-out will be depreciated over 40 years and workstation fit-out over 20 years.

### The financial impacts to ACC:

- There will be an impact on ACC operating costs where Income Insurance may pay for its share of fixed costs of ACC during the implementation phase (e.g. lease costs).
- ACC may incur costs during the life of this project in relation technology build that may have otherwise been expected to be incurred in future years based on the ACC technology roadmap.

### The financial impacts to IR/MSD:

- Confidential advice to Government
- [Redacted]
- [Redacted]
- Capital assets relating to the relevant technology builds will be created and depreciated over their useful life.

## Overall affordability – Implementation Costs

The anticipated whole of life (Implementation) cost of the Programme is Confidential advice to Government

[Redacted]

[Redacted]

[Redacted]

Confidential advice to Government

[Redacted]



# Management Case

## Introduction

This case outlines the capability and capacity required to successfully deliver the New Zealand Income Insurance Scheme (Income Insurance). It covers:

- implementation governance and management of the Programme
- the Income Insurance leadership structure
- an overview of the delivery approach including integrated design, equity, and partnering with service providers
- how we manage change for our staff and customers
- reporting arrangements
- how we manage risks
- the assurance arrangements in place.

As noted in the Business Case introduction, due to the hybrid nature of this Business Case, some information will be high-level in nature until the Programme works through the detailed design of Income Insurance in the lead up to the Implementation phase which is scheduled to start after substantive legislation has been enacted (expected to be 1 July 2023). As the Programme progresses towards the Implementation phase, management plans and controls will be revised and updated to ensure they continue to be fit for purpose.

## Executive Leadership for Income Insurance

### Senior Responsible Officer (SRO)

The Executive Lead (SRO) for Income Insurance is Stephen Crombie. Stephen started this full-time dedicated position in June 2022 having previously held the role of Deputy Chief Executive of the People and Capability group at the Ministry of Social Development. He is an experienced leader who has a strong background in engaging across the public sector to achieve outcomes for Aotearoa New Zealanders. He brings significant experience in supporting the design and implementation of complex programmes of work and major transformations, for example through his involvement in the vaccination rollout, the recent establishment of the new Ministry for Disabled People, and his significant involvement with MSD's transformation programme, Te Pae Tawhiti. With his extensive background in a number of Government sectors and his experience leading major multi-organisation programmes, Stephen provides strong leadership to the Income Insurance Programme.

## Social Unemployment Insurance Committee

A dedicated ACC Board Sub-Committee has been created to provide independent implementation governance of Income Insurance. The membership is a combination of ACC Board members and an external appointment, as set out in table 52. The Social Unemployment Insurance (SUI) Committee reports to the ACC Board and has delegated authority to oversee, assure and make decisions.

Table 52 - SUI Committee Members

<b>Member</b>	<b>SUI Committee Role and Experience</b>
Patrick (Pat) Bowler	Chair - Pat is a very experienced lawyer and consultant for Corporate Advisory at Russell McVeagh. He has advised Crown agencies, and State-Owned Enterprises on some of the most complex public and private sector transactions and litigation, including the integration of commercial and government objectives.
Hon Steve Maharey	Steve is an independent director and current Chair on the ACC Board. He is a former Member of Parliament and senior minister in the New Zealand Government (1999-2008). In 2009, Steve was made a Companion of the New Zealand Order of Merit for services as a Member of Parliament.
Dr. Helen Nott	Helen is a professional company director and holds a Doctor of Philosophy (Engineering) from Murdoch University and is a member of the Institute of Directors and a Fellow of the Australian Institute of Company Directors. She brings 20 years international advisory experience and particular governance experience in insurance, health, disability, and community sectors.
Sharon Shea	Sharon graduated from Oxford University with an MSc in Comparative Social Policy. She also has a Bachelor of Laws and a Bachelor of Arts from Auckland University. Sharon began her career in 1993 as a lawyer and then moved into the health sector where she held a range of senior management roles in government and non-government organisations focused on Māori health improvement. Sharon is widely recognised as a leader in the field of strategy, outcomes framework development, data design and use, project and change management, and systems and service design. She is a current Board member of the Māori Health Authority.

## Rā Matua

Rā Matua is an independent rōpū that aims to bring Māori ingenuity to the forefront in the implementation of Income Insurance, strengthening Māori and whānau to thrive as a people. The objective of this rōpū is to support ACC to shape the implementation of Income Insurance to meet Māori needs and aspirations, and to ensure whānau receive the full benefit of the scheme as designed. It will have equal decision-making rights with other implementation governance forums on Māori and equity items, as defined in the decision framework.

Current membership is described in Table 53.

Table 53 – Rā Matua Members

Member	Background
Privacy of natural persons	

## Governance Arrangements

### Governance Forums

The Income Insurance implementation governance model is set out in Figure 9. The Programme has multiple levels of implementation governance that are responsible for the investment outcomes for the Income Insurance Programme being achieved.

The implementation governance forums within the Programme delivery structure include:

- **Ministers** – the accountable Ministers for Income Insurance are the Hon Grant Robertson, Minister of Finance, and the Hon Carmel Sepuloni, Minister of Social Development and Employment, Minister for ACC.
- **ACC Board** – the ACC Board has ultimate accountability to Ministers. It delegates authority for Income Insurance to the Social Insurance Committee (as per the ACC Corporate Delegations Framework).
- **The Social Unemployment Insurance Committee (SUI Committee)** - The SUI Committee operates at a strategic level. It governs the Income Insurance scheme, is accountable to the oversight Ministers for investment outcomes and the ongoing



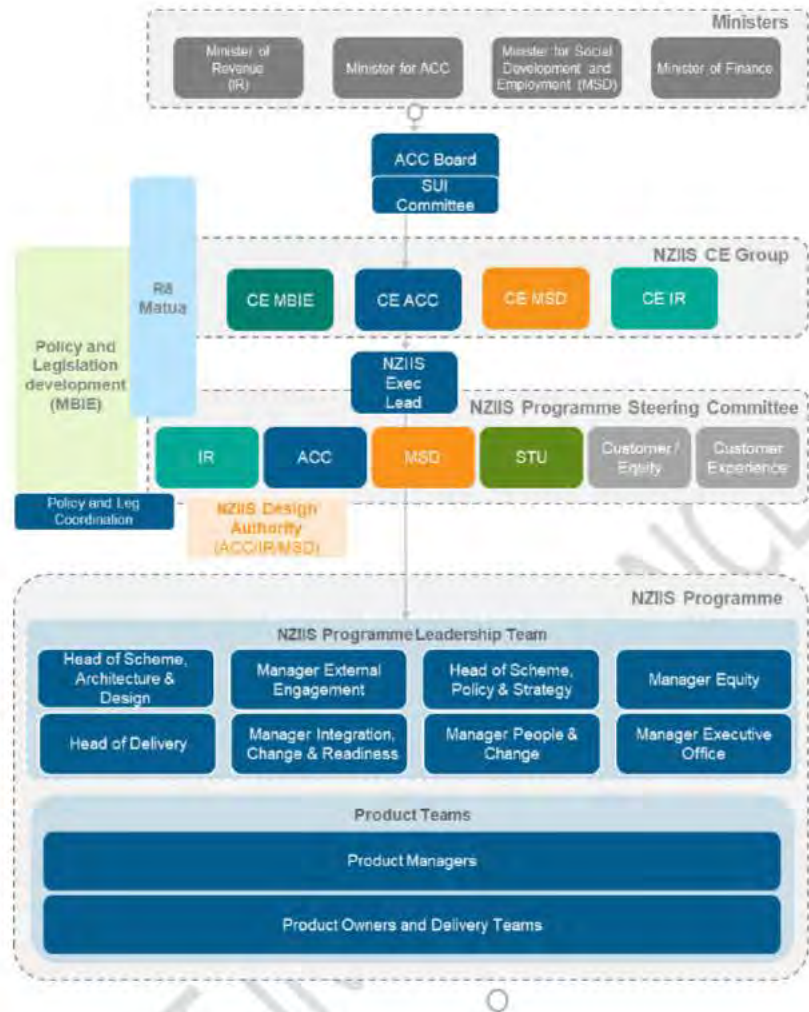
evolution of Income Insurance. It includes Māori representation to support the Te Tiriti o Waitangi relationship.

- **Rā Matua** – Rā Matua has endorsement and approval rights on Māori and equity items as defined in the decision framework.
- **The Income Insurance Programme Steering Committee** - The Programme Steering Committee operates at a mostly tactical level, overseeing readiness, design, and implementation to ensure a successful outcome. It includes Deputy Chief Executive representation from the Income Insurance Delivery Partners (ACC, MSD, IR), MBIE policy representation, and external membership representing voices of priority populations (Māori, disabled people, and Pasifika).
- **The Design Authority** - The Design Authority operates at the detailed level for design purposes, on behalf of the Programme Steering Committee, making and being accountable for design decisions for the Programme which ensure integration and alignment to the Programme's roadmap, policy requirements and strategy. Membership includes representation for Māori, Pasifika, and disabled people. The Design Authority is supported in its decision making by sub-groups that specialise in specific areas of Income Insurance design. The Design Authority are mandated to establish and dis-establish sub-groups to ensure ongoing decision making remains fit for purpose.

The terms of references for the Programme's implementation governance forums detail the mandate, objectives, principles, operating arrangements, membership, and responsibilities of each forum. It is expected that the composition of formal implementation governance will change over the course of the Programme to remain fit for purpose. The terms of reference for each forum are listed in Annex 2 and available upon request.

Operational governance of Income Insurance will be determined during the Implementation Phase of the Programme and is not discussed further in this case.

Figure 9 - Income Insurance implementation Governance Model



### Decision Framework

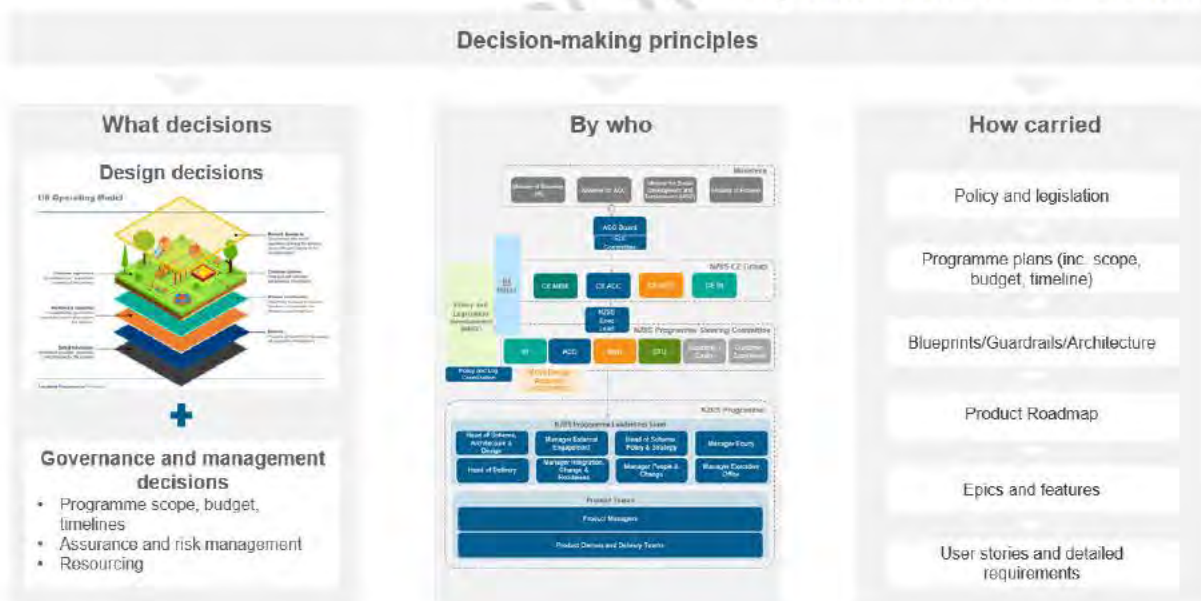
The decision framework will define key decision rights in the design and implementation of Income Insurance. Given the nature, scale and speed of the Programme, a consistent decision framework is important to help us achieve our commitment to:

- ensure alignment of Income Insurance scheme design with policy intent and the needs of our customers and communities
- partner with Māori to honour and achieve Te Tiriti o Waitangi obligations
- undertake co-design with Māori
- achieve equity objectives
- ensure effective collaboration and coordination with Delivery Partners
- empower Programme teams to design and build Income Insurance.

The framework is aligned with the implementation governance structure outlined in Figure 9. Figure 10 provides an overview of the framework. It is based on the following approach:

- **Principles:** A core set of decision-making principles guides all decisions.
- **What decisions:** There are two primary types of decisions to be made – decisions about the design and build of Income Insurance and decisions relating to the implementation governance and management of the Income Insurance Programme.
- **Who makes decisions:** Decision-makers are either groups (e.g. SUI Committee, Rā Matua, Programme Steering Committee, Design Authority) or individuals with delegated decision-making authority due to the nature of their role (e.g. ACC CEO, Exec Lead, Product Manager). Decision makers can endorse decisions for final approval by others or give final approval where no further consultation is required.
- **How decisions are carried:** A core set of Programme artefacts capture decisions that provide the direction and guardrails that other decisions should be made within. The decision framework will define decision rights for endorsing and approving the core artefacts.

Figure 10 – Decision framework overview



## Decision-making Principles

The principles to be applied to decision-making are provided below. They reflect policy and legislative direction (including the obligations set out in the enabling legislation), feedback and discussion to date with our co-design and Delivery Partner stakeholders, and optimal ways of working for a Programme of this nature, scale, and speed.

Table 54 – Decision-making Principles

<b>1. Governance groups provide direction and agree Programme “guardrails”</b>
Implementation governance groups are the SUI Committee/ACC Board, Rā Matua, the Programme Steering Committee, and the Design Authority. These groups will provide the direction and guardrails for the Programme to operate within which are expressed as strategies, policies, principles, frameworks, architectures, and standards.
<b>2. Decisions need to be made at the lowest possible level to enable effective and efficient delivery</b>
People and teams are empowered to make decisions within the context of guardrails, such as approved product roadmaps. Decisions should be escalated to governance forums where they have a wider scheme impact and/or require a change in approved direction.
<b>3. Decision makers need to engage with, and inform the right people to make effective decisions</b>
Income Insurance requires a collaborative culture; decision-making must support a collaborative approach by taking into account the perspectives of a wide range of stakeholders. A group or individual in a decision-making role needs to identify who to inform and consult and have an appropriate process to ensure that stakeholder perspectives are considered.
<b>4. Decision-making must demonstrate Te Tiriti o Waitangi principles</b>
Decisions must demonstrate Te Tiriti principles of Waka Hourua (Partnership), Tiakitanga (Active Protection), Tino Rangatiratanga (Sovereignty), Mana Motuhaketanga (Options), Tauritanga (Equity) and equitable outcomes.
<b>5. Decision-making must consider equity and reflect the needs of customers and communities</b>
Decision-making must prioritise equitable outcomes. Through co-design and engagement with communities we are building a strong understanding of the needs of end-users. It is critical that this is reflected in our design choices and decision-making.
<b>6. Decisions must be traceable</b>
Design decisions must be documented and capture the reason why to enable traceability of decisions back to Government policy and intent, co-design, and inputs from specific customer/community groups.
<b>7. Decision-making processes need to consider Delivery Partner agencies</b>
Decision-making needs to consider the impact of those decisions on Delivery Partners and align with their specific decision-making processes.

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**8. Decision-making groups must make consensus decisions**

Where there is a group or forum accountability for a decision, the decision should be made by consensus of the group. If consensus cannot be reached, the decision should be escalated.

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## **Experience With Similar Investments**

ACC's experience with similar investments is a track record of delivering large scale programmes to an agreed timeline. The ACC Transformation Programme is an example that supports this statement. IR have similar transformation experience as evidenced through their successful and recently concluded seven-year transformation programme. MSD have a transformation programme already in progress, Te Pae Tawhiti. All three Delivery Partners have tried and tested delivery approaches that will be integrated through the Income Insurance delivery approach to support successful delivery of the Programme. ACC, IR, and MSD representation at both the Programme Steering Committee and Design Authority will support this integration and the need to establish a collaborative working environment.

A dedicated Programme Executive Office is established with appropriately experienced advisors and practitioners to assist the Programme in its delivery. The Programme will leverage existing ACC risk and assurance advisors to ensure alignment of frameworks for Income Insurance and ACC.

Members on the Design Authority, Programme Steering Committee, Rā Matua, and SUI Committee bring a wealth of both public and private sector experience including experience in insurance and assurance, as well as Māori, Pasifika, and disabled people cultural capability.

ACC has contracted a Business Implementation Partner with specific delivery experience in ACC's and MSD's ways of working. The Business Implementation Partner brings in-depth and independent delivery and risk management experience gathered through multiple transformational deliveries for both public and private institutions. Using a Business Implementation Partner compliments the internal ACC delivery team in its ability to deliver Income Insurance while maintaining intellectual property in the core ACC team. Access to the Business Implementation Partner's existing resources lessens the impact of resourcing the Programme within the restraints of a tight labour market.

## Programme Scope

### In Scope

The scope of Income Insurance is developed from the policy settings listed in the Strategic Case titled “Scheme Design Policy Decisions”. Policy requirements span the schemes coverage, entitlements, obligations for both employers and employees, dispute resolution, levies, and administration. A functional model has been developed that broadly sets out the Programme’s scope requirements, as detailed in Table 55 below.

Table 55 - Income Insurance Scope

Functional Area	Scope
Engagement	Engage and educate the public by showing how Income Insurance works, as well as sharing scheme information on what the levy would be, how the levy is calculated, the process of lodgement and support provided to workers.
Prevention	Processes that reduce the potential of people becoming claimants of Income Insurance. While prevention services are outside the scope of Income Insurance provided services, they are in scope of service design activities with MSD and any other agency that is identified as a provider of prevention services, as well as co-design activities with Māori as part of the Distributed Service Model definition. Prevention is part of the evolution of the scheme.
Lodgement	Create and submit an Income Insurance claim for eligible workers and employers.
Registration	Identify, verify, and authenticate levy payers and claimants, as well as giving them access to information, and the ability to choose communication options.
Eligibility	Determine claim eligibility and monitor compliance for workers, as well as verification of ongoing eligibility and compliance while the worker is receiving Income Insurance
Entitlements	Calculate claim entitlements (bridging payments and Income Insurance payments) and offer cover to the claimant for the Income Insurance scheme and allow them to accept or decline the offer.
Tailoring support	Assess the claimant situation, analyse what the claimant needs, establish the level of support, and welcome the claimant to the scheme. Claimants will know where to go for help and have certainty on what is happening, and when (subject to funding for providers of interventions).
Support	Provide automated, self-service support services as well as providing support for return-to-work claimants, and links to other services.
Return to work services	Provide individualised and tailored person support to a claimant over the duration of a claim, as well as transferring to other services where appropriate (e.g. Kaupapa Māori providers).

<b>Functional Area</b>	<b>Scope</b>
Financial support	Pay entitlements to claimants and manage deductions and abatements over the claim entitlement period.
Closing Claim	Identify and notify a claimant who is nearing the end of their entitlement period and accept notification of new employment, or return to work, and close the claim.
Scheme Offboarding	Share information of what will happen now the claim has closed, notify the claimant of any debt to Income Insurance as well as transfer the claimant to other services such as MSD, if needed and appropriate for the claimant.
Levying	The process for calculation and collecting levies from employers and employees.
Levy Setting	Consult and set levy settings for Income Insurance. Levy setting is a key input to fund creation and management.
Fund Management	Monitor and manage Income Insurance funds and investments
Financial Management	Monitor and administer Income Insurance finances and liabilities.
Scheme Management	Monitor and manage Income Insurance operations, services, and outcomes.

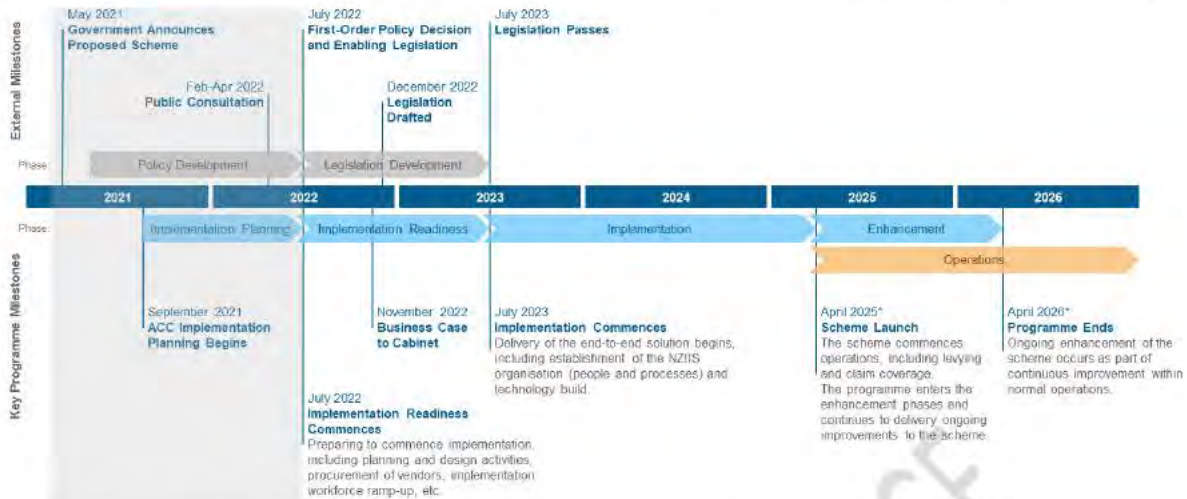
### Out of Scope

The provision of ALMP services, employment products and services, and funding of any other services not related to worker's financial compensation are out of scope of Income Insurance.

### Programme Phases

Income Insurance will be delivered through the phases shown in Figure 11. Further details on the approach for delivery are found in the Programme Delivery Approach section of this case.

Figure 11 - Income Insurance Programme Phases



- Implementation Readiness:** This is the current phase, during which the Programme delivery approach will be established, including Delivery Partnering with IR and MSD. Income Insurance architecture, high level requirements and solution design will be completed in response to customer research and co-design outcomes. Technology procurement will be completed. The Business Case will be submitted to Cabinet for approval and the Treasury for implementation funding.
- Implementation:** This phase will consist of continuation and refinement of service and integrated design, build and testing of the systems and processes, integration between Delivery Partners, establishment of the operational workforce, and all other activities required for the successful launch of Income Insurance.
- Enhancements:** This phase delivers enhancements to the established systems and processes.
- Operations:** The business-as-usual operation of Income Insurance which will run parallel to the Enhancements phase.

## Programme Delivery Approach

This section describes the approach to delivering Income Insurance. It explains the methodologies used to achieve successful outcomes that deliver on the Government’s agreed policies and scheme objectives.



## Customer Principles

Customer-centred principles are used to guide decision-making where decisions might affect the customer experience or outcomes, as set out in Figure 12. These principles have been through several iterations, as the Programme’s understanding of customer needs has increased. The principles will be tested with customer Lived Experience representative as part of initial concept design.

