

The Treasury

Briefing for Incoming Ministers Information Release

Release Document

February 2017

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[2]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[3]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[4]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[5]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[6]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[7]	that the information requested is or will soon be publicly available	18(d)
[8]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9, section 6 and section 18 of the Official Information Act.

Treasury Report: FairWay Briefing for Incoming Minister December 2016

Date:	20 December 2016	Report No:	T2016/2536
		File Number:	CM-1-3-110

Action Sought

	Action Sought	Deadline
Minister of Finance (Steven Joyce)	Note this report	None
Minister for ACC (Hon Michael Woodhouse)	Note this report	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Oliver Martin	Analyst, Commercial Operations – Strategy and Policy	+64 4 890 7284 (wk)	N/A (mob)	✓
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Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any
feedback on
the quality of
the report

[2][5]

Treasury Report: FairWay Briefing for Incoming Minister December 2016

Executive Summary

This report supplements a Briefing for the Incoming Ministers of Finance and ACC to be provided by FairWay Resolution Limited (FairWay). It serves to inform the Ministers of Treasury's monitoring role and current workstreams of note. There are no matters requiring immediate attention.

Recommended Action

We recommend that you:

- a. **note** the contents of this report

Craig Weise
Manager, Commercial Operations – Strategy and Policy

Steven Joyce
Minister of Finance

Hon Michael Woodhouse
Minister for ACC

Treasury Report: FairWay Briefing for Incoming Minister December 2016

Purpose of Report

1. This report provides an overview of Treasury's monitoring role as it relates to Fairway Resolution Limited (FairWay). Current workstreams that you should be aware of and the standard reporting schedule are also presented.

FairWay Overview

2. FairWay provides conflict management and dispute resolution services between organisations and the people they come into contact with. It was a subsidiary of the Accident Compensation Corporation (ACC) prior to 2011, after which it became an independent entity and is now a contracted provider to ACC. The company has 86 staff and 136 contractors throughout NZ, handling ~14,000 disputes per year.
3. FairWay provides services across the public and private sectors in industries including medical, financial services, telecommunications, local government and family (Ministry of Justice (MoJ) Family Court). ACC and MoJ are the two core customers and together comprise ~68% and ~15% of revenues respectively.
4. For 2015/16 FairWay delivered Net Profit after Tax of \$0.72m on revenues of \$17m. A dividend payment of \$400,000 was paid in relation to 2015/16, generating an 8% Return on Equity. It has delivered two other \$200,000 dividends to the Crown since its establishment and is valued on the Crown balance sheet at \$5.3m.
5. FairWay's Board and management have pursued a programme of expansion and diversification strategies to help broaden its narrow customer base. These have had some success, with non-ACC revenues rising from 11% of total revenues to 32% over the past three years. Net Profit after Tax is forecast to be \$1.3m for the 2016/17 year.

The Treasury's Role

Treasury is responsible for monitoring the performance of FairWay

6. FairWay's Board is primarily responsible for FairWay's performance and Treasury provides independent analysis, commentary and advice to the shareholding Ministers. We advise you on FairWay's performance and governance issues. Advice is addressed to the Minister for ACC but reports are also sent to the Minister of Finance as the second shareholding Minister.

FairWay's entity form

7. FairWay is listed in Schedule 4A of the Public Finance Act 1989 as an independent Crown-owned company wholly owned by the New Zealand Government. Crown-owned companies operate at arm's length from Ministers and Government departments and are expected to observe the 'no surprises' convention in their dealings with the responsible Minister and their advisors. The overarching legislation is the Crown Entities Act 2004.

Current issues and work under consideration

[2][5]

New Wellington premises being sought

12. Following damage sustained to FairWay's Wellington office in the November earthquake, affected staff have been working remotely. It is likely a new premises will be required, the search for which is currently underway. The Chair and Acting CEO do not consider the disruption to be materially affecting financial performance or services thus far.

Upcoming Change to Board and Chief Executive

13. In September 2016 the Board accepted the resignation of the CEO and appointed Rhys West (GM Business Development) as Acting CEO through to 30 June 2017. The Board consider there to be two strong internal candidates for the CEO position.
14. Four Board appointments ending in December 2016 and early 2017 have been under consideration [2][5]

Name	Start date	End of term
Peter Blades (Chair)	1 Jul 2011	31 Jan 2017
Anita Chan (Deputy Chair)	1 Jul 2011	31 Jul 2018
Tarun Kanji	18 Aug 2014	17 Feb 2017
Rachel Farrant	1 Sep 2016	31 Aug 2019
Daniel Nakhle	17 Dec 2013	16 Dec 2016
Mark Sandelin	17 Dec 2013	16 Dec 2016

15. The Minister agreed to:

- reappoint Daniel Nakhle for a further term of two years and eight months, from 17 December 2016 to 31 August 2019
- reappoint Mark Sandelin for a further term of two years and eight months, from 17 December 2016 to 31 August 2019
- sign the APH Committee documentation confirming the reappointments for the APH Committee meeting on Tuesday 13 December 2016
- retire Tarun Kanji at the end of his term on 17 February 2017
- retire Chair Peter Blades at the end of his term on 31 January 2017, and
- noted that Deputy Chair Anita Chan will step into the Acting Chair role until a new Chair is appointed.

The APH documentation is due to be considered by Cabinet on Tuesday 20 December 2016.

Schedule of Standard Monitoring Advice

Report	Timing	Notes
Letter of Expectations	Dec	Sent December 2016 [T2016/1987 refers]
Statement of Performance Expectations	May	
Statement of Intent	June	FairWay is required to produce a new SOI by June 2017
Quarterly Reports	Sep, Mar, Jun, Dec	Briefings on quarterly performance provided as part of the Crown Company Performance Report each quarter