Figure 12 - Income Insurance Customer Principles

PRINCIPLE:	Respect	Speed	Certainty	Transparency	Ease	Mutual Commitment
FOR A PERSON IT FEELS:	People are trusted and valued.	People receive what they need when they need it.	People know what will happen next and there are no surprises.	People know about NZIIS and own their information.	People experience a seamless journey and all interactions are intuitive.	There is partnership between all parties to achieve good outcomes.
IT MEANS:	<ul style="list-style-type: none"> <li>We treat people with dignity, empathy and respect in every interaction.</li> <li>We trust people to make the best decisions for themselves, whānau, and their business.</li> <li>We empower people to make the best choices for their circumstances.</li> <li>We understand that information and data is a taonga and we respect data sovereignty.</li> <li>We collect and share only the information required, and only with consent.</li> <li>We keep any direct requests for information to a minimum.</li> </ul>	<ul style="list-style-type: none"> <li>We start payments on time, to the right person, with the right amount.</li> <li>Processes are efficient and accurate, and automated where possible.</li> <li>NZIIS responds and adjusts in a timely way to new information.</li> <li>NZIIS is responsive and we respond to any queries or concerns promptly.</li> <li>We aim for first interaction resolution.</li> </ul>	<ul style="list-style-type: none"> <li>Transactions are made in a consistent, clear and predictable way.</li> <li>We respond to queries or concerns when we say we will.</li> <li>The people of Aotearoa New Zealand are aware of the NZII scheme, its purpose and role.</li> <li>Once worker entitlements are confirmed, they have certainty that they won't be changed or reviewed without good reason (change in circumstances), and without the change being communicated.</li> <li>People receive confirmation from NZIIS, know when to expect an answer, and are clear on next steps.</li> </ul>	<ul style="list-style-type: none"> <li>We are transparent in decision-making.</li> <li>We clearly communicate worker and employer rights and obligations.</li> <li>Processes that impact workers and employers are easily understood.</li> <li>NZIIS deals in good faith and there are no hidden obligations or requirements.</li> <li>People can view and manage their information (e.g. transaction history and key dates, such as when support ceases).</li> <li>Pathways to question and dispute are accessible.</li> </ul>	<ul style="list-style-type: none"> <li>Interacting with NZIIS is easy.</li> <li>There is a unified customer experience across all interactions.</li> <li>Channels are inclusive, responsive and culturally appropriate.</li> <li>We take a needs-based approach to service delivery, with accessible options available for all customers (e.g. self-service, one-on-one service etc.).</li> <li>We empower workers and employers to ask for help when they need it.</li> <li>Handover points between agencies and service providers are seamless.</li> <li>There is no confusion about who does what in the system.</li> </ul>	<ul style="list-style-type: none"> <li>We ensure accurate payment processes to minimise worker debt to government.</li> <li>Employers and workers are clear about their roles and responsibilities across redundancy, HCD and levy journeys.</li> <li>NZIIS Agencies and Partners have an aligned vision and purpose for the scheme.</li> <li>Success measures, experience and outcomes are in place to guide strategic decisions and improvements.</li> <li>We actively monitor satisfaction, experience and trust, and continuously work to improve outcomes.</li> </ul>

## Customer & Equity – Integrated Service Design Approach

Income Insurance takes a human-centred approach which is focused on understanding the needs of customers (workers and employers) and developing solutions that meet them. Determining ‘moments that matter’ to customers, through research and engagement, helps focus design effort towards the specific areas of the service Blueprint that are most relevant to that customer group. Low-need, low-complexity populations are heard and consulted while higher need users are more actively involved in solution development. Leveraging the Te Arawhiti engagement framework<sup>81</sup>, design participants are afforded influence over service design solutions relative to their needs. For Māori, this means partnering in the design process through co-design, and decision-making powers through Rā Matua (the Māori Advisory Panel). For Pasifika and disabled people the engagement is to identify their particular needs, and active involvement in solution

81 Tearawhiti. (2018). Crown engagement with Māori [Engagement Summary 011018 \(tearawhiti.govt.nz\)](https://www.tearawhiti.govt.nz/engagement-summary-011018)

development.

Prior to undertaking design activities, clear expectations are established, articulating the level of influence that external participants will have over service design and decision making. The corresponding influence over design is determined by prioritisation of population needs, in accordance with Table 56:

Table 56 – Influence over design

<b>Listen</b>	<b>Consult</b>	<b>Collaborate</b>	<b>Co-design</b>
Customer perspectives and experiences are heard through research and engagement and inform service design.	Specific concepts, hypotheses and solutions are tested with key customer groups or populations and adapted based on feedback.	Key partners are active contributors to problem solving and the design process from inception. Decision-making around solution implementation is retained by ACC.  Pasifika and disabled people are in this category.	Māori are active contributors to the problem solving and design process from inception. Decision-making around solution implementation is shared between ACC and Māori.

### Integrated Service Design

Integrated design brings together customer, Equity, and product design under one approach for Income Insurance. This approach places the needs of the customer at the centre by focusing on the elimination of barriers to suitable employment and facilitating equitable access to Income Insurance. The approach incorporates three voices:

- Voice of Lived Experience.
- Voice of Intent.
- Voice of the Expert.

These are shown in Figure 13, which combine with internal ACC expertise to deliver a needs-based service design model and product roadmaps.

Through the integrated design process, prioritised design decisions relating to the ways in which customers interact with Income Insurance, how case management services are offered and to who, and how we design for our most marginalised communities, amplify the voice of those for whom Income Insurance is designed. Critical to this process is hearing and incorporating the voices of workers, employers, Māori, Pasifika, and disabled people (Lived Experience), which is achieved through insight research, interviews, surveys, co-design workshops, product design playback and testing, and interaction with marginalised community advocacy groups.

## HCD Design

As part of Integrated Service Design, the Programme is undertaking customer research to understand the unique needs of workers with HCD, as well as the employers that support them. Early insights have been derived from:

- existing literature (including sources from WAI 2575<sup>82</sup>, MSD, MBIE, international schemes and ALMP studies)
- research interviews with workers who have experienced work disruptions due to HCD
- research interviews with employers who have supported HCD workers
- workshops with advocacy groups in the health and disability sector
- engagement with priority populations through the Income Insurance Equity Team.

Future work is planned to better understand HCD demand. A quantitative survey has been developed to validate the themes derived from research interviews, allowing the Programme to model ratios of higher needs customers.

While there are many elements common to the ED and HCD experience, there are critical moments specific to the HCD pathway that require additional design consideration:

- Worker eligibility for the scheme is a critical moment in the HCD journey that will be designed with customers, health practitioners, MSD subject matter experts and with Māori. The way in which medical certificates and work capacity assessments are conducted for HCD workers is essential for enabling easy access to the scheme and to the overall HCD customer experience.
- Types of supports and interventions required for HCD workers are likely to be different to those required by ED workers and will require specialist design activities. Effective case management will be central to successful outcomes.
- The level of guidance, support and resources for employers who are supporting HCD workers is likely to exceed the level of support for employers supporting ED workers and will be designed accordingly.
- Health and wellbeing outcomes for workers are often dependent on the health system delivering effective services, on time. While this is outside the direct control of Income Insurance, customer outcomes are likely to suffer when timely health services are not delivered.

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<sup>82</sup> [Wai 2575 Health Services and Outcomes Kaupapa Inquiry | Ministry of Health NZ](#)

The Programme, in conjunction with MBIE, will continue to work with Manatū Hauora (Ministry of Health), Te Whatu Ora (Health New Zealand) and Te Aka Whai Ora (Māori Health Authority) to better understand the impacts of Income Insurance on the health sector and what further activities are required to fill any identified gaps.

### Equity by Design

Three priority populations for the design of Income Insurance have been identified: Māori, Pasifika, and disabled people.

Our “equity by design” approach is based on three components:

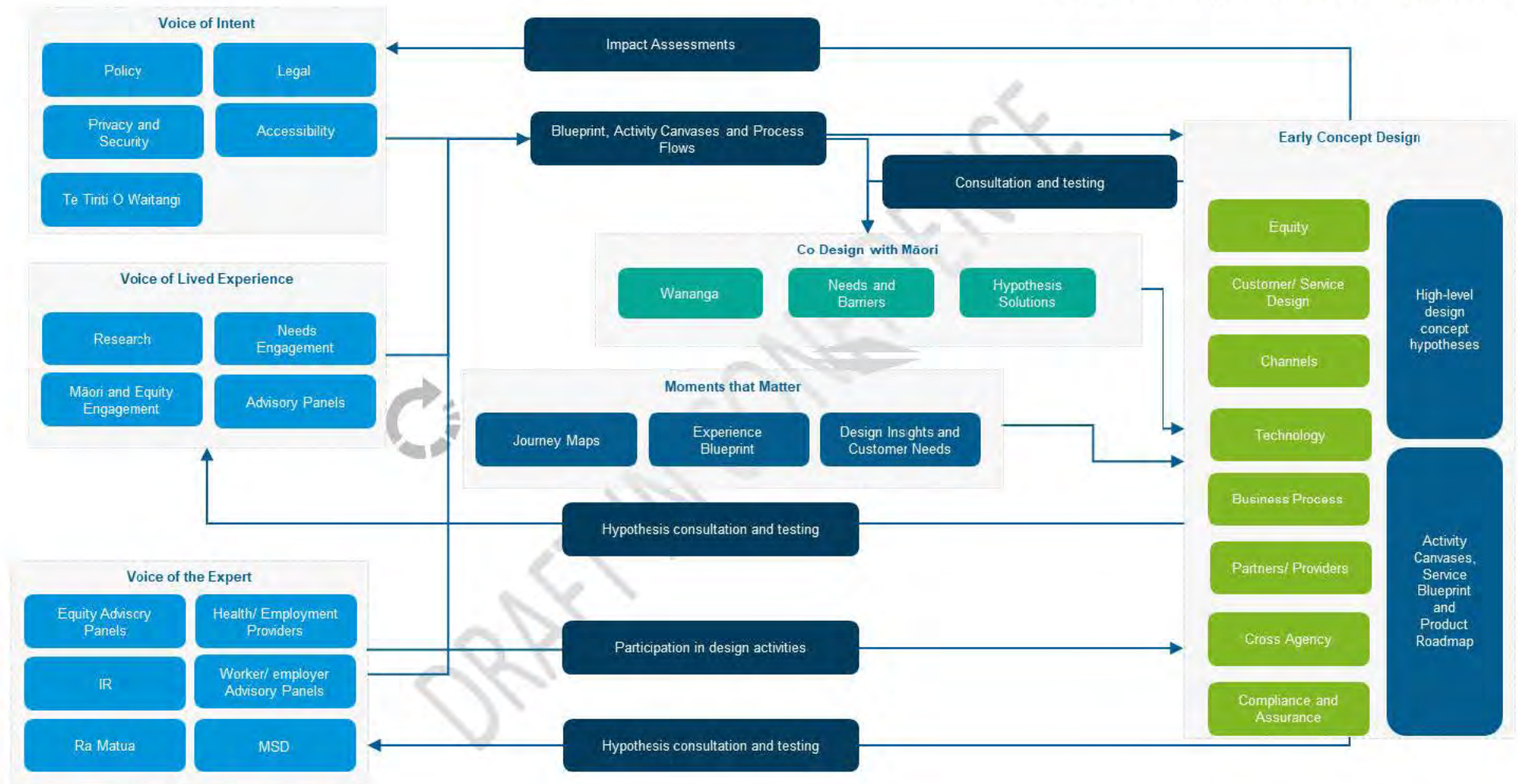
1. Gathering insights from these communities on current experience with social services and the unemployment experience. This will be achieved through reviewing current research and engagement with priority populations.
2. Designing equitable customer journeys and experience through co-design and design sessions with priority populations and the creation of a feedback loop to test that our application of gathered mātauranga (knowledge) is correctly applied in Income Insurance design.
3. Co-designing Income Insurance elements to support positive customer outcomes e.g. Māori Data Sovereignty, Outcomes Framework, and technology.

To support this mahi, we will review prior research and engagement insights first given the consultation and engagement fatigue experience by communities. Where needed and to supplement our research, we will create advisory groups and design groups with each priority population to provide strategic, operational, and experiential guidance on design.

Each priority population will have an Engagement Lead to capture that mātauranga, and an Advisor who will be responsible for embedding the mātauranga within the Programme. This mahi will be supported through the addition of specialists, particularly in the accessibility and Māori Data Sovereignty areas.

We have ensured our priority populations have a voice within the Income Insurance implementation governance structure to support equitable decision-making. This includes representation within the Design Authority, Programme Steering Committee, SUI Committee, and Rā Matua. More information can be found in the decision framework overview (see the Decision Framework section).

Figure 13 - Integrated Service Design Approach



## Privacy by Design

The Income Insurance service design process is focused on privacy and information security being embedded in service design solutions from the beginning. The principles of Privacy by Design (PbD) are fundamental to the success of the Income Insurance service design approach.

PbD principles champion privacy as a key component to be considered at the beginning of service design and integrated into systems and operations, rather than as an assessment tool at the end stages of the design life cycle. This will be achieved by engaging privacy subject matter experts (Privacy SMEs) to consult on early design artefacts, during the design process, and as preferred solutions and processes have been identified.

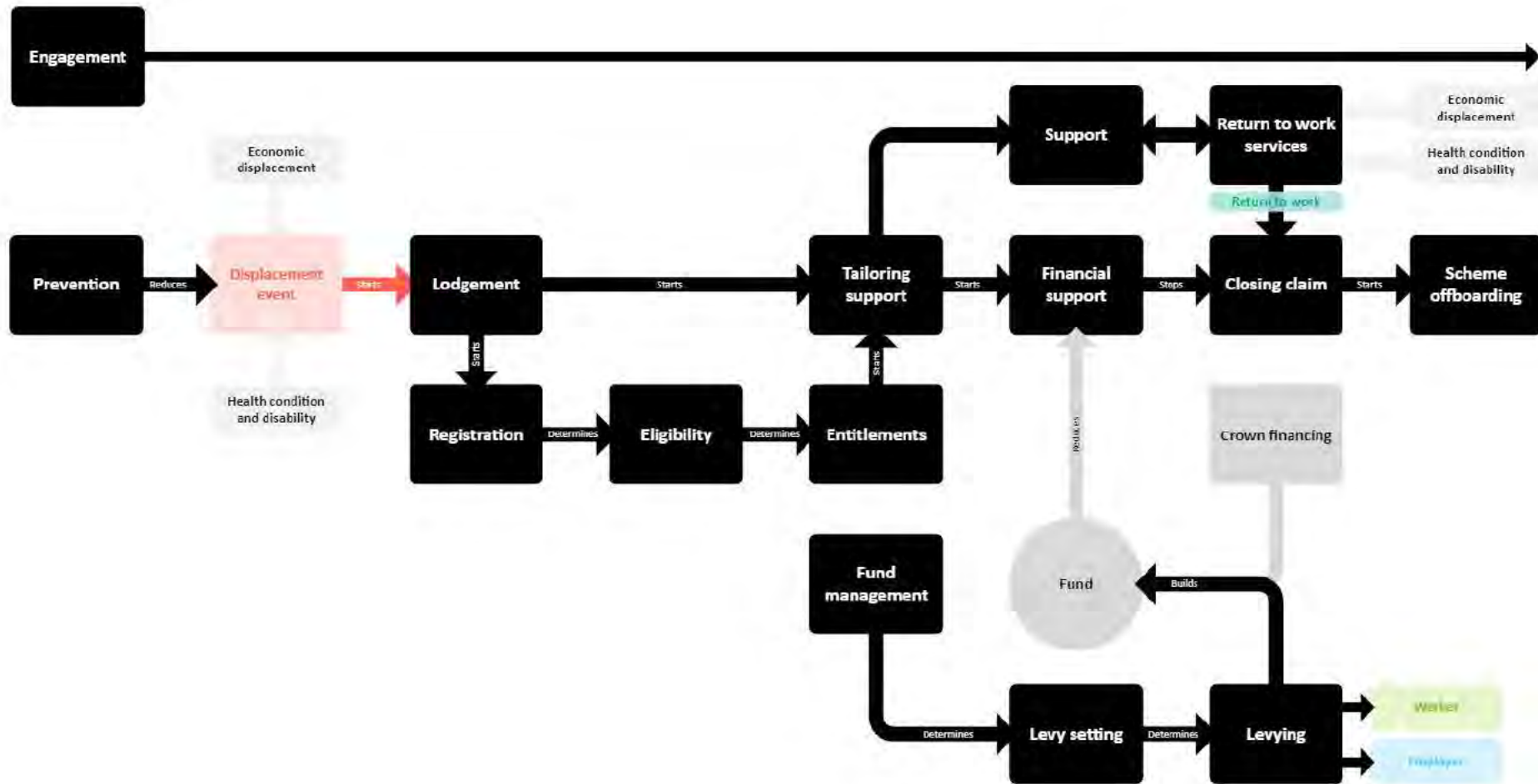
From the beginning, activity canvases outlining process flows will ensure Privacy SMEs are provided with the opportunity to engage on each core component. Once concept design solutions are in development, the inclusion of Privacy SMEs in multi-disciplinary design teams ensures that privacy is considered at the ideation stage. As the Programme moves to a detailed product and feature design stage, Privacy SMEs will be provided privacy assessment and assurance as part of the acceptance process.

Implementing PbD principles will ensure that the Income Insurance service design approach is aligned with privacy best practice across Government, ACC's PbD policy, and digital.govt.nz PbD guidelines.

## Functional Model

Within the context of Income Insurance policy decisions, a functional model has been developed, Figure 14, that describes the key functions that need to be developed to implement Income Insurance. This functional model is used to support the design decisions required to create the operating model.

Figure 14 – Income Insurance Functional Model



## Income Insurance Service Delivery

Income Insurance service delivery is centred around the claimant's need and their ability to access the scheme how and where it supports their need. This includes support delivered through ACC, MSD or an appropriate provider (subject to further design). The process seeks to maximise opportunities to align with the welfare system transformation through the Te Pae Tawhiti Programme. The model has a critical dependency on collaboration and co-design with Māori, and the capacity and capability of service providers which may take some time to be at an optimal level to fully realise the benefits of the model.

As an insurer, we need a delivery model that enables ACC to maximise the levers available to Income Insurance to achieve outcomes for customers and to manage scheme liabilities.

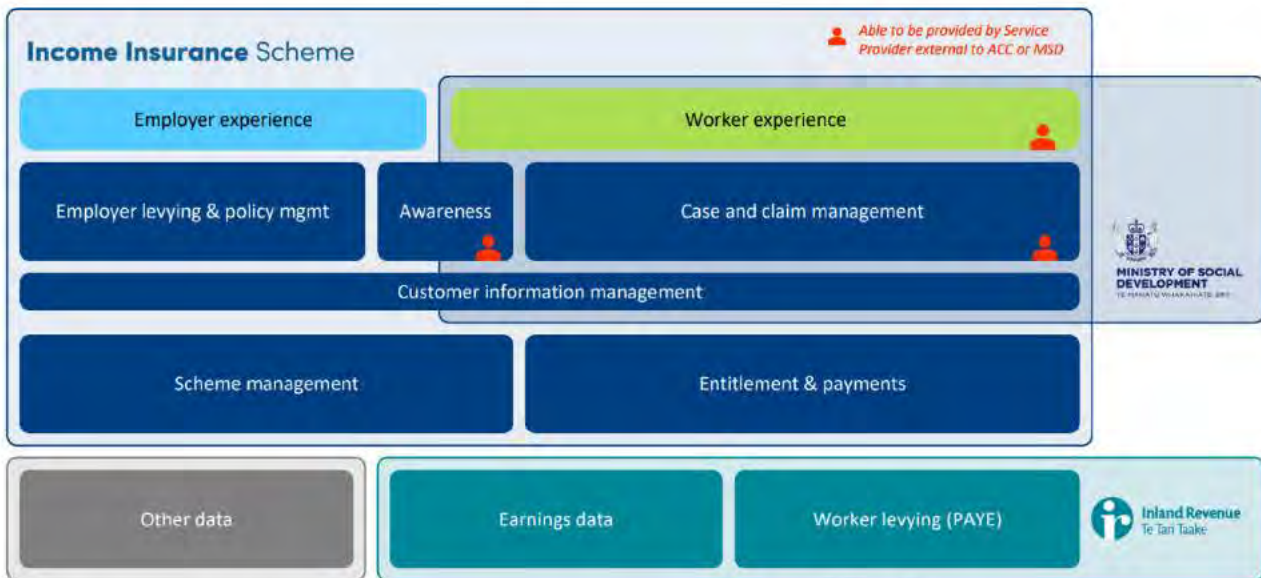
It is acknowledged that further work is required with the Ministry of Health and Ministry of Education to better understand the impacts of Income Insurance on the health and education sectors.

The Programme explored a number of opportunities to use existing Government assets that have options for an optimised solution that leverages existing strengths and native system capabilities. After cross-agency consideration of several option iterations, a delivery model was agreed.

The Figure 15 defines the key functions of Income Insurance and the high-level responsibilities of the Income Insurance service providers and Delivery Partners.



Figure 15 - Income Insurance Key Functions and Responsibilities



The model leverages the opportunity to optimise data sharing between IR and Income Insurance and the opportunity to build alignment with MSD in the design and delivery of real time case management and support.

In this model, case management is the end-to-end case, from lodgement through to possible transfer to another service provider and outcomes monitoring. This is a co-ordinated effort between ACC, MSD, and service providers. This function is closely coupled with claim administration via the customer record, which is essential to enable a seamless customer experience.

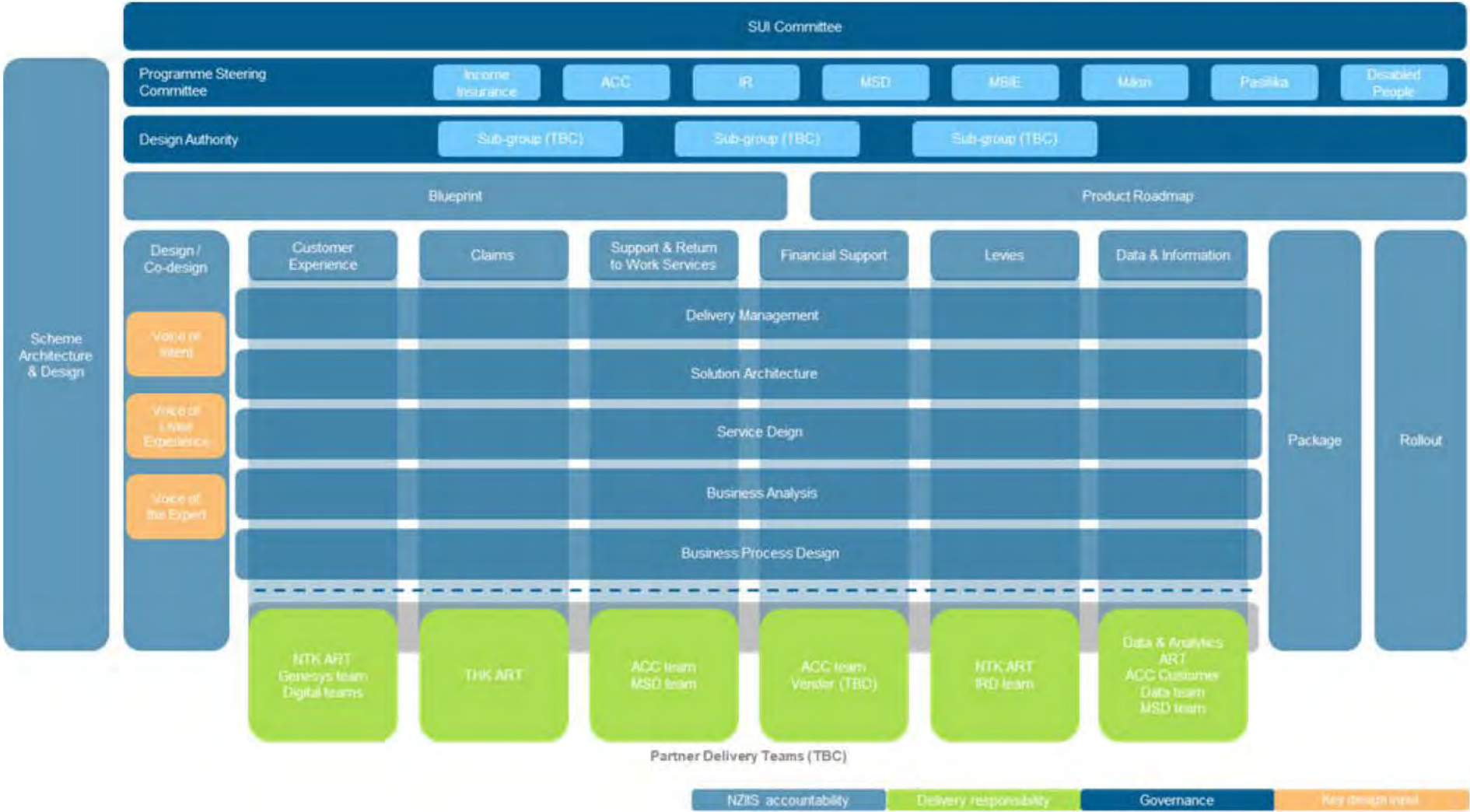
Claim administration (lodgement, eligibility, and cover) is co-ordinated within ACC systems with data sharing with IR and other agencies to determine claimant eligibility. The payments and entitlements solution will be determined during the Implementation Readiness phase.

Employer Levies are collected by ACC and worker levies are collected by IR.

### Delivery Approach

To accommodate a multi-agency delivery model, Income Insurance needs an approach to design and delivery that leverages the best of existing approaches in each agency and clarifies or fills gaps for what will be unique to Income Insurance, as shown in Figure 16.

Figure 16 - Income Insurance Delivery Approach



The approach acknowledges the multiple agencies involved in delivery and their own internal delivery models and sets out to work with these Delivery Partners through the establishment and maintenance of a collaborative working environment. Within ACC this means working with established Agile Release Trains (ARTs) to scope, plan and deliver components of the end-to-end solution in close collaboration with Delivery Partners and/or vendors. More specifically, Income Insurance will engage with the following Value Streams and associated ARTs through delivery:

- Levy & Insurance Management - Ngā Tapuwae Kōrero (NTK)
- Technology Health and Capability - Data & Analytics Release Train (DART)
- Technology Services & Platforms (TSP) ART
- Integration ART
- Turuturu a Hononga Kiritaki (THK)
- Path to Wellbeing - Path to Wellbeing ART (PART)
- Organisational Health and Capability - Te Kahu.

Work packages (Features/Epics), including requirements and outcomes/expectations, for each Delivery Partner will be clearly defined through product definition and agreed prior to commencement of work with progress, issues and risks being reported back to the Programme (via the Product Manager) fortnightly, or as agreed.

Income Insurance delivery will maintain a close connection with ACC delivery through the Programme Increment (PI) planning process to ensure alignment across all the delivery teams to a shared mission and vision.

#### Product definition and development

The Scheme Architecture and Design team will work cross-functionally, working closely with Policy & Strategy, Equity, Business Process Design, Service design and with the Product teams as they are stood up during the implementation readiness phase. They will be responsible for the development of the high-level requirements and guardrails for the Product teams to inherit.

The Programme will be set up to operate under a product management structure to deliver Income Insurance. This creates an accountability layer for the cohesive delivery of Income Insurance. Each Product Manager will be responsible for delivering their functional area of Income Insurance.

Product Managers will determine the shape of their delivery teams, informed by platform and Delivery Partner decisions. As the Product structure is established, detailed requirements will be developed by each Product team. Each cross-functional Product design team will include the following capabilities:

- policy advice
- business analysis
- service and/or user experience design
- solution architecture
- process design
- product ownership
- facilitation support.

Based on the scope of a product, MSD and/or IR resource may be required to be part of a team. These resources will work under the direction of the Product Manager for the purpose of product delivery only.

As the Programme nears the Implementation phase, the Cross-functional teams will expand to include development, testing, integration, and release capability.

### Income Insurance Blueprint

The Income Insurance Design Blueprint (Blueprint), see Figure 17, is central to the delivery approach. It provides a complete end-to-end view of how we will deliver on the scheme's purpose and vision. It is a customer-centric representation of Income Insurance, describing (at a high level) the people, equity, channels, process, products and capabilities, data and information and Income Insurance Delivery Partners required to deliver the worker and employer experience.

By providing a complete view of Income Insurance components, the Blueprint facilitates prioritisation conversations within the design teams (and Design Authority), as well as acting as a central point for work across the Programme to trace back to.

The Blueprint will be constantly maintained with planned quarterly updates to seek continuous feedback and approval of the evolving design of Income Insurance. The Design Authority, Rā Matua and Programme Steering Committee are called on to bring their expertise from across Government and Te Ao Māori to ensure a comprehensive end-to-end design for delivering the Income Insurance policy and service requirements to agreed standards while enabling efficient delivery.

More specifically the Blueprint will be a representation of the Programme's understanding of:

- policy and draft legislation
- Government standards
- Equity insights from co-design and Rā Matua
- customer experience
- core component definitions
- conceptual model
- system boundaries
- Delivery Partners
- information sharing and data requirements.

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Figure 17 - Income Insurance Design Blueprint



### Principles, Standards and Guardrails

Income Insurance has adopted a set of architecture principles and standards that have been used to assist the definition of a delivery model to date, and to continue to guide planned detailed design activities (as per Annex 2 and available upon request). These principles and standards, along with architectural and delivery guardrails will be agreed with Delivery Partners to support design and delivery activities.

These principles, standards and guardrails have been used to define, assess, and select a suitable delivery model. As more detail becomes available on the Delivery Model, additional guardrails and standards may be agreed and put in place.

## Timeframes, Schedule, and Key Milestones

### Schedule

The high-level view of the overall Programme schedule is shown in Annex 5. The Programme schedule will continue to evolve and be broken down further into a more detailed delivery plan as we move through detailed design and progress to the Implementation phase.

Critical path identification will continue to be developed and will be controlled throughout the life of the Programme. Key internal and external dependencies have been identified and incorporated into Programme planning.

The timeframes in this Management Case are critically dependent on the full Implementation budget being approved in May 2023 and final policy development by July 2023.

The following key milestones form the baseline delivery dates for the Programme. Ongoing operational milestones form part of the evolution of the scheme as described in the Strategic Case.

Table 57 – Income Insurance Implementation Milestones

Milestone	Completion Date	Description
Commercial Information Enhancement funding approved (Budget announcement)		
Te Pae Tawhiti Programme budget announcement	May 2023	Approval of the MSD budget bid to deliver Horizon One of the Te Pae Tawhiti Programme; the foundations for digital services and case management change.
Income Insurance legislation passed	July 2023	Substantial legislation for Income Insurance is formally announced by Cabinet.
Commercial Information		
Launch (Go-Live)	April 2025	Income Insurance is live and ready for public use.
Programme Completion (Enhancements complete)	May 2026	Enhancements to the Income Insurance systems and processes post-launch are complete, the Programme is closed, and Incomes Insurance is fully operational.

## Programme Management Plan

The detailed day-to-day control processes that will be used to manage delivery including governance, reporting, risk and issues management, dependency management, resourcing, scope, change and how the delivery methodology will be applied will be detailed in the Programme Management Plan (PMP).

The PMP will be a living document and developed and approved prior to entering the Implementation phase.

## Change Control

Change control will be managed in two ways:

- through Continuous Delivery PI Planning
- change control for material changes.

### Programme Increment Planning

Programme Increment (PI) planning is an essential part of ACC's Continuous Delivery approach. Change is inherent in the PI Planning process and as a result the change impacts are effectively managed through existing change mechanisms.

PI Planning occurs every quarter and is attended by all teams responsible for the delivery of change for Income Insurance and ACC. The underlying principle of PI Planning is that the people who do the work are the people that plan the work. This allows teams to pivot swiftly and replan what needs to happen in the next quarter. The Income Insurance Executive Lead participates in product feature prioritisation and signs off on the PI plan, formalising its approval and therefore the budget drawdown.

The PI Planning, or similar, process between ACC (Income Insurance Programme) and the Delivery Partners is expected to be agreed by November 2022 in time for aligning with the ACC 2023 PI Planning process.

### Change Control for Material Changes

The change order process will apply to material changes with the process following the same logic as the decision framework. Change requests can be approved by the appropriate decision-maker for the nature and level of change as set out in the framework:

- Changes that are within the approved direction and guardrails expressed in core artefacts and do not affect the wider Income Insurance scheme can be made without further approval.



- Changes that do not align with the approved direction and guardrails expressed in core artefacts, e.g. are outside of approved design principles, Blueprint, product scope, experience, budget, timeline etc. will be escalated to the appropriate decision-maker as per the Decision Framework.

Further details on the change order process is listed in Annex 2.

## Resource Management

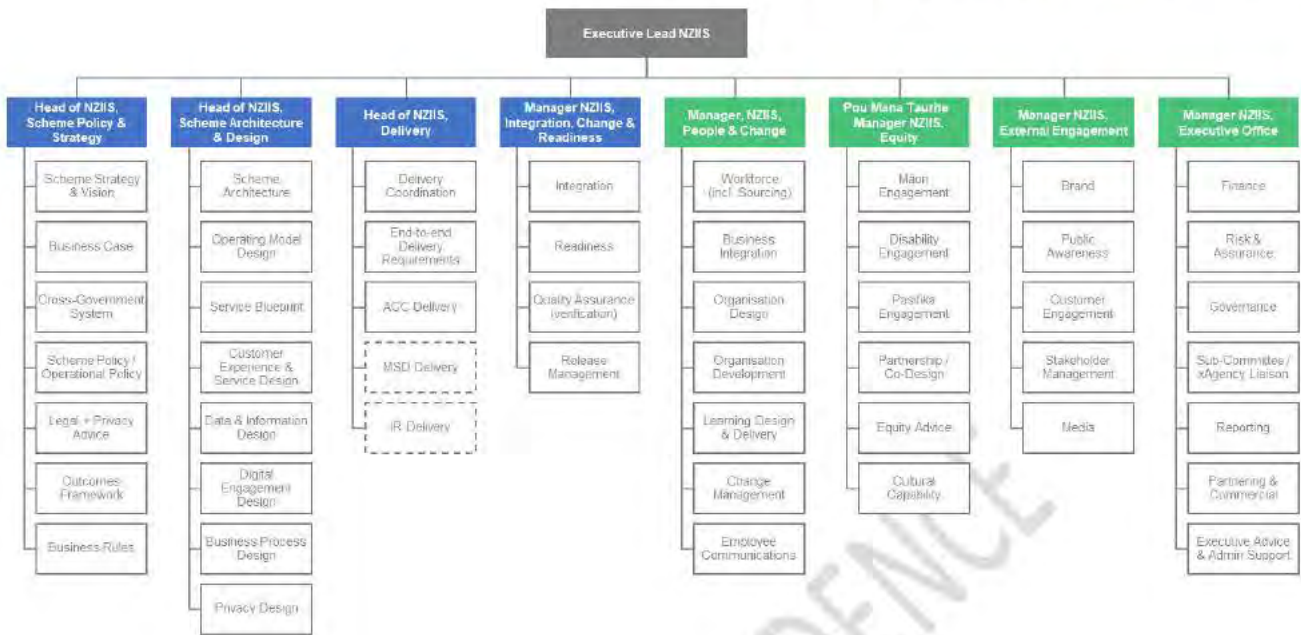
### Programme Leadership

A Programme leadership structure has been designed and implemented putting in place permanent leadership roles that will endure through the Implementation Readiness phase and into the Implementation phase to provide continuity and stability of leadership for the Programme. The leadership roles and functional accountabilities is set out in Figure 18. Establishing these leaders will allow the Programme to have clear accountability for workstream resourcing, key stakeholder engagement and relationship management, risk and financial management and work planning and delivery for the Programme now, and as it grows into the Implementation phase. The structure was designed to enable effective partnership with Delivery Partners, internally and externally, and to enable the high levels of collaboration and multi-disciplinary teaming required for Programme success. All leaders will be jointly accountable for ensuring members of their workstream come together to work in effective cross functional teams to meet the deliverables of different stages of the Programme.

Matrix reporting will be a key aspect of Programme leadership. This means that many people in the Programme will be receiving their professional line management and enterprise alignment from a functional area of ACC, with their day-to-day work guidance coming from an Income Insurance Head, Manager or Lead. This will allow us to successfully engage and support a diverse range of capabilities for the Programme, to support individual growth and development, and to keep connected and co-ordinated with the existing ACC organisation.

The focus of work will change during the Implementation Readiness and Implementation phases, with an initial focus on product design and delivery, followed by an increasing need to focus on the establishment of the operational workforce as we get nearer to launching Income Insurance. Leadership roles and their requirements will be continually reviewed to ensure adequate and effective leadership at all stages of the Programme, including consideration of how members of the Programme leadership team will transition to take on leadership roles in the operation of Income Insurance to support the transfer of knowledge and experience from their involvement in the Implementation phase.

Figure 18 - Leadership roles and functional structure



### Resource Management Approach

The resource management approach for the Programme will require a resource strategy and plan for the workforce to design and deliver the products and services required to implement Income Insurance, as well as a resource strategy and plan for the workforce that will need to be established ready to deliver Income Insurance services once operational. This will include planning to integrate the delivery of Income Insurance within ACC and any changes required to the organisation’s existing structure and operating model in preparation for becoming an organisation that delivers two social insurance schemes for Aotearoa New Zealand.

An overarching Income Insurance Resourcing Strategy and Workforce plan will be completed by November 2022 setting out how the complete resourcing approach will be managed in an integrated and co-ordinated way.

### Implementation Programme Workforce - Resource Approach

The implementation Programme workforce is the team who will design, build, test and deliver Income Insurance requirements ready for operation. Given the complexity of the products involved and the timeframes required, this will be a large scale technical and specialist workforce commencing Implementation phase activities in July 2023 and continue until Income Insurance becomes operational (with an extension into the Enhancements phase for some).

Resource estimates show significant growth in the implementation Programme team from approximately Confidential advice to Government

This workforce is predominantly technical and specialist resource that will support product design, build, testing and integration, as well as Programme management, business integration, and enabling ACC capability. The implementation resource strategy is focused on preparing well ahead to ensure there is a comprehensive resourcing plan in place to achieve the scale up required, particularly given market constraints for the specialist and technical resource required.

The current Implementation Readiness phase provides the opportunity to recruit ahead for a number of the capabilities required for the Implementation phase reducing some of the sourcing challenge associated with the timeframes required to scale up for the Implementation phase.

The resource strategy will include a plan to proactively manage the sourcing of the required specialist and technical roles. It will also include a cultural competency strategy to ensure we can achieve and maintain the required level of cultural capability in the implementation workforce to put effect to our Te Tiriti and co-design commitments.

Delivery partners will develop their own sourcing strategies and approaches to match their implementation requirements, however some key elements such as Programme onboarding, and ways of working will be shared across the Programme and supported by the resourcing work led by ACC. This will include a joined-up Programme view of resourcing risks and mitigations.

### Implementation Programme Resource Strategy

The key elements of the implementation Programme resource strategy include:

#### **Early preparation of a comprehensive resource plan and sourcing approach**

- Validate requirements and approach, detailing roles and capabilities required for the Implementation phase, by December 2022.
- Set out a candidate attraction strategy (career sites, brand, EVP, storytelling) for the Programme.
- Establish dedicated sourcing roles by December 2022 and focus on preparing sourcing channels ahead; briefing recruitment agencies on requirements, beginning talent pooling early, active sourcing and searching, and preparing advertising and attraction collateral in advance.
- Consider other sourcing options to bring in desired capability such as iwi and industry partnerships, such as Workbridge.

### **Prepare and plan for a multi-sourcing resource approach**

- Utilise permanent recruitment where there is a line of sight to future operational roles.
- Engage fixed-term employees where possible to manage Programme costs and provide stability.
- Leverage internal resourcing – including secondments and recharging from ACC.
- Identify and engage Government sector talent, particularly connecting into the mobility hub and other forums that support talent movement across the sector.
- Plan to use contractors to engage specialist capabilities, for shorter term engagements, and to manage labour market constraints in the technical and specialist roles required.
- Use vendors to engage specialist services that do not exist within ACCs current organisational capabilities, and/or for critical work where inability to source talent is driving delivery risks.

### **Enable virtual ways of working so location is not a barrier to attracting and hiring the best talent available**

- Make sure that people can connect to Programme work virtually, with ease and the ability to deliver high quality outputs.
- Promote location agnostic roles and hybrid working to support talent attraction, particularly in hard to source areas such as cultural/Equity capability where this may be best sourced outside of Wellington.
- Consider satellite delivery teams that can co-locate in some of ACC's hubs in other major cities to give options outside of Wellington to manage the labour market constraints in some key capability areas, given other large Government programmes.

### **Plan and develop a comprehensive Programme onboarding approach**

- Have a well-developed plan and process to onboard talent effectively so that they can get familiar with the Programme quickly and start to contribute to deliverables.
- Ensure onboarding supporting the development of a culture of connectedness and collaborations to support effective joined-up delivery across the Programme, including all Delivery Partners.
- Ensure Programme onboarding supports awareness and capability to support pro-Tiriti and pro-equity ways of working with Māori and other partners throughout the entire Programme.

## Focus on retention of key capabilities over the duration of the Programme

- A proportion of the implementation Programme resourcing will be retained for the Enhancement phase of the Programme. This will be a reduced number of resources but does mean that retention considerations are important throughout the Implementation phase, and as Income Insurance goes live, to support the enhancement work.
- Ensure strategies are in place to retain kaimahi Māori throughout the Programme lifecycle to maintain critical expertise, relationships, and knowledge.
- The detailed Implementation Programme Resource Strategy and Plan will be completed by Dec 2022, with sourcing activity commencing in Feb 2023 in preparation for July 2023.

## Operational Workforce – Planning, Design, and Establishment

The other critical resourcing requirement during the Implementation phase will be the recruitment, onboarding and training of the operational workforce that is required for Income Insurance service delivery. This is a very different workforce from the workforce, with a focus on service delivery to customers therefore it will have different capability requirements, a specific location strategy, and targeted resourcing and recruitment approaches. This workforce will be designed to be fully integrated with ACC with a shared enabling workforce and distinct, but complementary, workforces for service delivery.

### Service Delivery workforce

Resource modelling estimates a service delivery workforce of **Confidential** that will be required to be onboarded in the four quarters prior to go-live of Income Insurance (across all agencies/service providers). This is a new workforce capability. To successfully establish this workforce there will be an initial recruitment for service delivery leaders and team leaders as well as a subset of all roles/teams to perform system testing, test the training approach and learning systems, and to be trained in advance as peer mentors and training support for the rest of the workforce when they are onboarded and trained. The next phase will involve recruitment of remaining team leaders to support a comprehensive leader induction, and to have leaders onboarded to recruit for their teams. The final phase will be the phased scale up of all service delivery teams in preparation for the launch of Income Insurance. There will also be consideration of an additional contingent workforce requirement to provide additional support to service delivery in the event either technology or capability/training requirements are not able to be delivered as planned, meaning that some short-term additional workforce capacity is required to meet the needs of customers.

To plan this workforce establishment activity in detail there will be a focus on role and organisation design during the Implementation Readiness phase. This will involve understanding the customer experience and service design for Income Insurance to deliver a target operating model for the workforce. This will be followed by detailed work design, detailed capability analysis, and finally detailed role and organisation design. Alongside this design work we will perform detailed workforce modelling to validate the size and location strategy for the workforce and to prepare a comprehensive sourcing strategy.

### **Cultural Capability in Service Delivery workforce**

As we design the service delivery workforce, we will need to consider how we include co-design of workforce requirements to support cultural capability. This would include the recruitment of kaimahi to meet the needs of Māori customers, by growing a workforce that includes Te reo Māori speakers, team members with experience within Māori communities and organisations, kaimahi with local and regional knowledge, in particular mātauranga-a-iwi and mātauranga-a-hapū.

There will also be a cultural competency strategy to support the building of cultural intelligence and capability through both recruitment and learning and development. Ensuring an equitable scheme from the outset will contribute towards high trust and confidence in the scheme. This requires a capability focus on cultural responsiveness for the entire workforce supported by continuous learning.

### **Service Delivery workforce requirements for other agencies**

To achieve efficient operations between Income Insurance Delivery Partners we will also need to consider how we design a workforce that supports streamlined operational lines of communication between agencies to support fast, consistent, and efficient resolution of customer issues. The workforce requirements to deliver an integrated system for customers will be factored into the service delivery workforce design and is likely to include additional roles and training requirements in other agencies that would need to be managed as part of an overall operational workforce strategy.

### **Service Delivery workforce requirements for service providers**

As we evolve the design of a Distributed Service Model, we will need to consider the approach to building, developing and training a geographically distributed provider workforce, including the co-design of workforce capability with Kaupapa Māori providers. This will also include consideration of how we partner with all service providers to achieve the required levels of cultural awareness, responsiveness, and competence.

We will also need to consider the ACC workforce requirements to support and enable a distributed service provider network from an operational and administrative perspective.

## **Administration workforce requirements for ACC**

Alongside the service delivery workforce there will also be increased requirements for many existing strategic, corporate, and administrative capabilities such as HR, finance, legal, strategy and policy, communications and so on. The design of this additional enabling capability will be progressed alongside the design of the service delivery workforce to ensure alignment. There will be a sourcing and learning/onboarding plan for this workforce to ensure the right resource with the right capability are in place within ACC to support the operation of Income Insurance.

### **Workforce design, strategy, and planning – key milestones**

- High-level operational workforce design and a high-level workforce establishment plan will be completed by March 2023.
- Detailed organisation design and strategic workforce planning will be completed by June 2023.
- A comprehensive resourcing strategy for the Service Delivery workforce will be completed by December 2023.
- Final workforce modelling and validation of the Service Delivery workforce will be completed by March 2024.
- Initial recruitment activity will commence in April 2024.

### **Learning Management Approach**

Given the scale of the Service Delivery workforce and the new capabilities and ways of working that will be required, a comprehensive learning management approach is required to guide the design, development, and delivery of all learning requirements for scheme operation. This will need to consider the potential for the Service Delivery workforce to be distributed across different organisations, and locations, and requiring coordination and integrated training in preparation for Income Insurance delivery.

A Learning Lead for the Programme will be employed in the Implementation Readiness phase (by December 2022) to prepare a strategy and approach to learning design and delivery for the service delivery workforce including providers of services through the Distributed Service Model.

This will include:

- approach to learning design
- mapping learner journeys
- identification of required learning environments and systems

- high level identification of learning requirements across Delivery Partners
- high level identification of learning requirements for service providers and co-design of engagement and learning approaches for Kaupapa Māori providers
- planning to test and refine learning as product delivery evolves
- a learning delivery plan that covers options for the delivery and facilitation of learning (incl. virtual delivery options) and the phasing of learning delivery for the large-scale requirements of the Programme
- an approach for the design of a capability framework for the Service Delivery workforce, including how we will deliver learning and capability for meeting cultural needs of customers (Māori, Pasifika, and disabled people)
- alignment to the knowledge and process management strategy for Income Insurance
- inclusion of ACC corporate induction and onboarding requirements.

This plan will be closely linked to the change management strategy and plan. Learning consultants and instructional designers will work closely with implementation teams throughout the Implementation phase to understand customer experience, services, systems, and business process design to ensure the design of quality, fit for purpose learning products.

Business integration teams will package learning, communication and change management activities to give an integrated experience for all employees who will be delivering services for Income Insurance. This will be a workforce that includes new ACC employees, existing ACC employees, and employees for Delivery Partners and service providers. To support the delivery of training of this size, scale, and criticality, we have allowed for external engagement of both learning design expertise and learning delivery capability. This includes consideration of an effective learning delivery technology platform available to meet delivery requirements.

The high-level learning design and delivery strategy and plan, for the Service Delivery workforce, including Delivery Partner agencies, will be completed by June 2023. Work to design learning and prepare for learning delivery will take place between July 2023 and October 2024. Early-stage learning activity will be ready to commence in April 2024 with the onboarding of leaders and the first component of the Service Delivery workforce.

## Change Management Arrangements

### Approach

The implementation of Income Insurance will require a comprehensive change management strategy to identify and support the change impacts for both those



delivering Income Insurance and those who will receive its services. This will include people at ACC, both the existing organisation and the new workforce that will be hired to deliver Income Insurance, Delivery Partners across Government, and external stakeholders including businesses, iwi, service providers, and customers of Income Insurance. This will require a strategic and systematic approach to managing and engaging internal and external stakeholders who will both influence, and be impacted by, the introduction of Income Insurance. The change impacts extend well beyond ACC, therefore requiring ACC to take a co-ordinated and collaborative approach in leading a comprehensive change management strategy and plan.

### **Managing change for those who will design and deliver Income Insurance**

As the lead delivery agency, ACC will be responsible for managing an overarching, integrated change management strategy. Delivery Partners will be responsible for the delivery of change initiatives aligned with their own approaches and frameworks. Both ACC and Delivery Partner approaches will be aligned into an integrated Programme-wide change management plan to enable a coordinated and collaborative approach.

ACC's change management framework will be used to support existing ACC employees to manage impacts such as:

- the change in organisational identity, strategy, and culture as a result of becoming an enterprise managing the delivery of two social insurance schemes; and
- the change in accountability, size and scope created by the implementation of Income Insurance, and integration of the workforce required to deliver the scheme into the existing organisation.

Internally, for ACC the change management objective for the commencement of Income Insurance is the successful establishment of a new operational delivery capability, embedded and integrated within the existing ACC organisation. Effective change management is critical to support and maintain appropriate separation and delivery focus to ensure continued uninterrupted delivery of the Accident Compensation scheme throughout the period of change, while recognising that during the Implementation phase we will need to access expertise and knowledge from across ACC to progress critical implementation work.

ACC will work closely with Delivery Partners throughout the Implementation phase to establish and evolve new ways of working together to deliver Income Insurance in partnership, as well as working collaboratively with other Government agencies delivering services to Income Insurance customers. These impacts will need to be considered in more detail as the service design is better understood. There is also potential within the co-design approach for engaging specific service providers for Kaupapa Māori services. This would be another important stakeholder group to bring into an integrated change

management plan. We will specifically work with Māori to understand the capacity and capability development needs of the Kaupapa Māori, iwi and hapū workforce, and how over time, we can achieve an equitable (or better) distribution of services to Māori, and ultimately a by Māori for all approach to the scheme.

To manage an integrated change management approach, a Change Portfolio Lead for the Income Insurance Programme will be appointed by November 2022. They will be responsible for leading the Change Management Strategy and for bringing together change managers representing Delivery Partners across the Programme to create a coordinated plan for managing change for everyone involved in delivering Income Insurance.

### **Managing change for those who will receive Income Insurance services**

The introduction of Income Insurance will be a significant change for Aotearoa New Zealand's workers and employers. ACC will lead on the development of brand, publicity, education, and customer engagement strategies to ensure Aotearoa New Zealanders understand the benefits of Income Insurance and how to access it when they need it. There will be targeted change and communication strategies for key equity groups, and business customers. The size of some of these stakeholder groups are very large, with extremely varying needs, so comprehensive stakeholder engagement and management strategies will be needed. They will also need to consider and align with agreed engagement approaches used by ACC's existing strategic partnerships. More detail on the communication and engagement strategy for Income Insurance can be found in the Stakeholder Management and Communications section below.

### **Change impact assessment**

A high-level change impact assessment has been completed to further detail stakeholder impacts and requirements and is listed in Annex 2. A detailed change impact analysis will be completed during the Implementation Readiness phase to direct change management planning and activities.

### **Change Management Framework**

ACC has an established Change Management Framework that allows us to structure how we manage change, see summary in Table 58. The change management approach for Income Insurance will be based on this framework, to deliver people-centric change that integrates with our wider Programme management approach. The framework is structured around four phases – Assess, Prepare, Enable and Embed, that will deliver the outcomes required for successful change to occur. The framework is supported by comprehensive tools, including the preparation of a change canvas, impact analysis and mapping, stakeholder analysis and management, and risk and issue management, moving through to leadership capability assessment and readiness assessment as

change progresses. This is supported by multiple planning tools to deliver the change management activities that are required.

The focus of the framework is on enabling a leader lead change approach – leveraging ADKAR (Awareness, Desire, Knowledge, Ability, Reinforcement) as the language of change. ADKAR is a framework for understanding change at an individual level allowing the ability to support each individual through their change journey and recognising that change is a process, not an event. By supporting a comprehensive understanding of the change, our stakeholders, and the landscape, we will be able to facilitate and enable our leaders to deliver targeted interventions to support individuals to embrace and adopt lasting change.

Table 58 - Summary of ACC's change management framework

Change Phase	Assess	Prepare	Enable	Embed
	Awareness	Awareness / Desire	Knowledge / Ability	Reinforce
Focus	<p>Understanding the desired change – be that in behaviour, technology, process, or role.</p> <p>What is the driver – the reason for the change, the benefits we want to achieve.</p> <p>Determine how these fit within our overall ACC strategy and wider programmes of change.</p>	<p>Defining the actual change – what do today, tomorrow and the future look like?</p> <p>Who is impacted by the change –and why is it important?</p> <p>What are stakeholders' motivations – how can leaders drive change and adoption?</p> <p>Role of leaders in driving change – creating insight and areas of focus.</p>	<p>Change is an individual journey – and this focuses on interventions to drive individual change.</p> <p>Targeted change initiatives and interventions focused on building knowledge and ability.</p> <p>Empowering individuals to engage and actually change.</p> <p>Managing the experience of change and the risks in delivery.</p>	<p>Measuring and celebrating the success of the change – clear metrics and messaging</p> <p>Change adoption doesn't stop – focused on how to embed the change long term– not slipping back to old behaviours.</p> <p>Reinforcing the change through resistance management.</p> <p>Sustainability and continuous improvement mindset.</p>
Benefit for Leaders	<p>Creates clarity on purpose and intention of the change – setting guiding principles.</p> <p>Able to articulate the benefits – and</p>	<p>Clarifies the role of sponsors and leaders in delivering change.</p> <p>Articulates the impact of the</p>	<p>Enables leaders with tools and resources to support change.</p> <p>Understands readiness of stakeholders and develops</p>	<p>Ability to celebrate the initial success of change</p> <p>Clear plan to ensure long term adoption and sustainability – and</p>

Change Phase	Assess	Prepare	Enable	Embed
	the priorities of change. Identifies potential hurdles Ability to estimate high level change resource and activities required.	change and key messaging. Identifies potential areas of opportunity and resistance – and options on how to influence change in individuals.	interventions to support. Builds change leadership. Strengthens the ownership of change in business leaders.	triggers for future action. Articulate the success of the change initiative.
Supporting Tools	High Level Impact Assessment Enterprise Change Pipeline Change Canvas – Plan on a Page Case for change articulated	Stakeholder Analysis / Plan Detailed Impact Assessment Change Plan Leadership Capability Assessment What's Changing: Today vs Tomorrow Risk & Issue Management	Readiness Assessment & Measures Sponsor Activity Plan Change Network Plan Communications Plan Initiatives and Interventions	Benefit Measures Transition and Adoption Plans Celebration Planning Risk & Issue Management

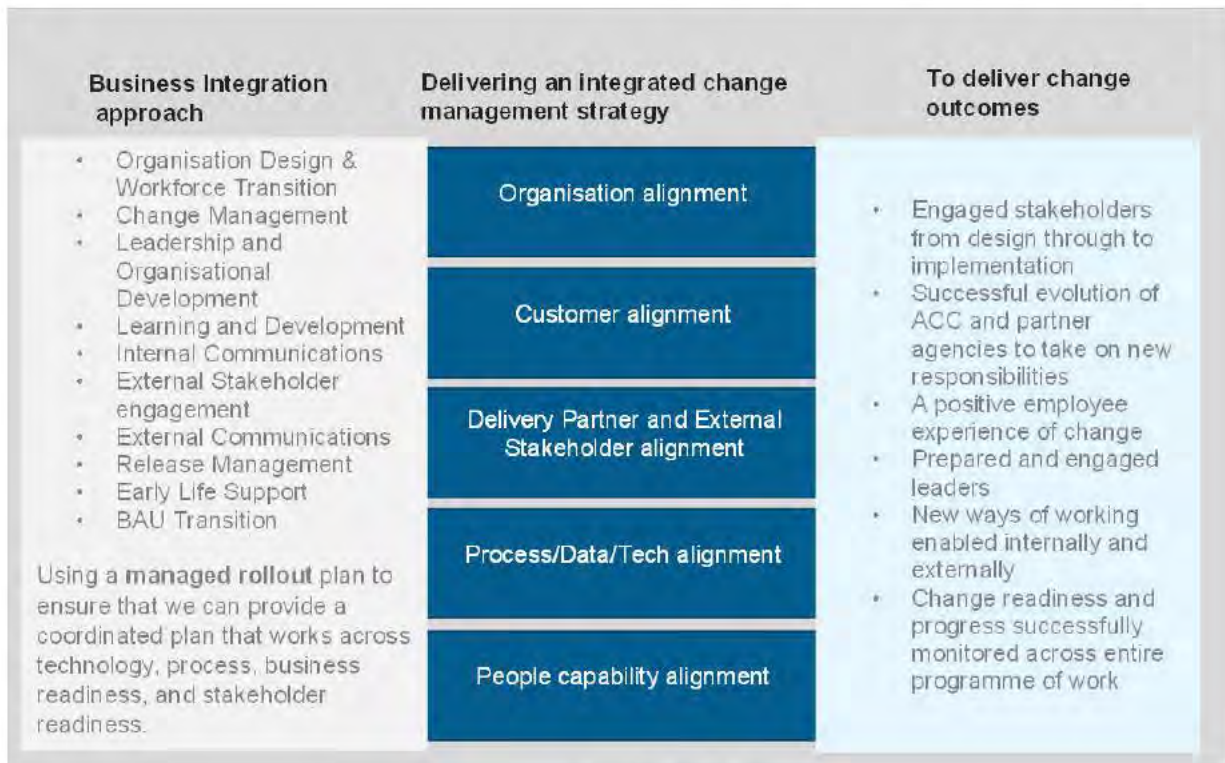
### **Income Insurance change management strategy**

At each phase, the change management strategy will have a focus on being integrated and outcome focused. The introduction of Income Insurance will require broader evolution for all of ACC, Delivery Partners, external stakeholders, and customers to achieve holistic and sustainable change. The change management plan will align the delivery of change across multiple high-level areas. A detailed change management strategy and plan for Income Insurance will be developed during the Implementation Readiness phase and will be completed by June 2023.

### **Delivery of change management support**

Change management support will be delivered using a Business Integration methodology that leverages capability across a number of functional teams in a multi-disciplinary approach, see Figure 19. This will be set out using a Programme change management architecture that identifies the functions, activities and outcomes required to deliver a coordinated change management plan. The focus will be on enabling a people-centric approach with an emphasis on creating an engaging change management narrative that ensures the change process is a positive experience for ACC employees, and all other stakeholder groups impacted by the change.

Figure 19 – Business integration delivery approach



### Outcomes of change management

The change management strategy and integrated delivery approach will ensure the sequencing and implementation of change is managed in a way that:

- ensures the successful establishment of Income Insurance workforce requirements
- minimises disruption on Accident Compensation scheme operation
- minimises operational disruption for Delivery Partners (e.g. on MSD benefit administration and employment services)
- co-ordinates stakeholder engagement activities internally and externally
- builds stakeholder capability and readiness for change
- builds ACC's enterprise organisational change maturity and change leadership capability
- provides a positive employee experience of change
- supports the evolution of ACC to take on new accountabilities.

## Organisational impacts

One of the critical elements to manage during the implementation of Income Insurance will be the potential impacts of both the implementation of Income Insurance and continuing to deliver and continuously improve the Accident Compensation scheme.

Table 59 - Summary of ACC's change Impacts

Impact Area	Description	Mitigations
<b>Enterprise impacts</b>	Evolution of organisation to deliver two schemes including update to enterprise strategy, brand, values, and culture.	Early alignment of enterprise strategy to include and support Income Insurance deliverables.  Integrated brand and identity work Programme.
	Increase in size, and scope of ACC accountabilities, requiring new ways of working and delivering services internally to support Income Insurance.	Planning to ensure an operating model and plan that will support this growth and shift in accountabilities.
<b>Resourcing impacts</b>	Opportunities for existing team members to work on the Income Insurance Programme has the potential to create gaps or resourcing risks in existing teams, with potential disruption to Accident Compensation scheme.	Provide resource profiles and plans to leaders early to give visibility of resource requirements and allow for forward planning.  Work collaboratively on talent management approach.  Ensure fair and transparent opportunities for all employees.
	Different ways of working may emerge between the Income Insurance Programme and ACC that creates dissatisfaction or perceptions of different treatment within ACC.	Invest in keeping Programme leadership and ways of working aligned for all of ACC.  Engage leaders in managing change and impacts early in the Programme.
	Extended use of contractor workforce on high hourly rates could create concerns for ACC permanent workforce and impact on retention of talent.	Aim to keep a balance of contractors and provide opportunities for internal employees.
<b>Change Impacts</b>	Managing the prioritisation of change activity for all of ACC to balance the continuous delivery of change for ACC, as well as the work required to deliver Income Insurance.	Co-ordinated enterprise view of change impacts and management of this. Integrated PI Planning including Income Insurance requirements from the start of delivery planning.

Impact Area	Description	Mitigations
Leadership impacts	ACC Leaders will need to support a dual focus of continued ACC delivery as well as the implementation of Income Insurance and change management for their teams.	<p>Increasing leadership change capability and support.</p> <p>Strong engagement of leaders so they are well connected to the Income Insurance Programme.</p>

## Stakeholder Management and Communications

### Stakeholder mapping and engagement

The Income Insurance Programme team, with support from ACC's Government Engagement and Customer Engagement Teams, has completed initial stakeholder identification and mapping work (see Initial Stakeholder Engagement Plan listed in Annex 2). This will drive a stakeholder engagement strategy that will ensure our approach to stakeholder management delivers powerful partnerships and high-quality relationships to support successful implementation of Income Insurance.

The Manager, Income Insurance, Communication & Engagement will have accountability for the management of stakeholder maps and engagement plans for the duration of the Programme. They will also be strongly linked to the change management strategy and impact assessment discussed above and will work alongside ACC's enterprise stakeholder engagement approach.

### External communication and engagement strategy and approach

The Manager, Income Insurance, Communication & Engagement has been appointed to work within the Income Insurance implementation team to lead and deliver the Communication and Engagement Strategy and Workplan, during the Implementation Readiness and Implementation phases. This will be implemented working closely with the Customer Engagement and Employee Communications teams who are responsible for enterprise-wide ACC communications planning and delivery to ensure messages are shared with audiences in a co-ordinated manner. This will also be implemented in close collaboration with our Delivery Partners to ensure alignment across the various agencies in terms of our communications planning and delivery. The Strategy and Workplan will ensure Aotearoa New Zealanders are clear on the purpose and benefits of Income Insurance, and that customers are clear on how to engage with the scheme when needed.

This work will include oversight and management of all Income Insurance external engagement, supporting the development of appropriate branding for Income Insurance, delivering public awareness activities, as well as specific targeted customer engagement

strategies, aligned to the Income Insurance delivery plan. It will also include the development of a communication channel strategy (media, social media and digital) to maximise a strategic and integrated approach to external engagement activity during the Implementation and Readiness phase. This includes ensuring that external engagement strategies, campaigns, and channels fulfil our Te Tiriti o Waitangi commitments and obligations, appropriately reflect the needs of our Māori customers, and ensure they are delivered in a way that is appropriate for Māori. This will also extend to the specific needs and requirements of other key Equity customer groups.

The Communication and Engagement Strategy and Workplan will ensure all content and marketing is aligned to the Income Insurance strategy, ACC's vision, and values, as well as being integrated with ACC's brand and external engagement strategy, to deliver a consistent visual identity and tone of voice, that drives trust and confidence in both Income Insurance itself and ACC.

Ensuring all our customer groups have a high-quality experience when interacting with ACC will continue to be a key priority for Income Insurance customers, just as it currently is for ACC's existing customers. Detailed customer journey mapping to ensure we can engage with customers in the most effective way at any touchpoint across the experience will be a key component of our strategy. This will include all resources and practical guidance for recipients of income insurance as well as for employers to help them make sense of the eligibility and claims process.

#### Key areas of focus for Income Insurance External Communication and Engagement Strategy

##### **Brand development and public awareness**

Brand development for Income Insurance will be undertaken closely and collaboratively with ACC's Customer Engagement team, to align brand, customer and public awareness activity and processes for both schemes and the evolution of ACC's brand.

As part of the brand and identity programme of work, the development of a comprehensive public education and awareness strategy and delivery plan will be key to educating and informing all Aotearoa New Zealanders about Income Insurance, including campaign initiatives that help the public understand what Income Insurance is, how it will work, and what it means for them (levies and services). This will include the development of Income Insurance website content, digital marketing activity, and printed collateral as identified.



## **Media engagement**

A media engagement plan will be developed to respond to media interest in Income Insurance throughout the Programme and to support other efforts to enhance understanding of Income Insurance and ACC's broader remit.

## **Customer engagement, including Equity customer groups**

The Implementation Readiness phase will see the development of specific customer engagement strategies for key customer groups, so they know when and how to engage with Income Insurance. This will include the development and co-design of targeted customer engagement strategies to support the engagement of key equity customer groups. For example, we will have specific engagement plans for Māori, Pasifika, and disabled people that are designed in collaboration with them, based on strong community partnerships. Accessibility of our communications must be considered for the disability community, and an accessibility strategy including use of language, formats and technology will be a priority to ensure our communications and engagement meet the varying needs of all our customers.

## **Business customer engagement strategy**

Engagement with our business customers will be aligned to ACC's existing approach to managing these relationships. This includes being able to use existing channels for engaging with these groups and our strategic partners including sharing key messages, talking points and other content for inclusion in e-newsletters, shared SharePoint sites, and other networking sessions.

Given the expansion of business customers that would be involved with Income Insurance, our engagement strategy with this customer group will need to consider the breadth of needs they will have. A well-resourced marketing approach using multiple channels, including existing and new channels, with a wide range of supporting materials, will ensure we reach these new audiences with the information and support they require.

## **Provider engagement strategy**

A provider engagement strategy will be developed by May 2023 setting out how Income Insurance will connect with the Government agencies delivering services that Income Insurance customers will be connected with to support re-employment. In the event that Income Insurance becomes a direct contractor of services, for example Kaupapa Māori services, specific provider engagement strategies will be developed, and aligned to ACC's existing provider engagement strategies where required.

## **Kaupapa Māori Service Providers**

As part of the Distributed Service Model, Income Insurance will include the provision of support services through Kaupapa Māori providers. This is in response to feedback from

Māori partners, and in recognition of the connections that already exist between community-based providers and Māori communities.

To support this work a Kaupapa Māori Partnerships Manager will be recruited to the Programme's Equity team by December 2022. Lessons learned will be gathered from the Rongoā Māori programme within ACC's Māori Health team, and through engagement with Rā Matua and co-design with Kaupapa Māori providers.

Key decisions required include contracting, outcomes, and reporting approaches, and the selection of Kaupapa Māori providers to meet potential gaps in service coverage, such as within remote rural communities. This includes understanding and co-developing a workforce development strategy that supports the capacity and capability development of Māori providers so that over time, more and more of the service delivery can be led and delivered by Māori, for all.

Table 60 – External Communication and Engagement – Key milestones

<b>Key Milestones</b>	<b>Date</b>	<b>Responsibility</b>
Appointment of Manager, Income Insurance Communication & Engagement	November 2022	Income Insurance Executive Lead
Media Engagement Plan	November 2022	ACC's Media Manager
Complete External Communication and Engagement Strategy & Workplan	February 2023	Manager, Income Insurance Communication & Engagement – with input from Customer Engagement & Employee Communications teams
Development of a Communication Channel Strategy	February 2023	As above
Development of specific Customer Engagement Strategies for key customer groups	March 2023	Manager, Income Insurance Communication & Engagement – with input from Customer Engagement & Equity Teams.
Brand Development work initiated	April 2023	ACC's Brand and Identity Manager
Development of a Public Education & Awareness Strategy and Delivery Plan	April 2023	Coordinated by Manager, Income Insurance, Communication & Engagement

Key Milestones	Date	Responsibility
Development of a Business Customer Engagement Strategy	May 2023	Manager, Income Insurance Communication & Engagement – with input from Customer Engagement team
Provider Engagement Strategy	May 2023	Manager, Income Insurance Communication & Engagement – with input from Customer Engagement & Equity teams

### Income Insurance Programme communications strategy and approach

The Programme communications strategy will be completed by December 2022 and will set out how we will keep cohesion and clarity of Programme communications and enable an engaged Programme team. It will include a plan to develop a robust onboarding process that provides our new starters with all the information they need to fulfil their roles from day one, as well as immediate connections to the Programme team and the wider ACC organisation.

Existing Programme communication channels such as SharePoint, MS Teams, events, and other tools, are already being utilised, and new channels are being evaluated (e.g., Programme newsletters) to ensure the team feel engaged, informed, and up to date with key developments as the Programme progresses and as the Programme team grows in Wellington and across Aotearoa New Zealand.

### Delivery Partner and cross-agency engagement

Having an engaged Programme team will extend to including our Delivery Partners and other Government agencies to ensure all those responsible for delivering the Programme are connected and able to work collaboratively and cohesively. We will take a whole of Programme approach to manage the contributions of our Delivery Partners across Government.

A key element of our Programme communications strategy will be bringing our Delivery Partners together and integrating them to the Programme using the range of communication and engagement methods and platforms mentioned above.

### Internal Communications and Engagement Strategy and Approach

ACC employees are key internal stakeholders and will have a clear Employee Communications and Engagement Strategy implemented to support them to learn about and adopt the required changes in order to fulfil their future responsibilities, and for Income Insurance to be successful. This Plan will be completed by December 2022 and

will involve building internal knowledge of the Programme, supporting leadership to deliver messages, and engaging ACC employees before, during and after launch. We will ensure that we involve our employee networks, including Māori, Pasifika, and disability networks in our internal communications planning. This will help build strong networks that support the organisational changes within our workforce communities. ACC's internal communications will also be aligned with MSD's internal communications, with particular emphasis on MSD service delivery staff.

In addition to these broad objectives, this will also involve distilling and simplifying complex problems, communicating with a purpose, delivering visual communications to ensure messages attract attention, and enabling two-way conversation to drive understanding throughout the implementation period.

## Programme Controls

### Enterprise Programme Management Tools

ACC uses a suite of online enterprise management tools to capture all information required to effectively manage Income Insurance Programme delivery. The tools are:

- Jira – epic/feature/task (including risks, issues, dependencies, assumptions, decisions) management, scheduling management.
- Confluence – information repository integrated with Jira.
- SharePoint – document repository.

These tools are used to define, manage, and report on sprint cycles and work packages (Features/Epics), manage risks and issues, review schedules and articulate dependencies, manage assumptions, and record decisions.

This approach provides a collaborated and integrated view of all current and future activities across multiple teams, supporting successful management and delivery at all levels of the Programme. Current state reporting (ad hoc) can be obtained as well as the planned reporting that informs implementation governance forums.

Delivery Partner's work packages are recorded within ACC's management tools as part of the delivery approach. Delivery Partners will use their own programme management tools to manage their delivery.

### Programme Reporting

#### Programme Status Reporting

The Programme will provide regular reporting to implementation governance stakeholders. It is anticipated that once the Programme moves through the Implementation Readiness phase into Implementation, that reporting at the Programme

level will adapt to ensure it remains fit for purpose. This will be done in consultation with, and at the direction of, the implementation governance group(s) the report pertains to.

Current and anticipated future reporting is:

- ACC Board (future):
  - Quarterly reporting comparing what was in the business case and what has been achieved.
  - Approval of Joint Ministers report.
- SUI Committee:
  - (future) Quarterly reporting, or as required, comparing what was in the business case and what has been achieved as well as progress of our Delivery Partners.
  - (future) Approval of Joint Ministers report.
  - (future) Review and approve Half-yearly cabinet report.
  - Fortnightly reporting on progress (as per Programme Steering Committee below).
- Rā Matua and Iwi Leaders Group:
  - Reporting requirements will be determined in conjunction with Rā Matua and Iwi Leaders Group.
- Programme Steering Committee
  - Fortnightly reporting on progress (against plan), risks, issues, dependencies, engagement, resources, and costs (monthly) as well as progress of Delivery Partners.

### **Government Reporting**

- Cabinet (future):
  - Half-yearly report on progress, cost, and benefits – compared with what was promised in the Business Case.
  - Cabinet report back within 12 months after service go-live on benefits achieved.
- Joint Ministers (future):
  - Quarterly reporting on progress, costs, risk, and issues.

### **Programme Decisions**

Decisions are recorded and managed in Confluence. At the point of validation, assumptions are turned into decisions so that we have traceability of the end-to-end decision-making process. The decisions log is available upon request.

## Lessons Learned through Virtuous Loops

Continuous learning comes in several forms:

- Sprint retrospectives
- Work ahead innovation and planning iteration/sprints
- Voice of the Expert.

### **Sprint retrospectives**

Retrospectives are ceremonies that are core to the Continuous Delivery approach. They are performed at the end of every iteration with the findings turned into actionable items for the next, and future, iterations. The aim of retrospectives is to create a virtuous loop where teams continuously learn and adapt and improve product quality as a result.

Multiple Agile Release trains will deliver the Income Insurance outcomes. The themes of their findings will be recorded in Jira and shared with all involved in delivery. This will be an ongoing Programme control to ensure virtuous looping occurs and is actionable for the life of the Programme.

### **Work ahead innovation and planning iteration/sprint**

This is the final iteration/sprint of the Programme increment. It allows for innovation, continuous education and inspect and adapt activities which collectively inform the next Programme Increment to continuously improve product quality.

### **Voice of the Expert**

The integrated design approach loops to the Voice of the Expert, which includes learnings from international experience (e.g., Canada's Employment Insurance scheme), expert stakeholders, and customer and equity research outcomes.

## Dependencies

### **Information Sharing Dependencies**

Income Insurance requires a multi-team, cross-agency initiative with a number of key dependencies that will be critical to the delivery and operation of Income Insurance. In order to enable Income Insurance, a number of areas have already been identified as critical, and formal agreements are being formed between agencies to ensure the provision of information and/or capability to meet the needs of the Income Insurance solution and associated timeline.

Table 61 - Information Sharing Details

Information purposes	Who will access	What is the source
Identity	IRD, MSD, ACC, Income Insurance	IR, MBIE, DIA, MOH, ACC
Eligibility & Case Management	ACC, Income Insurance, MSD, Māori Providers	IR, ACC, Income Insurance, MSD
Entitlement Assessment	IR, ACC, Income Insurance, MSD	IR, Income Insurance, Customs, Health Practitioners, Employers

As additional data requirements are identified through the development of an Outcomes Framework and the detailed case management approach, additional data sharing agreements will be established.

Successful implementation of Income Insurance will rely on coordinated and managed business integration requiring cross-agency activities to be delivered as part of an integrated plan. External agencies will be engaged through the planning process to ensure that they are able to input into the process and understand the expectation on them to support delivery. Where appropriate, formal dependency agreements will be put in place.

### Programme Dependencies

Effective dependency management is a key control for the Programme. Dependencies are recorded in Jira with all ACC Programme Leads currently responsible for the currency of the data within Jira.

The Income Insurance Head of Delivery owns the dependency management process. A more detailed dependency management process, incorporating Delivery Partner activities and responsibilities, and the link to risk management will be implemented by the Programme by December 2022.

### Assumptions

Assumptions are recorded in Confluence and categorised as Policy, Implementation or Financial (the latter forming part of the Financial Case). The assumptions used to define the Income Insurance service model will be validated as correct, or otherwise, through ongoing architecture, design, and requirements activities. As new assumptions arise, they continue to be recorded in Confluence. Assumptions are converted to decisions once validated.

## Benefits Management Arrangements

The benefits of Income Insurance are described in the Strategic Case.

To define benefits at a granular level for the beneficiaries of the scheme requires Income Insurance design to identify and accommodate the necessary data point capture required to measure success. During the implementation Readiness and Implementation phases, the Programme will develop and define outcomes, including the relationship between outcomes, benefits, and performance measures. Understanding and managing outcomes, value, and performance is critical to the long-term success of Income Insurance. The following broad approaches have been adopted when considering the development of an Outcomes Framework:

- Outcomes will be incorporated in a cascading framework with clear line of sight between the layers, from high-level benefits to individual claim or whānau level performance measures.
- An integrated Outcomes Framework is developed that meets the needs of both Māori and non-Māori and incorporates equitable outcomes for all.
- The Outcomes Framework will be developed in an approach that consults widely and partners Māori. This approach will take time.
- An approach that leverages learnings and insights from the ACC Health Outcomes and is based on the Te Kāpehu Whetū (the ACC Māori Outcomes Framework).
- An approach that leverages ACC learnings on how to measure and manage Income Insurance performance, including understanding the gaps in Accident Compensation scheme management and reporting.

The following broad approach is to be adopted:

**Step 1** – Proposed Approach. Agree on purpose, scope, and approach to develop fully integrated outcomes management.

**Step 2** – Develop Detailed Plan. Detailed plan, aligned with integrated delivery plan, that respects the complexities and time requirements to complete a co-designed framework and balances time dependencies for interim outputs for delivery.

**Step 3** – Develop Hypothesis. The data model for Income Insurance needs to be confirmed early in the delivery process and needs to be informed by end-to-end metric and outcome hypothesis to ensure required data is collected to support measurement.

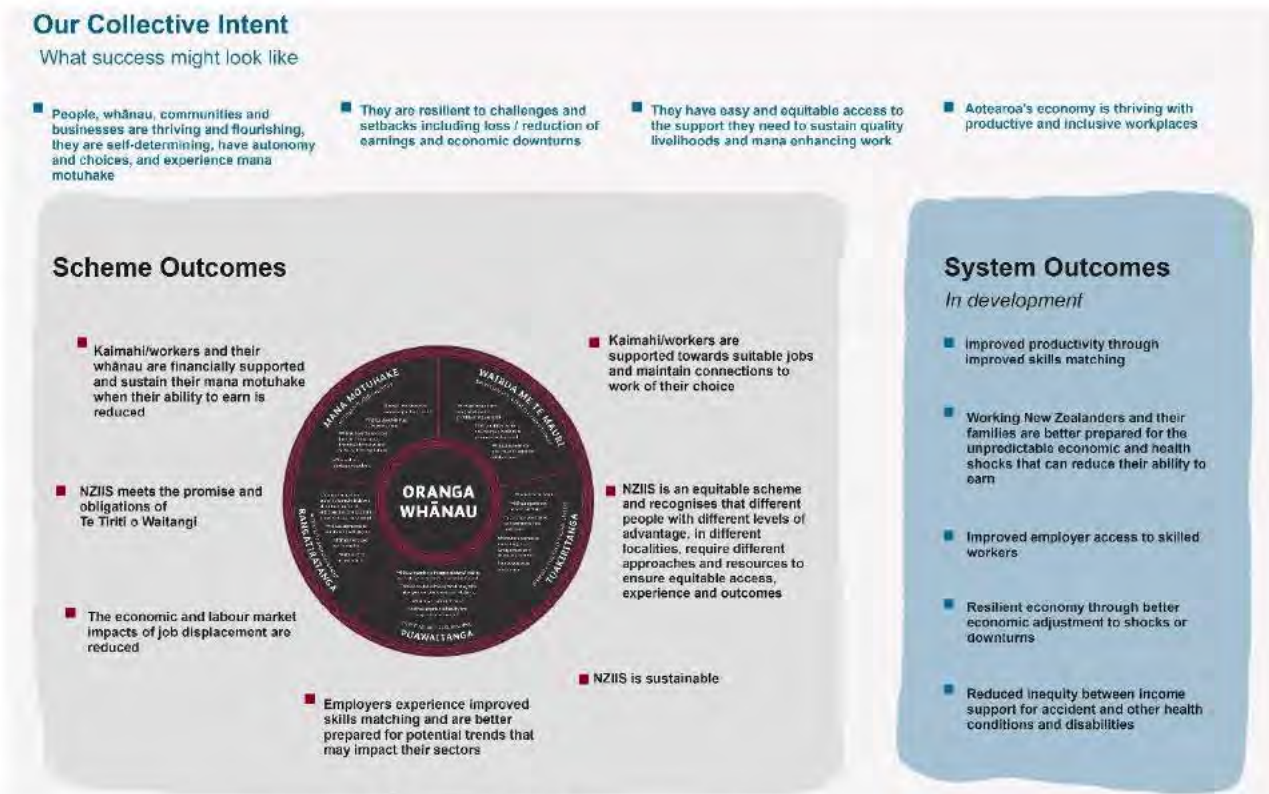
**Step 4** – Detailed Co-Design. Co-design Outcomes Framework and design management operating model with key metrics aligned with policy and legislation, employment ecosystem strategy, Income Insurance objectives, and operational performance requirements.



**Step 5 – Implement Outcomes Framework.** Schedule launch delivery of Outcomes Framework and performance reporting.

Figure 20 summarises the intent of the Outcomes Framework.

Figure 20 – Outcomes Framework Intent



A Benefits Realisation Plan will be developed and approved during the Implementation phase.

**Risk and Issue Management Arrangements**

Risk and issue management processes are described in the Income Insurance Risk Management Plan (see Annex 2). Most of these processes are already in place as part of ACC's existing Enterprise Risk Management Framework, with the exception of collaborating with Delivery Partners. The Internal Audit & Risk Management Plan is a living document and will be updated as the Programme progresses.

A detailed risk register has been established, updated, and is reviewed on a regular basis. Extreme and High risks are included in the Programme's fortnightly status reporting and risk is a standing agenda item for implementation governance meetings. The current top 20 project risks are summarised in Annex 6.

The Risk Register is maintained in Jira and is available upon request.

The Programme team has full time risk management staff which are involved in day-to-day Programme activities to ensure risk is considered as part of the Programme's ways of working.

### Contract and Service Management Arrangements

ACC has a Provider Management Framework in place which is about creating trust and building better relationships with our providers. This framework will apply across Income Insurance establishment and operationalisation.

Principles of the framework include:

- communicate consistently and effectively
- use our resources effectively
- get the best outcomes for ACC, the people we serve and public funds
- increase trust and confidence
- visibility and accountability of interactions and performance
- collaborate and innovate with key partners.

The framework outlines how we should be managing our provider relationships and performance. It also provides a set of resources and tools to support the people managing those relationships in a consistent and coordinated way and according to their criticality and the outcomes sought. Some of the tools and templates include:

- a classification tool to help identify the strategic importance of the provider
- onboarding guide for bringing new providers into ACC
- onboarding checklist for Relationship Managers
- profile and engagement plans.

The current version (as at June 2020) is listed in Annex 2 and is available upon request.

### Assurance and Post-Programme Arrangements

The Assurance and Post-Programme arrangements are described in the Income Insurance Assurance Plan (see Annex 2). The Assurance Plan is a living document and will be updated as the Programme progresses.

Assurance for Income Insurance will give confidence to the implementation governance and leadership groups that the Programme (encompassing all Delivery Partners):

- is well-managed
- is meeting its Te Tiriti o Waitangi, enabling legislation and equity commitments and obligations
- has effective identification and management of risks and issues
- informs decision makers accurately, comprehensively, and in a timely manner
- delivers value that meets the expectations of our customers and stakeholders
- delivers value within the expected and budgeted costs
- meets the desired timelines as far as possible.

### **Assurance Activities**

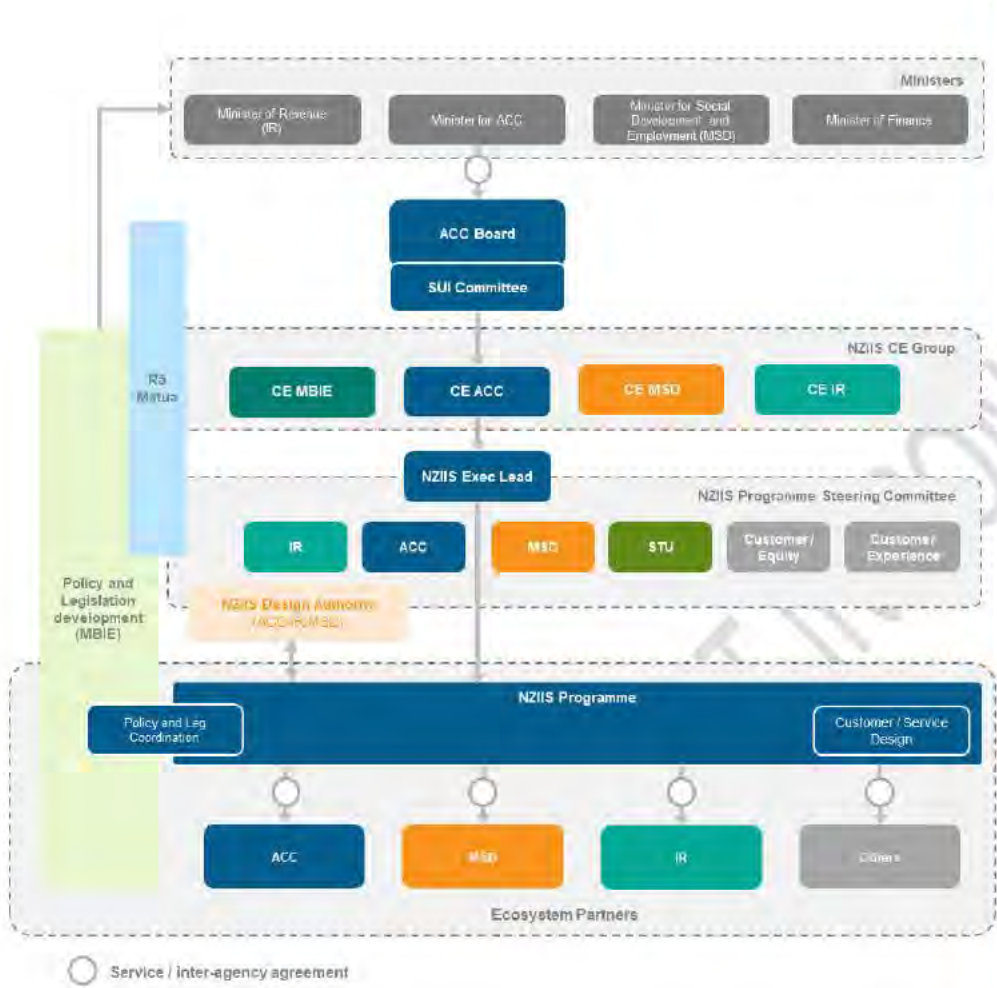
Programme assurance will be provided through several means:

- Procurement Assurance
- Continuous Delivery built-in quality
- Internal audit and assurance as part of Programme controls
- External independent quality assurance
- Alignment with the GCDO system assurance framework
- Gateway Reviews
- Independent monitoring of Te Tiriti o Waitangi, enabling legislation and Equity obligations.
- Post-implementation reviews.

### **Assurance in Governance**

Assurance is built into the implementation governance model of Income Insurance as described in the assurance overlay in Figure 21.

Figure 21 - Assurance Overlaid on Governance

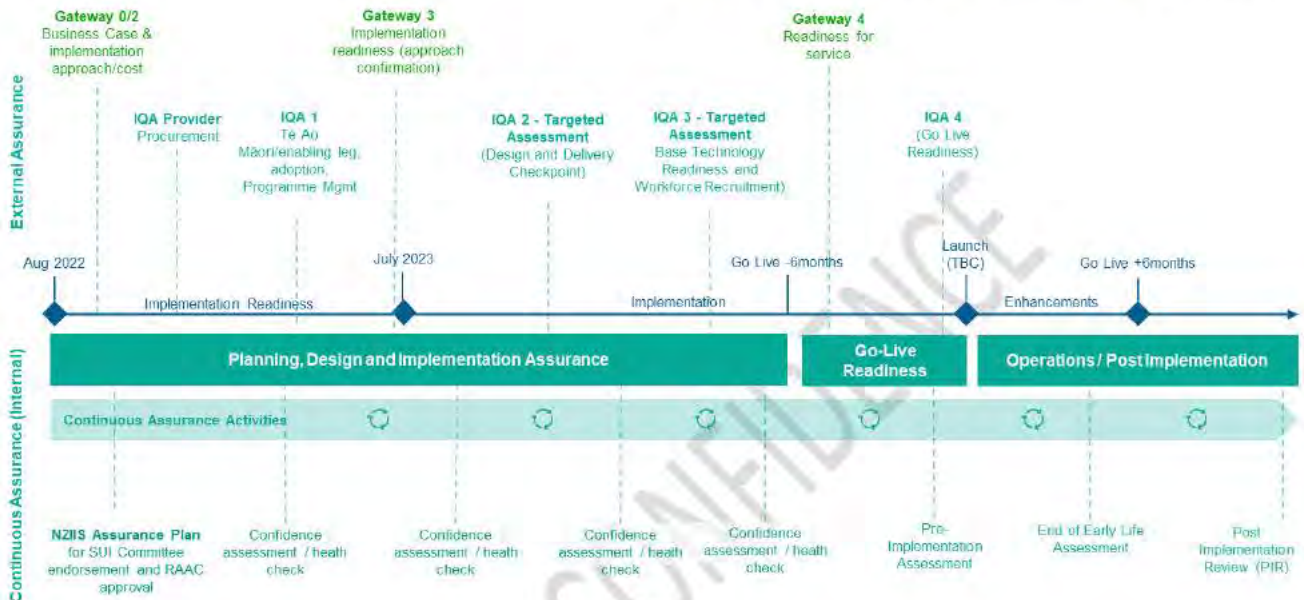


- ACC Board**
  - The Risk Audit and Assurance Committee (RAAC) is a Sub-Committee of the Board responsible for assisting the ACC Board in fulfilling its responsibilities for risk assurance and audit reporting relating to ACC including Income Insurance.
  - RAAC approves the NZIS Assurance Plan and any subsequent changes to it on behalf of the ACC Board.
- SUI Committee**
  - Endorses the NZIS Assurance Plan and any subsequent changes to it.
  - Reviews and endorses risk, audit and assurance items from the SteerCo Chair which are reported to the ACC Board via RAAC.
- NZIS Programme Steering Committee**
  - Endorses the NZIS Assurance Plan and any subsequent changes to it (pre-cursor to SUI Committee endorsement).
  - External member position included which provides professional experience of large programme assurance and an independent lens on Programme activities, progress and risk profile.
  - Endorsement of the execution of Gateway and Independent Quality Assurance (IQA) activities as defined in the NZIS Assurance Plan.
  - Monitoring of progress on the Gateway and IQA resulting action plans.
  - Reporting of assurance activities to the SUI Committee via the SteerCo Chair.
- NZIS Design Authority**
  - Provides assurance on behalf of the SteerCo that ensures Income Insurance systems, processes and organisational design are fit for purpose and deliver the policy settings agreed by the Government.
- NZIS Programme**
  - Delivery Confidence Advisor roles work within the Programme team and are part of the ways of working to ensure that risk, assurance and quality are baked into delivery.
  - Independent second line of risk and assurance from ACC's Risk and Assurance team provides support to the Delivery Confidence Advisors and Programme leadership team.
  - Independent external assurance facilitated by ACC's Risk and Assurance team provides external assurance through IQA reviews and Gateway reviews in line with Programme milestones.
- Ecosystem Partners**
  - ACC's Risk and Assurance team create, maintain and own the NZIS Assurance Plan, with MSD and IR as contributors, reviewers and endorses of their own assurance activities.
  - An NZIS Risk and Assurance forum with membership from ACC, MSD and IR will be established and operates under an agreed terms of reference.

## Assurance Timeline

A high-level summary of expected assurance activities across the design and implementation timeline is outlined in Figure 22. Until external assurance activity is confirmed through Programme planning, this is an estimate of the likely mix of internal and external assurance activity.

Figure 22 - Income Insurance Assurance Timeline



## Procurement Assurance

To provide assurance on procurement, an Income Insurance Financial/Commercial Committee has been established. The Committee will meet regularly during the procurement phase of the Programme to ensure contracts are consistent with the Procurement Strategy and Plan.

The Committee's responsibilities cover:

- implementation of the Procurement Strategy and Plan
- oversight of the Procurement Strategy, including definition and negotiation with key suppliers
- providing assurance to the Social Unemployment Insurance Committee and the Board on procurement, contract, and financial matters
- oversight of the scheme investment and operational finance models and assumptions
- developing the specific strategies required to progress through the Budget 2023 process
- engagement with the Treasury, including developing a process to demonstrate the robustness and integrity of the costs being derived for the scheme.

## **Continuous Delivery built-in quality**

ACC understands how assurance contributes to the successful achievement of our outcomes and, therefore, delivery of our objectives and realisation of value. Assurance (including risk burn down) is part of the delivery process and is embedded into day-to-day product delivery and implementation governance arrangements to ensure quality outcomes. Delivery Confidence Advisors are being recruited to ensure the Programme has dedicated resources to work within product teams to assure quality is baked into the delivery cycle.

## **Internal assurance as part of Programme controls**

ACC's Internal Audit Team will be responsible for organising and leading design assurance activities, Programme health assessments, early life support reviews and post-implementation reviews, as per the Assurance Plan. The team will also assist with procuring the Independent Quality Assurance assessor and provide advice and support as required for Gateway Reviews.

To support the Income Insurance Assurance Plan, an overall Delivery Partner operational assurance plan will be developed that will document all planned internal and external assurance activities across Delivery Partners, including expected timings and indicative scope where known.

Internal Audit has established relationships with counterparts in Delivery Partners (IR, MBIE and MSD) to share resources and relevant reports as needed. The intention is to meet monthly, or more frequently as required, and to work as an integrated team to provide the Internal Audit functions required to support the Programme.

An assurance Terms of Reference will be prepared by ACC Internal Audit and agreed with Delivery Partners that will formally record how the agencies will work together, what they'll do and when.

Internal health check reviews and key assurance review points, like IQA's and Gateway Reviews, will include the Programme's compliance in the areas of Te Tiriti and equity.

## **External independent quality assurance**

An external independent quality assurance service will be sought from a third party utilising the GCDO Assurance Services Panel. The scope of independent assurance is defined in the Income Insurance Assurance Plan (see Annex 2). In summary, this will cover:

- Programme Management practices
- implementation readiness and success (including legislative requirements)

- the Programme’s ability to successfully deliver outcomes to Māori through co-design and a Distributed Service Model
- ensuring that design and delivery adheres to Te Tiriti o Waitangi commitments and enabling legislation obligations
- that quality processes are in place and that end products are of sufficient quality to effectively operate Income Insurance.

### **Gateway Reviews**

The Treasury Risk Profile Analysis performed in November 2021 determined the proposed Income Insurance as a High-Risk Programme. As such, the Better Business Case model must be used, and the Programme must have a Gateway Review. Gateway 0 and 2 occurred in October 2022 and resulted in a Green-Amber outcome. The recommendations and ACC’s response are set out in table 62.

Ongoing Gateway Reviews will be conducted throughout the Programme in accordance with the Treasury’s Gateway assurance methodology.

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Table 62 - Gateway Review recommendations and ACC's response

Recommendation	Priority	ACC Response
That the Programme take the lead to develop a co-ordinated Crown approach to engaging with Māori on the Scheme.	<b>DO NOW</b>	The Programme team will work with scheme partners to develop a co-ordinated approach to engaging with Māori on the scheme with a view to having this agreed (and in consultation with Māori) by end of 2022.
That the Programme continuously review its governance structure as it evolves.	<b>Consider for each phase</b>	The Programme will review its governance and associated terms of reference ahead of entering the Implementation Phase.
That the ACC Board ensure that each phase of the Programme has an appropriate level of independent governance expertise.	<b>Consider for each phase</b>	This will be discussed with the SUI Committee and considered as part of the ongoing governance development work for the scheme.
That the Programme pursues the development of a Distributed Service Model.	<b>DO NOW</b>	The distributed delivery approach is currently being embedded in the business case and design work.
The Programme strengthen the business case by: <ul style="list-style-type: none"> <li>• Embedding Te Tiriti throughout</li> <li>• Strengthening the equity case</li> <li>• Better defining the benefits for employers</li> </ul>	<b>DO NOW</b>	The work to progress the embedding of Te Tiriti o Waitangi and equity responses in the case is progressing and under review by Rā Matua.  Work has been undertaken on reviewing the benefits for employers and ensuring they are covered adequately in the case.
The Programme ensure its benefits realisation plan clearly articulates the benefits for Employers and equity customers.	<b>DO BY 30-06-2023</b>	Work on benefits realisation will begin after the Outcomes Framework is completed, by end of 2022.
That the Programme and ACC develop comprehensive communications strategies for multiple audiences.	<b>DO NOW</b>	Once Ministers make final policy decisions on 25 October 2022 and are prepared for introduction of the Bill, then work can commence on developing a communications strategy and plan. This will need to be done in a number of stages over the life of the Programme.



## **Independent monitoring of Te Tiriti o Waitangi, enabling legislation and Equity obligations**

The Income Insurance Scheme (Enabling Development) Act 2022 sets out expectations for how scheme design should recognise the Crown's commitment to Te Tiriti o Waitangi principles. It requires ACC to take into account the views of Māori in the design of the systems and processes of the scheme, to ensure the scheme is accessible to Māori and responsive to Māori perspectives.

We have engaged a third party to provide external independent assurance to ensure that scheme design and delivery adheres to these obligations. In practice the assurance process will include:

- tracking all decisions relating to the needs of Māori across all levels of implementation governance
- capturing the rationale for design decisions and assessing how our Māori co-design partners' requests and needs have been applied to the design of Income Insurance
- independent review of decisions and rationale against our obligations.

The independent reviews will be undertaken on a regular basis (exact cadence to be agreed). Findings will be shared with Rā Matua, the SUI Committee, the Income Insurance Programme Steering Committee and the Design Authority. These will also be shared with co-design groups where relevant. Ministers will receive an annual update as required by the enabling legislation as well as other ad hoc updates as requested.

### **Post-Implementation reviews**

A post-implementation review is planned for between 6-12 months following the launch of Income Insurance. The purpose is to confirm that Income Insurance operates as intended and is delivering the services proposed in the business case, and to identify any lessons learned from the management of the Programme that can be applied to future programmes in ACC and other agencies.

As required by Cabinet Office Circular CO(19)6<sup>83</sup>, this Programme will report back to Cabinet within 12 months of the in-service date on the actual level of benefits achieved compared with those outlined in the Cabinet-approved investment.

A Treasury Operations and Benefits Realisation Review will be undertaken at agreed points; the initial review will be timed to inform the Benefits report-back to Cabinet.

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83 DPMC. (2019). CO (19) 6: Investment Management and Asset Performance in the State Services.  
<https://dpmc.govt.nz/publications/co-19-6-investment-management-and-asset-performance-state-services>

# Annex 1: Chief Executive Letters

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31 October 2022

To whom it may concern

**Chief Executives' Statement: New Zealand Income Insurance Scheme Business Case**

The Accident Compensation Corporation (ACC) has been requested to lead the implementation of the Government's proposed New Zealand Income Insurance Scheme ("Income Insurance"). This is an important investment in Aotearoa New Zealand's employment sector and is part of a broader set of existing and anticipated labour market programmes that are anticipated to build a more resilient workforce while helping Aotearoa New Zealanders through difficult employment transitions.

Together with partners: the Ministry of Business, Innovation and Employment (MBIE), the Ministry of Social Development (MSD), and Inland Revenue (IR), we have prepared this business case to support Cabinet's consideration of a decision to invest in the implementation of the proposed Income Insurance.

The successful establishment of the Income Insurance requires joint planning, design, delivery and operations by ACC, MBIE, MSD and IR. Our organisations have been working closely together through the early planning stages to prepare the plans, and development of policy outlined in this Business Case and we are confident that our respective organisations are well positioned to successfully deliver the defined components.

ACC is committed to true and authentic partnership with Māori in the design and governance of this programme, including Māori representation on the programme Steering Committee. Additionally, the ACC Board committee for Social Unemployment Insurance have established Rā Matua, a Māori rūpū, to support ACC to shape the strategic co-design of Income Insurance to meet Māori needs and aspirations.

We confirm that:

- i. in leading the Implementation Readiness phase, where appropriate, we have actively involved MBIE, IR and MSD in design related activities and associated decision making;
- ii. policy decisions have been considered and translated into an operating model for Income Insurance;
- iii. consideration has been given to options available across public sector and ACC to leverage technical and operational capability in determining a preferred delivery model;
- iv. we have, and will continue to, consider Te Tiriti and Equity as central to the design of any proposed service model;
- v. we accept the strategic aims and investment objectives of the investment proposal, its functional content, size and services and our lead role in developing, establishing and administering Income Insurance;
- vi. we accept responsibility for the overall administration of Income Insurance, including functions related to case management, claim administration, policy management, employer levying and scheme operations;

- vii. in leading the development of the investment proposal, we have actively involved MBIE, IR and MSD through its various stages;
- viii. the indicative cost estimates of the proposal provided by ACC, MSD and IR are sound and based on best available information;
- ix. appropriate contingency arrangements are in place to address any current or unforeseen affordability pressures; and
- x. we consider that in undertaking the implementation and operation of Income Insurance, the risks to the broader ACC are within our risk appetite and are manageable.

This letter fulfils the requirements of the current Better Business Cases guidance. Should these requirements, the scope of Income Insurance legislation, new or revised Government priorities for one or more of the partner organisations that impacts the establishment of Income Insurance, or the key assumptions on which this Business Case is based change significantly, revalidation of this letter of support will be sought.

Yours sincerely,



Megan Main  
ACC Chief Executive

\_\_ November 2022

[To whom it may concern]

**Chief Executives' Statement: New Zealand Income Insurance Scheme Business Case**

Commercial Information

[Redacted content]

- Commercial Information [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

Yours sincerely,

Debbie Power  
Chief Executive, MSD

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# Annex 2: Documents Supporting this Business Case

The Executive Lead for Income Insurance attests that:

- the planning and control documents summarised and referenced in this Implementation Business Case (listed below) are in place or substantially under development and will be the basis for management of this Programme; and
- the agency has programme management structures, plans, and processes in place to ensure successful delivery.

These documents are available to decision-makers, Monitoring Agencies, Central Agencies and Functional Leads for review.

Ref. No.	Document Title	Version	Date	Location
1	Chief Executive Letters			Annex 1
2	Implementation Options Analysis			Annex 3
3	Income Insurance Procurement Strategy/Plan		08/09/2022	Available upon request
4	Provider Management Framework		June 2022	Available upon request
5	QRA Report - Executive Summary			Annex 4, full report available upon request
6	Social Unemployment Insurance Committee Terms of Reference		25/11/2022	Available upon request
7	Programme Steering Committee Terms of Reference		02/06/2022	Available upon request
8	Design Authority Terms of Reference		27/05/2022	Available upon request
9	Rā Matua Terms of Reference		07/07/2022	Available upon request
10	Decision Making Framework			TBD
11	Equity Approach		07/09/2022	Available upon request
12	High-Level Programme Schedule			Annex 5
13	Change Control Management Process			TBD
14	Organisation Change Impact Assessment			Available upon request
15	Stakeholder Engagement Plan			Available upon request
16	Initial Stakeholder Engagement Plan			Available upon request
17	Interim Internal Communications and Engagement Plan			Available upon request
18	Programme Summary Report Template			Available upon request
19	Risk Management Plan	8.4	17/08/2022	Available upon request
20	Programme Risk Register - top (20) risks			Annex 6

21	Programme Full Risk Register			Available upon request
22	Assurance Plan			Available upon request
23	Programme Design and Delivery Principles			Available upon request
24	How Income Insurance will deliver for and with Māori			Annex 7

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# Annex 3: Implementation Options Analysis

The assessment of the implementation options considered within the envelope of Option 1 (preferred), as described in the Economic Case is set out below.

Area	A	B	C	D	F	G	H	I
Capability to deliver an exceptional customer experience and outcomes:	3	3	3	2	3	2	4	5
Alignment to ACC's technology principles	5	5	5	3	4	3	5	5
Solution simplicity	5	3	2	3	2	3	3	4
Future flexibility to adapt to new and emerging policy needs and operational opportunities	3	4	4	3	4	3	4	5
ACC retains autonomous change control	5	3	3	2	3	2	3	4
Delivery confidence	3	1	1	4	1	4	1	3
Cost to deliver	Not assessed in detail							
Total	24	19	18	17	17	17	20	26

Note: Iteration E not assessed as this is only a component of the overall solution

# Annex 4: QRA Report - Executive Summary

This is a report on an assessment of the uncertainty in the Accident Compensation Corporation's (ACC's) and the Ministry of Social Development's (MSD's) whole-of-life cost modelling as at mid-September 2022 for the proposed New Zealand Income Insurance Scheme (NZIIS). The assessment was facilitated by Mike Wood of Broadleaf Capital International.

Risks in a cost estimate are sources of variation from the base estimate value. They may be positive or negative. For the NZIIS implementation planning, establishment and operating costs, they arise from a number of sources, including the following:

- uncertainty in the cost of the programme management overhead
- uncertainty in the cost of business integration
- uncertainty in the costs of case management
- uncertainty in the costs of the business customer group
- uncertainty in the costs of the leadership resources for the other services
- uncertainty in the costs of the enabling resources
- uncertainty in the costs for each of the technology workstreams
- uncertainty in the brand design & development, communications and engagement costs for the customer group
- uncertainty in the duration effect of scope changes on the costs of the technology workstreams
- uncertainty in the establishment period duration applied to the programme overheads
- uncertainty in the duration effect of possible scope changes on the technology workstreams
- uncertainty in the property costs for the NZIIS staff
- uncertainty in the consumer price and labour cost indices during the establishment and operating phases
- uncertainty in the MSD IT costs associated with implementing NZIIS
- uncertainty in the cost of MSD's project and service delivery resources for NZIIS.

The risk assessment process consisted of quantitative analysis to evaluate the cost

uncertainty in the NZIIS implementation planning, establishment and operating costs until 2034, based on the risks that were identified by the programme team and other ACC and MSD staff. The analysis utilised three-point estimates of the possible variation in each cost or cost driver under consideration by considering optimistic, pessimistic and most likely scenarios for each one. These scenarios and the range of values each element could take on were developed by programme team members and other ACC and MSD staff at a workshop on 22 September 2022. The outcome of the quantitative analysis was used in a Monte Carlo simulation model to evaluate the uncertainty in the implementation planning and establishment costs, and in the operating costs to 2034.

Confidential advice to Government

The 85th percentile of the total implementation planning and establishment costs distribution (15% chance of exceeding), a value which incorporates a significant extent of the uncertainty that has been modelled and which is usually used as the programme authorisation amount, is Confidential advice to Government

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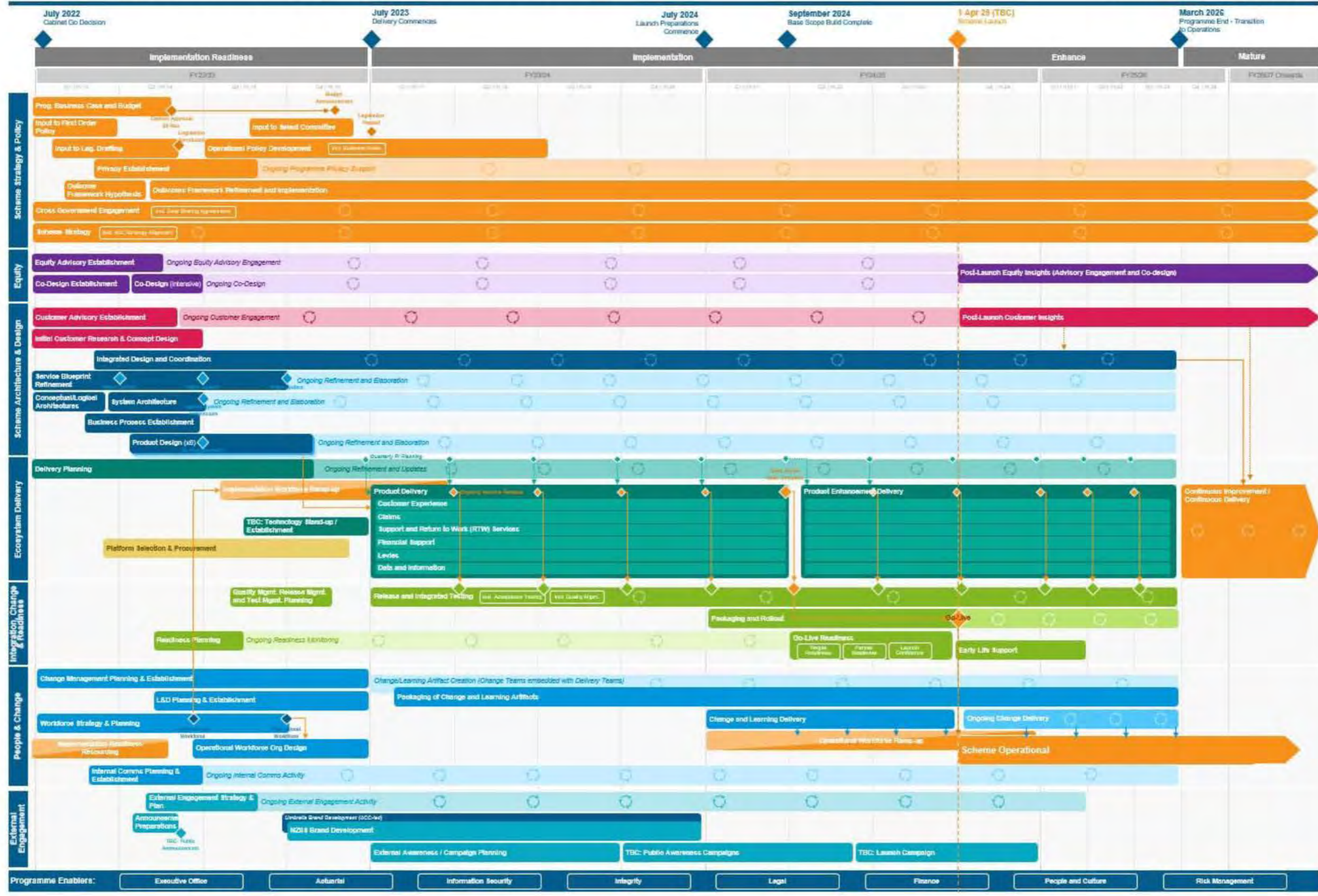
The dominant uncertainties affecting the implementation planning and establishment cost simulation results were the likelihood of the discrete risk of scope changes affecting the duration of the technology workstreams' establishment costs, which had a 20% likelihood applied in the modelling, and the uncertainty in the Claims & Customer technology workstream costs. The dominant uncertainty in the total ACC and MSD operating costs to 2034 was the uncertainty in the inflation indices.

# Annex 5: High Level Programme Schedule

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# NZIS High-level Delivery Plan – Plan on a Page

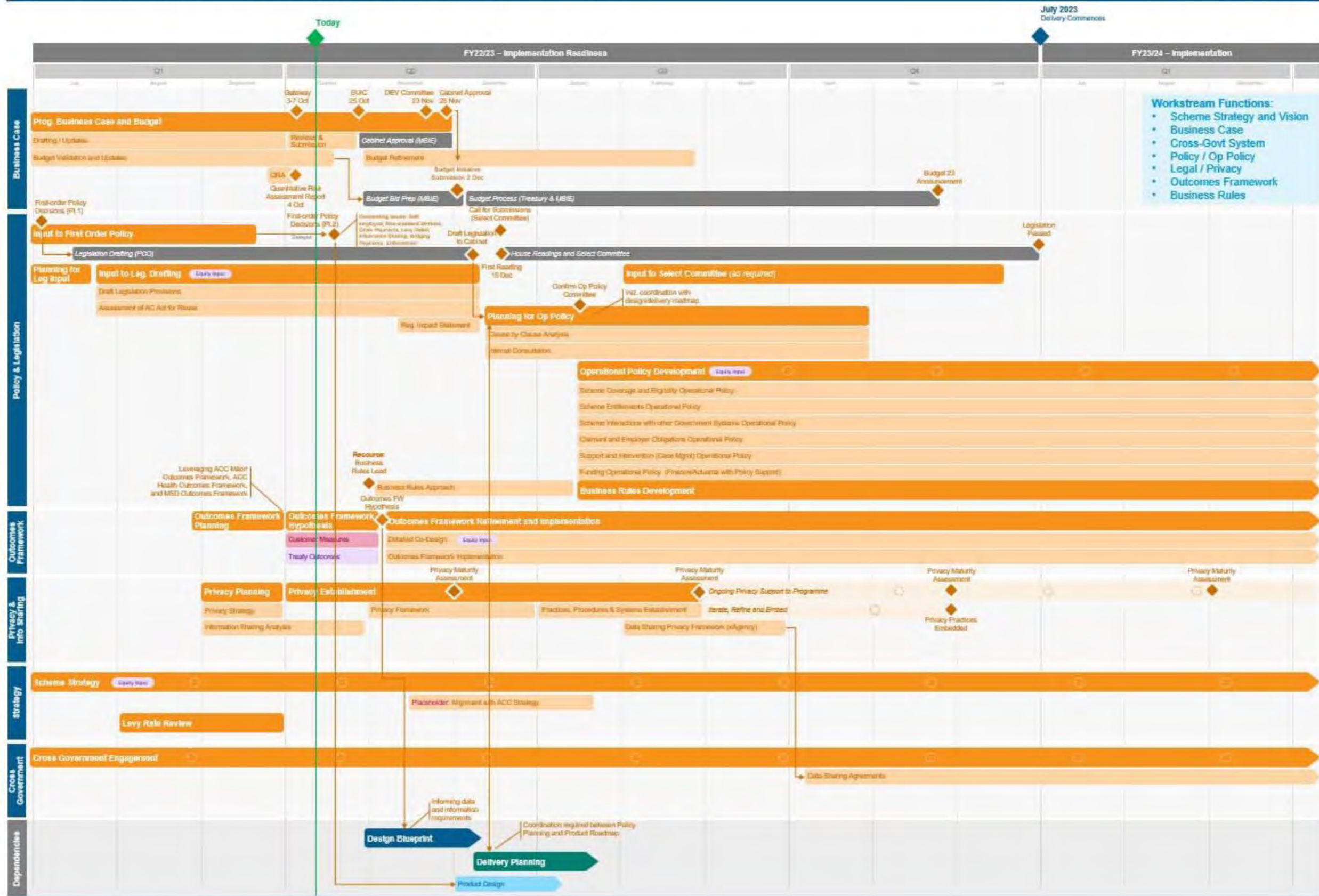
Version: v1.01 | 12 October 2022



Income Insurance Scheme

# NZIS Delivery Plan: Scheme Strategy & Policy

Version: v1.01 | 12 October 2022

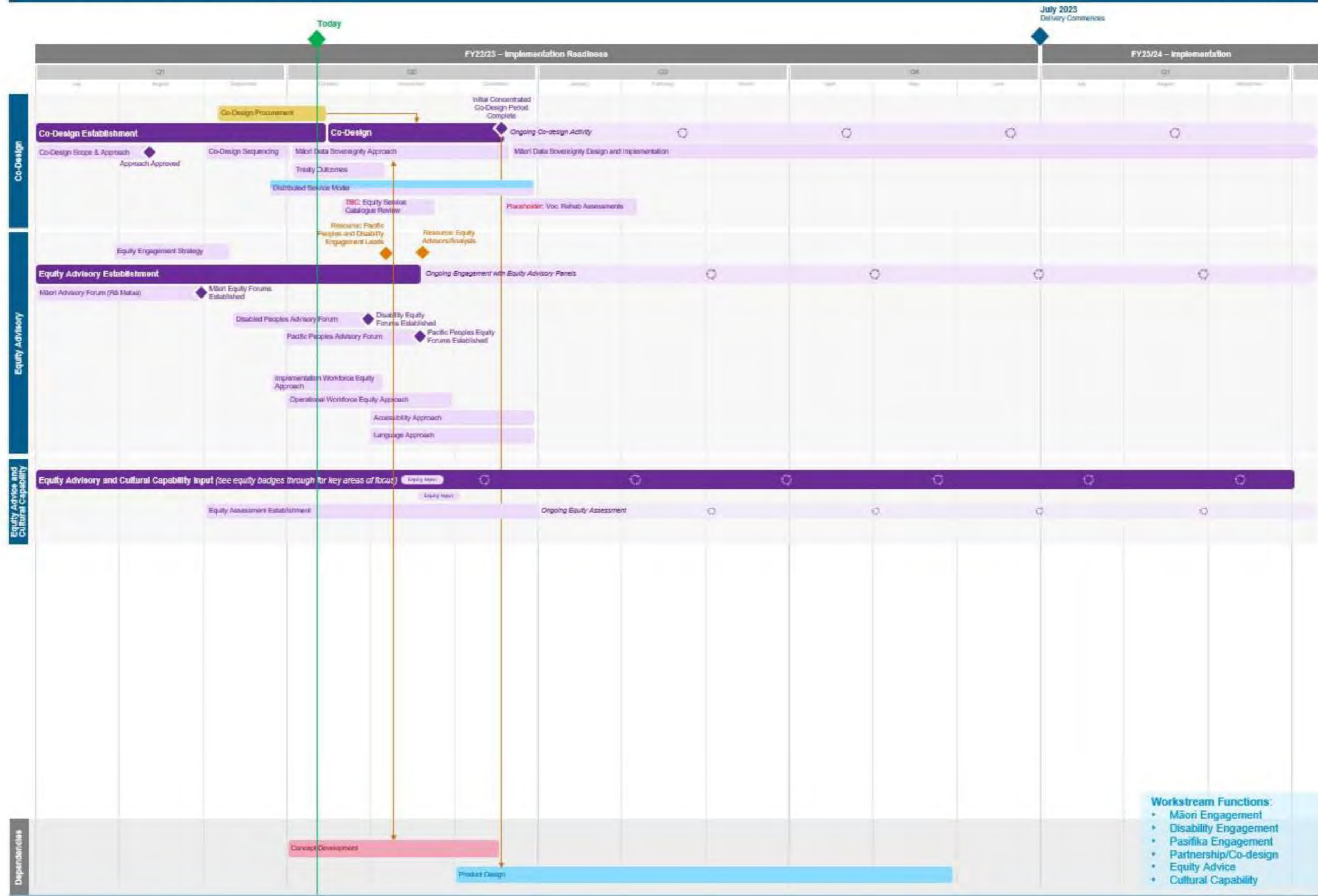


Income Insurance Scheme



# NZIS Delivery Plan: Equity

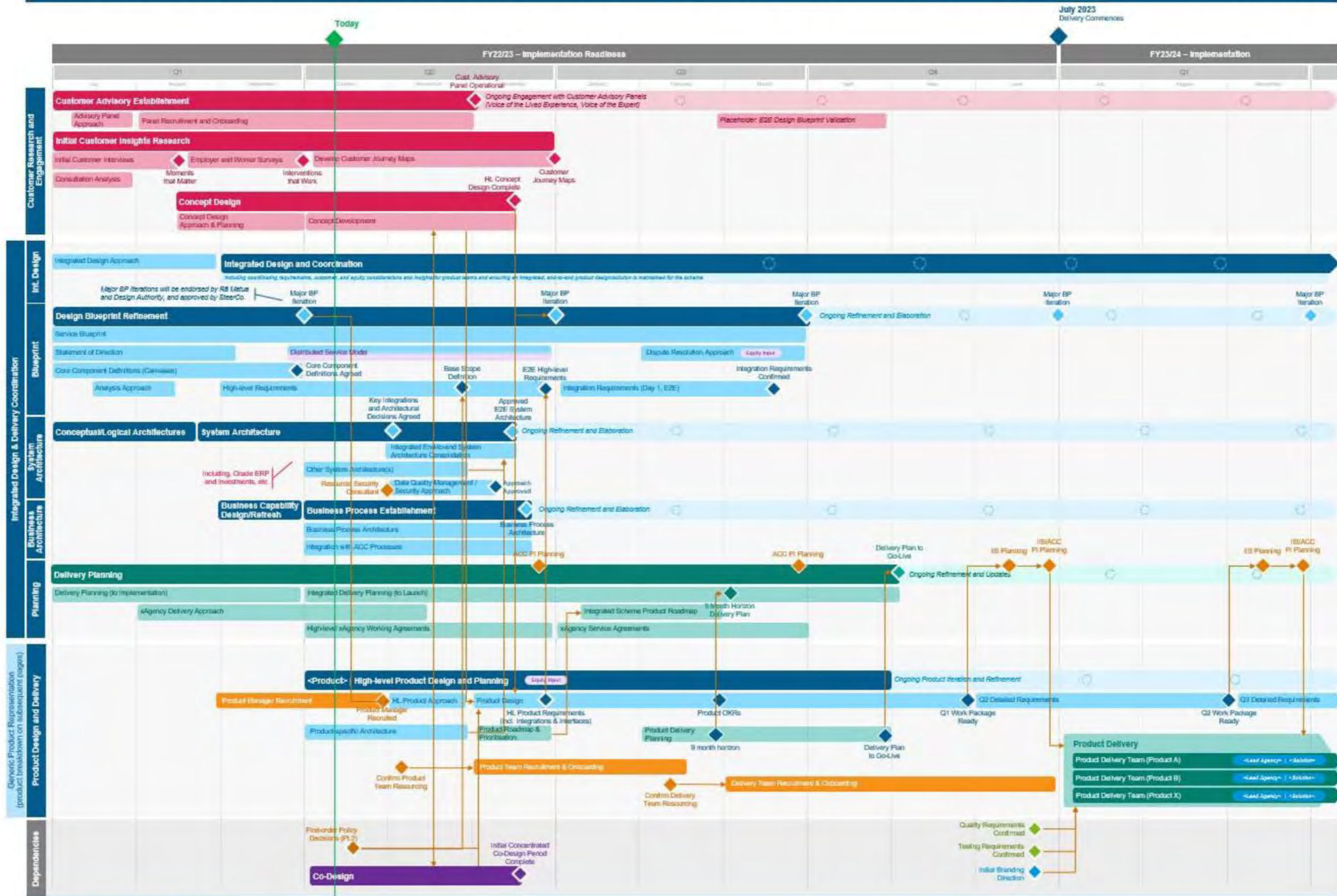
Version: v1.01 | 12 October 2022



Income Insurance Scheme

# NZIS Delivery Plan: Scheme Architecture & Design, Ecosystem Delivery (1 of 2)

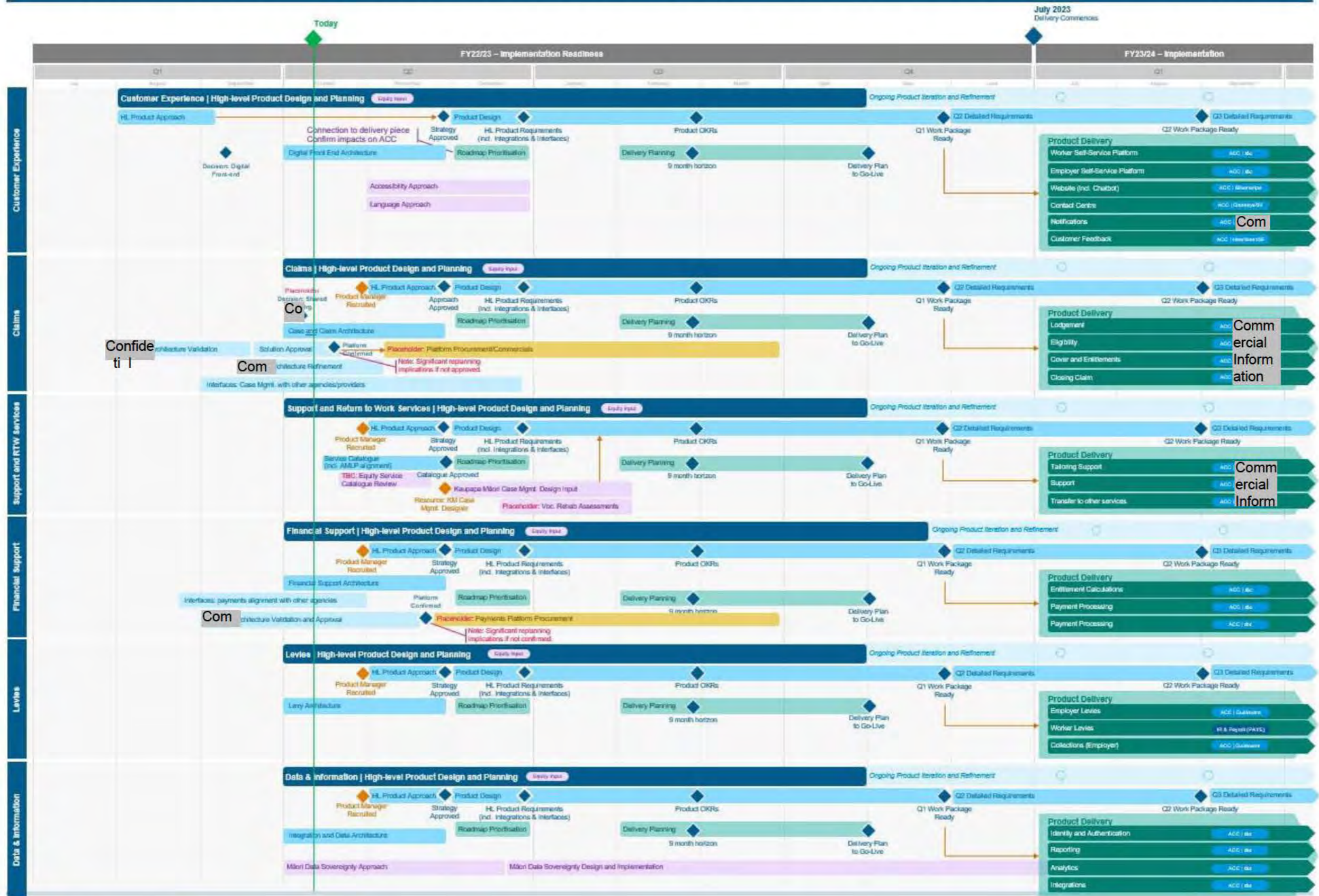
Version: v1.01 | 12 October 2022



Income Insurance Scheme

# NZIS Delivery Plan: Scheme Architecture & Design, Ecosystem Delivery (2 of 2)

Version: v1.01 | 12 October 2022

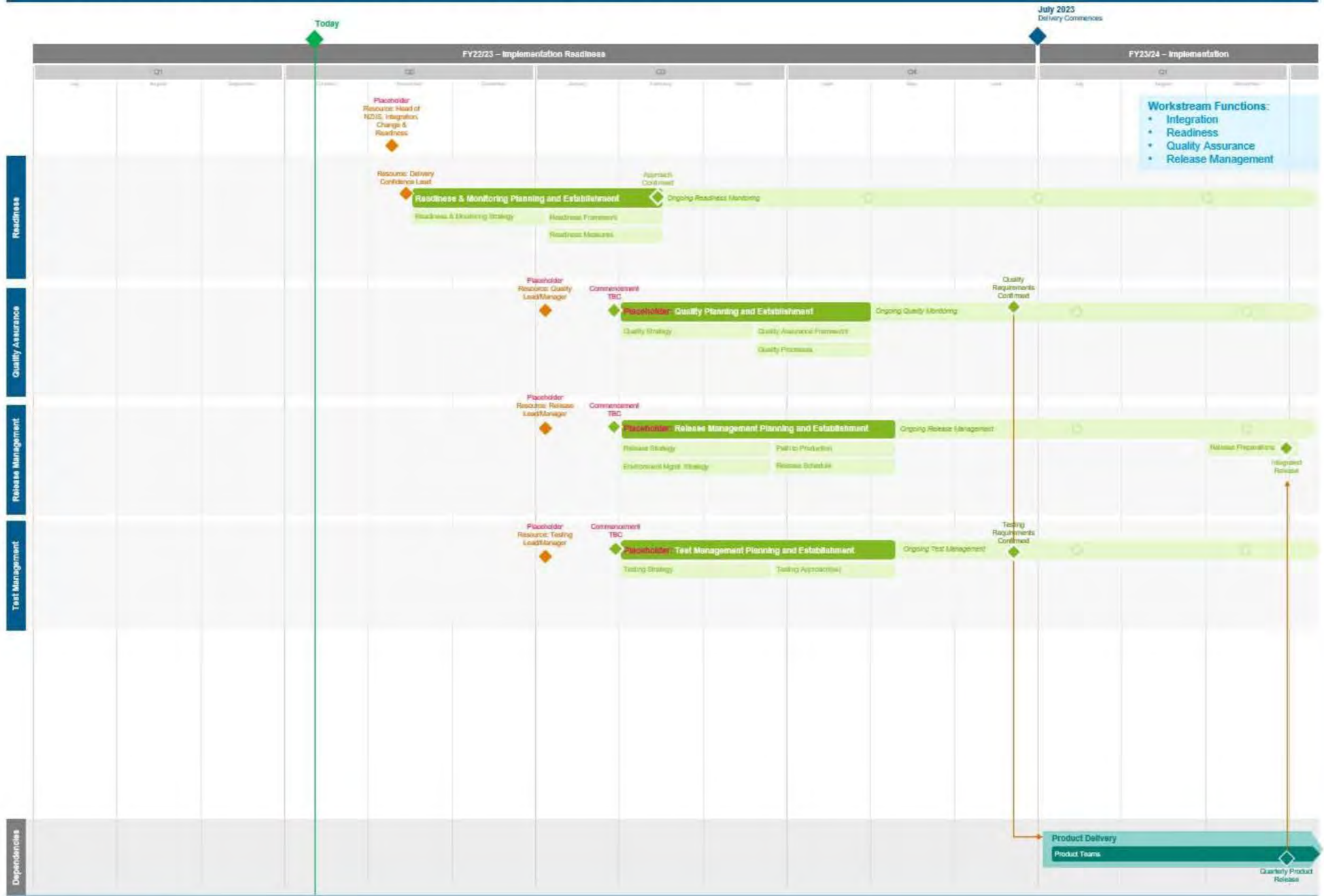


Income Insurance Scheme

Note: Indicative product breakdown only

# NZIS Delivery Plan: Integration, Change & Readiness

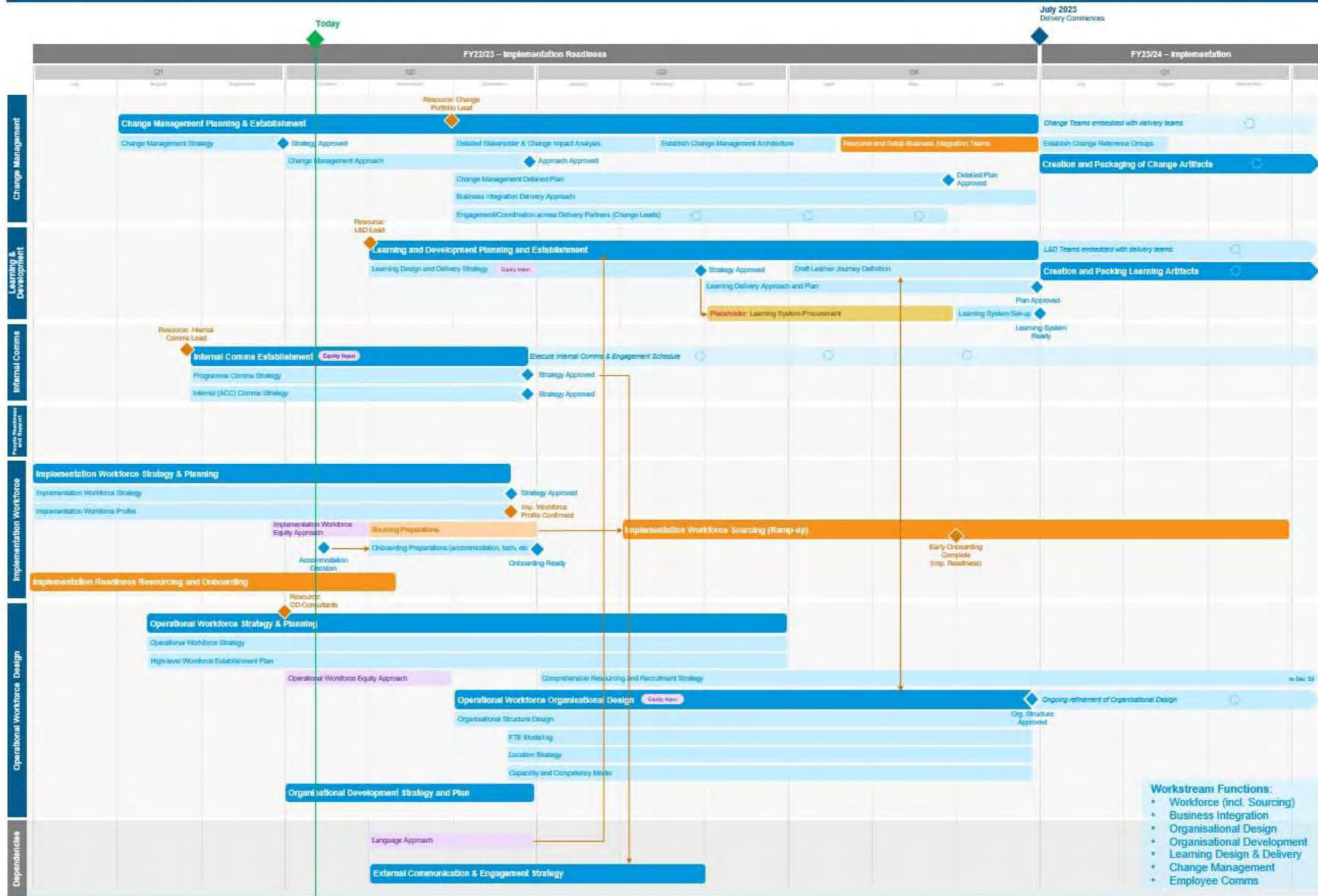
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Income Insurance Scheme

# NZIS Delivery Plan: People & Change

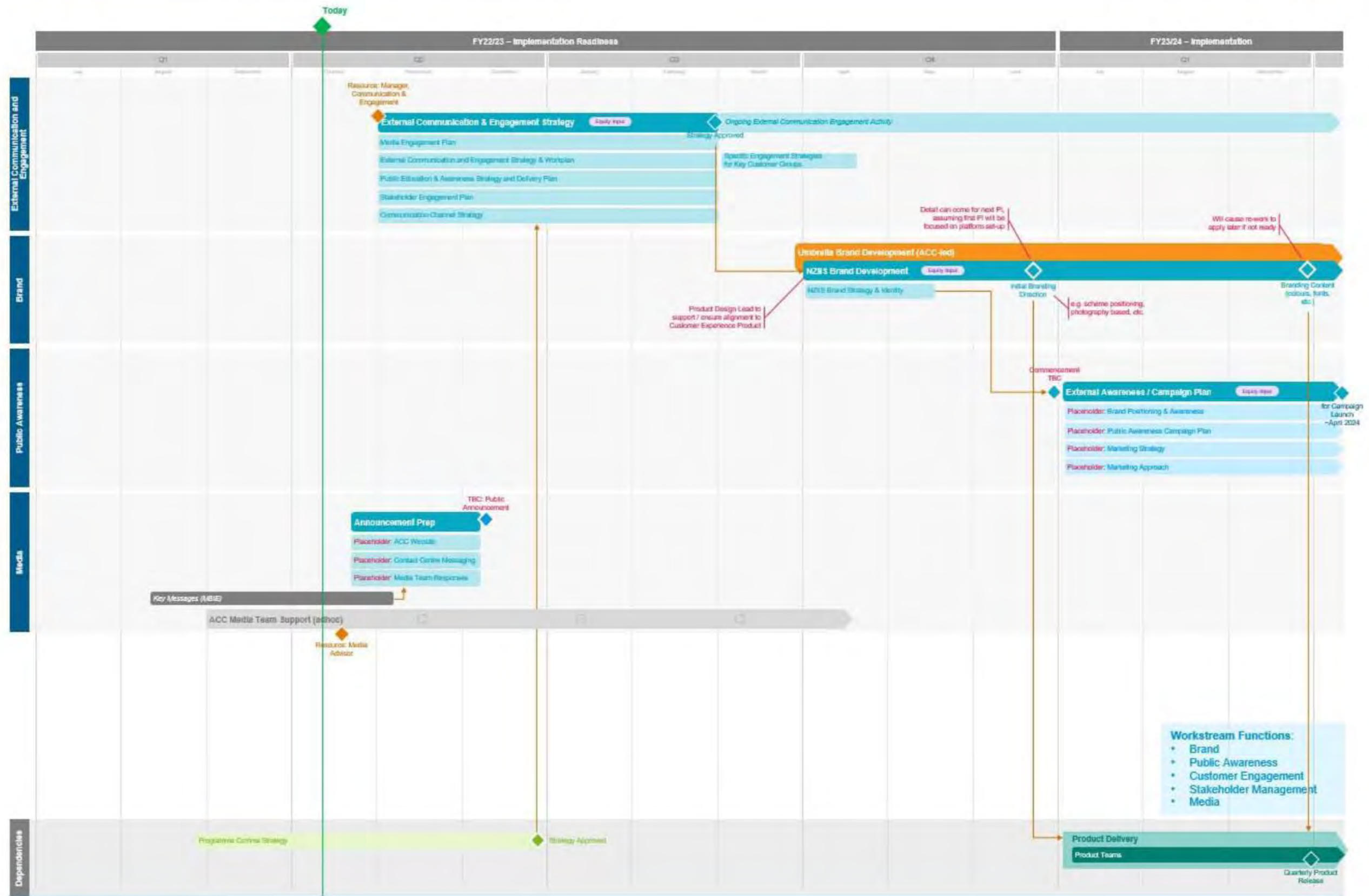
Version: v1.01 | 12 October 2022



Income Insurance Scheme

# NZIS Delivery Plan: External Engagement

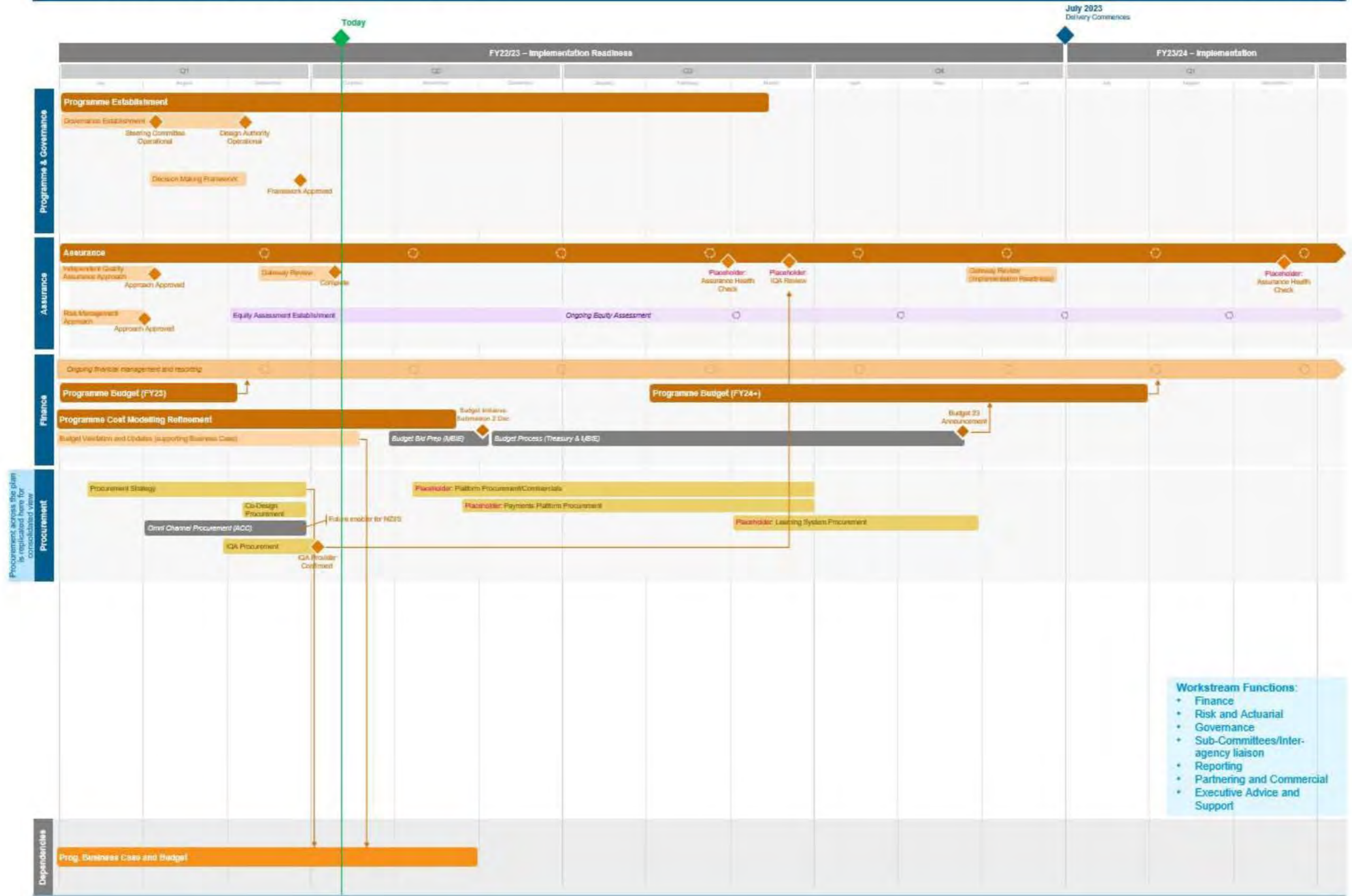
Version: v1.01 | 12 October 2022



Income Insurance Scheme

# NZIS Delivery Plan: Executive Office

Version: v1.01 | 12 October 2022



Income Insurance Scheme

## Annex 6: Programme Risk Register – top 20 risks

**Risk Appetite Statement:** ACC has a low tolerance for risk for the implementation of Income Insurance. The risks identified below are considered high at this stage in the Programme, but the application of the mitigations is expected to reduce the risks to low throughout the life of the Programme and prior to the launch of the scheme (note - risks are in no particular order in the table below).

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
1	<b>Design</b> Ineffective design results in Income Insurance failing to support the achievement of agreed outcomes	High	Low	<p><b>Risk Description:</b></p> <p>If the design process is ineffective, then Income Insurance may not develop the right systems, processes and/or people needed to deliver services required to achieve the agreed scheme outcomes.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Research and engagement with customers and stakeholders to understand needs and barriers.</li> <li>• Co-designing with Māori using an effective process including the application of gathered mātauranga.</li> <li>• Utilising advisory panels to represent workers and employers, and specific panels for Māori, disabled people and Pasifika.</li> <li>• Regular and continuous engagement with key customer groups to ensure insights are captured and fed into design.</li> <li>• Using a human-centred design approach.</li> </ul>
2	<b>Design/Build/Operate</b> Services required to return people to suitable work are not available	High	Low	<p><b>Risk Description:</b></p> <p>If there are not appropriate services available Income Insurance will be compromised in its ability to return people to suitable work (or vocational retraining opportunities) which would result in the scheme not meeting its agreed outcomes.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Establishment of a product management function for services and active engagement with providers across the health, education, training and employment sectors</li> <li>• Identification of services across the ALMP system, their applicability to Income Insurance claimants, eligibility and how they will be accessed</li> <li>• Identification of services in the health system (including mental health) their applicability to Income Insurance claimants, eligibility and how they will be accessed</li> <li>• In scheme operation the development of and evaluation approach on the effectiveness of specific services.</li> <li>• Active involvement in the Employment, Education and Training (EET) committees and related forums to understand and influence investments choices in the broader ALMP system.</li> <li>• The development of an Income Insurance based investment approach for services to feed into EET and budget processes.</li> </ul>
3	<b>Design</b> HCD demand is not sufficiently clear to enable effective planning	High	Low	<p><b>Risk Description:</b></p> <p>If the boundaries of eligibility are not clear enough for HCD then there may be unpredictable demand from claimants and there may not be sufficient services in place leading to compromised outcomes or missed expectations.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• A clear as practicable definition of the boundaries of entitlement for HCD to enable effective entitlement assessment.</li> <li>• Detailed analysis of data in the HCD area (including mental health) to determine demand and enable effective planning.</li> <li>• Working closely with Health sector to identify services and pathways for HCD claimants.</li> <li>• Detail service design for the HCD pathway, including engagement with employers.</li> </ul>



#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
4	<b>Design/Build</b> MSD do not achieve funding for Digital Employment and Case Management	High	Low	<p><b>Risk Description:</b></p> <p>Income Insurance will have some reliance on MSD investments on Digital Employment digital employment platform to provide joined-up, end-to-end online employment services integrated with case management. Without this in place it will make it harder to provide the right return to work services and would require Income Insurance to build similar functionality. <b>Commercial Information</b></p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• ACC and MSD continuing to align on respective business case content and ensure that Ministers are aware of the inter-dependency through the budget process.</li> <li>• Continue to work on the development of the ecosystem architecture and service design to identify opportunities for alignment as both Income Insurance and Te Pae Tawhiti evolve.</li> </ul>
5	<b>Design/Build/Operate</b> Service providers do not have the capacity or the incentives to participate in Income Insurance leading to reduction in equity	High	Low	<p><b>Risk Description:</b></p> <p>To successfully deliver Income Insurance equitably, the Distributed Service Model needs to have enough local service providers to allow claimants the opportunity to choose which case management provider works best for them and their whānau. If there are not enough service providers onboard in readiness for Income Insurance launch, then there may be a gap in equitable service provision.</p> <p><b>Key Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Co-design the development of the Distributed Service Model with providers to optimise the design in a way that works for them and their customers.</li> <li>• Develop early approaches for service provider capability and capacity development, accreditation, contracting and pricing (all to be part of co-design).</li> <li>• Ensuring the design of the end-to-end scheme is flexible enough to respond to demand where locally provided services reach capacity or are unavailable.</li> <li>• Develop the overall processes and systems to make it as easy as possible to on board providers and reduce administrative burden.</li> </ul>
6	<b>Design/Build</b> Not being effective in meeting te Tiriti obligations in the design of the scheme	High	Low	<p><b>Risk Description:</b></p> <p>If we don't have a solid understanding of the complexities and challenges of systemic inequities that we need to overcome to give effect to te Tiriti in scheme design, architecture, and delivery then the scheme may not fulfil te Tiriti commitments.</p> <p><b>Key Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Building specialist capabilities within the Programme team to guide and advise at a detailed level.</li> <li>• Co-design key design choices with the Rā Matua rōpū.</li> <li>• Translation between te ao Māori and te ao matihiko (digital world) to inform actionable delivery activities.</li> <li>• Being transparent about what can and cannot be achieved and ensuring that is understood by our implementation governance forums.</li> <li>• Prioritise activities with equity at top of mind.</li> <li>• Develop measures and indicators to track progress.</li> </ul>
7	<b>Design/Build/Operate</b> Income Insurance fails to give effect to te Tiriti principles and a Te Ao Māori view	High	Low	<p><b>Risk Description:</b></p> <p>If the needs of Māori through a Te Ao Māori view are not adequately identified and integrated into scheme design, then Income Insurance services will not meet the needs of Māori and fail to uphold te Tiriti principles.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Ongoing hui with the Iwi Chairs – Pou Tāngata rōpū for guidance.</li> </ul>

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
				<ul style="list-style-type: none"> <li>• Co-design key design choices with the Rā Matua rōpū.</li> <li>• Connection to Government engagement with Māori e.g. MSD Māori Reference Group.</li> <li>• Incorporation of Te Kāpehu Whetū (ACC's Māori Outcomes Framework) into the Income Insurance Outcomes framework.</li> <li>• Effective co-design processes with Māori.</li> <li>• Te Tiriti principles included in design guard rails.</li> <li>• Integration of the equity team in all aspects of the Programme to ensure te Tiriti principles are upheld and Te Ao Māori is included.</li> <li>• Implement external monitoring and reporting on how the design of the scheme is upholding te Tiriti clause in the enabling legislation Act.</li> </ul>
8	<b>Design/Build/Operate</b> Dependency on the ACC as an enterprise to deliver Income Insurance	High	Low	<p><b>Risk Description:</b></p> <p>ACC play a crucial role in the delivery of Income Insurance, both through technology delivery and the provision of administration services (e.g. legal, actuaries, finance, etc). If ACC cannot support the implementation and operation of Income Insurance, then scheme outcomes may be compromised.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Alignment of ACC Board with oversight of both schemes.</li> <li>• ACC's Change Delivery processes will be used.</li> <li>• Income Insurance has four Enterprise Leaders who are part of the ACC Enterprise Leadership.</li> <li>• The Executive Lead is part of the ACC Executive.</li> <li>• The Programme Steering Committee has four ACC DCE's as members.</li> <li>• The Decision Framework has specific roles for ACC functional DCE's.</li> <li>• The Design Authority has three ACC members.</li> </ul>
9	<b>Design</b> Implementation timeframes put pressure on our ability to effectively co-design with Māori	High	Low	<p><b>Risk Description:</b></p> <p>Time pressures and capacity/capability limitations might mean we are unable to adequately co-design with Māori.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Appropriate planning and managing expectations about what is realistic within timeframes.</li> <li>• Prioritising and effectively resourcing co-design with Māori.</li> <li>• Fully implementing the decision framework which includes co-decision making.</li> <li>• Ensuring full transparency of decision making and insights from co-design with Māori and the impact that this has on the design of the scheme.</li> </ul>
10	<b>Design/Build/Operate</b> The scheme design and operations do not deliver equity outcomes	High	Low	<p><b>Risk Description:</b></p> <p>Ineffective design of the scheme, translation into operational delivery and operational performance issues, reduce delivery of equitable outcomes.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Prioritising and effectively resourcing co-design with Māori (and other groups requiring and equity focus).</li> <li>• Use evidence about what is working or not in design and delivery for equity to drive decision making.</li> <li>• Using the outcomes framework to drive design and operations, measure effectiveness and address any issue proactively.</li> <li>• Fully implementing the decision framework which includes co-decision making and continuing through into the operational phase.</li> <li>• Effective co-design, implementation and operation of the Distributed Service Model.</li> </ul>
11	<b>Design</b> Privacy is not considered fully in	High	Low	<p><b>Risk Description:</b></p> <p>Privacy breaches may occur in the operation of the Income Insurance Scheme unless privacy by design is implemented throughout all aspects of design and build</p>

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
	design leading to privacy breaches in the operation of the scheme			<p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• A clear and explicit privacy by design approach in all aspects of the Programme.</li> <li>• A service design, process, information and systems architecture that provides for privacy being incorporated.</li> <li>• High degree of engagement with customers, as part of design process, to understand specific privacy requirements.</li> <li>• Privacy and information security embedded in service design solutions, through engagement of privacy specialists as part of the design, build and readiness/assurance work.</li> <li>• A close relationship with the Privacy Commissioner to get input into the design of Income Insurance.</li> </ul>
12	<b>Design</b> Information sharing across between agencies is not effective	High	Low	<p><b>Risk Description:</b></p> <p>If information sharing provisions in the legislation are too narrow or specific, and there is not effective information design, it will not enable the required information sharing across the system (including with te Tiriti partners) and Income Insurance will not be able to achieve its intended outcomes and compromise Māori Data Sovereignty commitments</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Enabling legislation has been passed that supports information sharing during implementation.</li> <li>• Ensure information-sharing is addressed in the full legislation.</li> <li>• Joint work with MBIE, IR, MSD, other agencies and te Tiriti partners to agree an enabling approach to information sharing provisions.</li> <li>• Close contact with the Office of the Privacy Commissioner to obtain endorsement for approach.</li> <li>• Engagement of privacy specialists is all aspects of design, build and readiness/assurance work.</li> </ul>
13	<b>Design/Build</b> Cost and difficulty to design and operationalise proposed policy and or legislation	High	Low	<p><b>Risk Description:</b></p> <p>The detailed policy design and legislative process may propose policy and legislation that is difficult for Income Insurance to design for and problematic to operationalise potentially resulting in complex technology design, compromised customer and staff experience or rework with cost, scope, quality and time delay implications</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Prioritise areas of the model/scheme where outcomes and experience must be protected/preserved.</li> <li>• Strong collaboration with MBIE using a similar approach to that used for agreeing first order policy settings.</li> <li>• Strong collaboration with legislative drafting process to maintain a view of where change is most likely.</li> <li>• Identify areas in scheme delivery that present the most significant impact from scope/direction change and influence legislation drafting accordingly.</li> <li>• Sequence design and build activities to leave as much time as possible to identify and absorb change before finalising design / build (preserve contingency for as long as possible).</li> <li>• Flexibility in the design (business and technology) to accommodate change</li> <li>• Allow for externalisation of business rules.</li> </ul>
14	<b>Design/Build/Operate</b> Misalignment between demand and levy setting	High	Low	<p><b>Risk Description:</b></p> <p>The predictions of demand for claims and the resultant levy setting results in a mismatch between levy collection and payments. This results in a depletion of the fund requiring ACC to go back to Government for further funding and a reset of the levy levels.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>• Work with MBIE and Treasury on modelling and assumptions to refine before scheme launch.</li> </ul>

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
				<ul style="list-style-type: none"> <li>Once the scheme is operational ensure that relevant data is collected and analysed to inform scheme forecasts.</li> <li>Ensure that there is a pre-defined approach for ACC to being able to access funds from Government in the case of Income Insurance fund depletion.</li> <li>Ensure that there is a levy review approach in legislation that supports the regular levy review in early stages of the scheme.</li> </ul>
15	<b>Design/Build</b> Managing competing priorities and coordinated delivery across partner agencies	High	Low	<p><b>Risk Description:</b></p> <p>Income Insurance will be delivered by ACC in partnership with MSD and IR. Each agency has its own specific priorities that will be driven by Government priorities. It could occur that Income Insurance design and build requirements within an agency will be deprioritised. In this case the delivery of the scheme could be delayed.</p> <p><b>Key Mitigations Include:</b></p> <ul style="list-style-type: none"> <li>Income Insurance Programme Steering Committee having Tier 2 executives representing each of the delivery agencies coordinating decisions and delivery prioritisation for their agency.</li> <li>A decision framework will be implemented to support Income Insurance implementation governance with making Programme, design and delivery decisions.</li> <li>A co-ordinated delivery approach that supports the uniqueness of the delivery approaches used in each agency.</li> <li>A detailed delivery plan with timely iterative delivery due dates is required to be agreed on a regular basis so that delays are known early.</li> <li>An integrated Income Insurance Design Blueprint that is owned by the partner agencies collectively.</li> <li>Effective communications between all partners, all levels and throughout the Programme lifecycle.</li> <li>Fast escalation where issues are identified.</li> </ul>
16	<b>Design</b> Managing coordinated architecture and design of the scheme across delivery partner agencies	High	Low	<p><b>Risk Description:</b></p> <p>Income Insurance will be delivered by ACC in partnership with MSD and IR. The complexities of coordinating multi-agency architecture and design to deliver a cohesive end-to-end solution may prove problematic and result in failures to deliver aspects of the scheme within the legislated timeframes. Income Insurance is the first transformation Programme in Government where ongoing iterative coordination will be required to deliver.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>Income Insurance Programme Steering Committee having Tier 2 executives representing each of the delivery partner agencies coordinating design decisions for their agency.</li> <li>A decision framework will be implemented to support Income Insurance implementation governance with making Programme, design, and delivery decisions.</li> <li>Cross-agency technical teams will be involved in architectural/solution design decisions with the Design Authority being the custodians of design and architecture.</li> <li>Utilising the Design Authority with representative from each delivery partner agency, and other implementation governance forums to deal with any blockers</li> </ul>
17	<b>Design/Build/Operate</b> Flexibility to accommodate future policy and legislative changes	Med	Low	<p><b>Risk Description:</b></p> <p>It is anticipated that the policy and legislation will evolve after the introduction of the scheme and once workers and employers experience and react to the new offerings. If the design of the scheme is not sufficiently flexible, then scheme evolution will be limited and/or costly to change.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>Design for flexibility, including the ability to configure business rules that are likely to change over time.</li> <li>Use design principles that support modularity that makes future change possible in an economically sustainable way.</li> </ul>

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
				<ul style="list-style-type: none"> <li>Identify areas of the scheme that present the most significant impact from policy/legislation change and influence initial legislation drafting to allow for future changes.</li> </ul>
18	<b>Design</b> Insufficient funding for FY22/23 to complete design	Med	Low	<b>Risk Description:</b> If there is insufficient funding for FY22/23 then the design work may not be completed in time for build to begin on 1 July 23 and impact of the final timing for go-live (or quality of delivery).  <b>Mitigations include:</b> <ul style="list-style-type: none"> <li>Being effective in the planning, resourcing and prioritisation of design work.</li> <li>Having early certainty for the solution architecture and deliver partner responsibilities.</li> <li>Reusing partners that have already worked with ACC so there are efficiencies in understanding context.</li> <li>Financial management team forecasting rate of spend to inform resourcing decisions.</li> <li>Implementation governance reporting on financial spend.</li> </ul>
19	<b>Build</b> Confidential advice to Government	High	Low	<b>Risk Description:</b> Confidential advice to Government  <b>Mitigations include:</b> <ul style="list-style-type: none"> <li>Confidential advice to Government</li> </ul>
20	<b>Design/Build/Operate</b> Compliance breaches as a result of not building compliance measures into design	High	Low	<b>Risk Description:</b> If compliance (including legal, financial and corporate policy) requirements are not considered fully in design, then it could lead to compliance breaches in Income Insurance operation or unexpected costs required to remedy.  <b>Mitigations include:</b> <ul style="list-style-type: none"> <li>The Programme is recruiting a Risk and Compliance Manager who will establish the necessary processes and guardrails to ensure compliance is considered and acted upon.</li> <li>Compliance requirements will be explicitly defined as part of the design process.</li> <li>Accountability within Product Teams for designing to specific compliance requirements.</li> <li>Development of an assurance plan that covers the design to compliance requirements.</li> <li>Periodic internal audits of the Programme to ensure compliance is being correctly addressed.</li> </ul>
21	<b>Design</b> Scheme communication and engagement	High	Low	<b>Risk Description:</b> If stakeholders are not effectively identified, managed and communicated with (internally, across Government, and all of Aotearoa New Zealand), then scheme outcomes may be impacted through missing key differentiation needs, and the public's perception of Income Insurance being misaligned with the Government's intent.

#	Risk Summary	Risk rating		Risk Description and Management Strategies
		Current	Target	
				<p>Ineffective communication of the scheme to the public and businesses results in scheme benefits not being achieved and misalignment of expectations.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Development of a comprehensive external engagement strategy and communications plans.</li> <li>• Wide consultation on the plans including co-design with Rā Matua, and in collaboration with Pasifika and disabled people representatives.</li> </ul>
22	<p><b>Design/Build/Operate</b></p> <p>Inability to source the capability and capacity required for the Implementation and operational workforces</p>	High	Low	<p><b>Risk Description:</b></p> <p>If there is insufficient capacity and capability available in the market to resource both the implementation phase and ongoing operation of Income Insurance, then scheme outcomes will be compromised.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Enactment of the implementation resourcing strategy (currently underway)</li> <li>• Development of a comprehensive operational workforce strategy, including detailed workforce modelling and learning &amp; capability strategy.</li> <li>• Engagement and onboarding of service providers to deliver services through the Distributed Service Model which will reduce the size of the ACC workforce required.</li> </ul>
23	<p><b>Operate</b></p> <p>Health service funding and capacity availability</p>	High	Low	<p><b>Risk Description:</b></p> <p>The Health sector has identified that it does not have the funding and system capacity to deliver timely work capacity assessments, medical certificates, and/or associated further treatments. If the Government does not provide adequate funding to the health sector and/or does not allow alternative means of delivery assessments (not just GPs), then access to Income Insurance may be delayed for HCD claimants and treatment required to enable people to get back to work may be delayed.</p> <p><b>Mitigations include:</b></p> <ul style="list-style-type: none"> <li>• Continue working closely with MBIE on legislation and associated regulation (for work capacity assessment practitioners)</li> <li>• Work with the health sector to understand overall impacts and capacity requirements and develop plans with the health to address (when practicable) before Income Insurance launch</li> <li>• Include key stakeholders from the health sector in the design of Income Insurance to fully understand the requirements of health services (already underway).</li> </ul>

**Risks have been rated using ACC’s Enterprise Risk Management Framework**

Risk processes are described in the Income Insurance Risk Management Plan (see Annex 2). ACC’s Enterprise Risk Management Framework forms the basis for this plan, with risks rated in accordance with this framework:

Escalation Levels (as the risk arises)					
	Rare	Unlikely	Possible	Likely	Almost Certain
Severe	High	High	High	Extreme	Extreme
Major	Medium	Medium	High	Extreme	Extreme
Moderate	Low	Medium	Medium	High	High
Minor	Low	Low	Medium	Medium	High
Minimal	Low	Low	Low	Medium	Medium

DRAFT IN CONFIDENCE

## **Annex 7: How Income Insurance will deliver for and with Māori**

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## How Income Insurance will deliver for and with Māori

	Waka Hourua Partnership	Oritetanga Equity	Tino Rangatiratanga Sovereignty	Tiakitanga Active Protection	Mana Motuhaketanga Choices
Customer Journey	<ul style="list-style-type: none"> <li>Develop relationships with Kaupapa Māori providers &amp; ensuring their voice in designing and monitoring the customer journey / experience – they know their communities best</li> </ul>	<ul style="list-style-type: none"> <li>Partner with Kaupapa Māori providers in the continuous improvement of the scheme (including technology)</li> </ul>	<ul style="list-style-type: none"> <li>Support whānau choice through tailored services</li> <li>Enable mana enhancing experiences – as defined by whānau</li> </ul>	<ul style="list-style-type: none"> <li>Tailor communications for Māori businesses and whānau</li> </ul>	<ul style="list-style-type: none"> <li>Support access to providers of choice (who are partners to the scheme)</li> <li>Whānau are supported through their end-to-end experience</li> <li>Holistic awareness of whānau aspirations through joint needs assessment enabling connection to broader services                             <ul style="list-style-type: none"> <li>Case management model assesses whānau needs &amp; aspirations</li> <li>Providers will be integral in early intervention</li> </ul> </li> <li>Enable opportunities for Māori businesses / providers to work together to deliver NZIIS (in regions)</li> <li>Enable choice throughout a customer journey, facilitated by smooth transitions</li> </ul>
Customer Experience	<ul style="list-style-type: none"> <li>Co-designed case management model partnership approach</li> <li>Continuous &amp; ongoing engagement (informed by monitoring)</li> <li>Embed customer voice (whānau and Māori businesses / employer) to enable insights</li> <li>Provide transparency about how their insights are improving the scheme</li> </ul>	<ul style="list-style-type: none"> <li>Enable equitable access through a distributed service model</li> </ul>	<ul style="list-style-type: none"> <li>Establish continuous relationships to allow customers to feel better supported</li> <li>Support and respect individual data sovereignty</li> </ul>	<ul style="list-style-type: none"> <li>Recognise and value mātauranga Māori through remuneration &amp; whakamana of our relationship</li> </ul>	
Scheme Functionality	<ul style="list-style-type: none"> <li>Co-design scheme functions to support Māori providers and leverage their strengths</li> <li>Build better understanding of inequities and successes in the ALMP space</li> <li>Partner on the development and enhancement of ALMP policies – ensuring they are Te Tiriti led &amp; contribute to Te Kāpehu Whetū</li> </ul>	<ul style="list-style-type: none"> <li>Māori providers will determine eligibility (decision &amp; entitlements)</li> <li>Te Reo Māori strategy lives &amp; breathes across all elements of the scheme</li> </ul>	<ul style="list-style-type: none"> <li>Support regional ecosystem economic strategies</li> </ul>	<ul style="list-style-type: none"> <li>Recognise what already exists delivered by Māori (in an ALMP space) that contributes to Te Kāpehu Whetū</li> </ul>	<ul style="list-style-type: none"> <li>Support flexibility for Māori providers to deliver how they want, with cost model in place to support this</li> <li>Treat Māori providers equally, as an NZIIS team</li> <li>Support delegated access / authority to act</li> <li>Support flexibility for whānau to choose how they use their time on the scheme</li> </ul>
Workforce / Capability	<ul style="list-style-type: none"> <li>Co-design workforce capability with Kaupapa Māori providers</li> <li>Partner with All Providers to uplift cultural IQ / responsiveness / competence</li> <li>Recruit within NZIIS for cultural capability – upholding a baseline expectation with continuous learning</li> </ul>	<ul style="list-style-type: none"> <li>Support Kaupapa Māori provider capacity &amp; capability development to enable them to deliver the function of the scheme they aspire to</li> <li>Enable teams to be place based &amp; well connected / knowledgeable</li> <li>Support non-Māori providers to uplift cultural competency and to embed Te Kāpehu Whetū in their service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Support and connect with iwi-lead locally developed workforce development plans and Regional Skills Leadership Groups (RSLGs)</li> </ul>	<ul style="list-style-type: none"> <li>Protect cultural safety / mana of kaimahi Māori</li> <li>Value relational skillsets in recruitment</li> <li>Retain kaimahi Māori</li> </ul>	<ul style="list-style-type: none"> <li>Create and support pathways for kaimahi Māori</li> </ul>
Systems	<ul style="list-style-type: none"> <li>Enable Kaupapa Māori Providers to access data related to their Customers</li> <li>Engage in the continuous improvement of technology / systems</li> <li>Enable systems that match whānau with suitable kaimahi</li> </ul>	<ul style="list-style-type: none"> <li>Systems are learning &amp; evolving (e.g. to achieve equity)</li> <li>Support connecting Providers to other funding sources to support systems development for Māori</li> <li>Ensure learning related to systems is tailored for Māori</li> </ul>	<ul style="list-style-type: none"> <li>Co-design technology that is accessible and enabling for Kaupapa Māori providers to tailor their services and delivery models</li> <li>Build locally, learn nationally</li> </ul>	<ul style="list-style-type: none"> <li>Protect human interactions as opposed to digital first for all</li> </ul>	<ul style="list-style-type: none"> <li>Enable choice throughout service delivery, particularly at first point of contact</li> <li>Build a standardised system to develop from / connect to</li> <li>Enable localised delivery of services</li> </ul>
Data & Information	<ul style="list-style-type: none"> <li>Co-design measures of success for Providers and ALMPs</li> <li>Co-design a cross-agency data strategy (aligned to Te Kāpehu Whetū)</li> <li>Co-design consent policy</li> </ul>	<ul style="list-style-type: none"> <li>Enable access for Providers to data related to their Customers</li> </ul>	<ul style="list-style-type: none"> <li>Access to Māori data for Māori use only</li> <li>Support and respect Māori data sovereignty</li> </ul>	<ul style="list-style-type: none"> <li>Co-design of how insights are created</li> <li>Enable access to insights tailored for Māori</li> </ul>	<ul style="list-style-type: none"> <li>Enable a single view of the whānau aspirations and needs (working with the Hira kaupapa)</li> <li>Enable access to data that helps spot pressure points in the scheme and distribute equitably to whānau.</li> <li>Tailoring to the different data needs of iwi, hapū and Kaupapa Māori providers.</li> </ul>