The Treasury

Budget 2015 Information Release

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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] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

[4] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[6] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

[6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest

[7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility

[9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[10] 9(2)(h) - to maintain legal professional privilege

[11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[14] Not in scope

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

ACC levies: Implementing Government funding policy from 2016/17

The following table shows the indicative impacts of applying Government funding policy to ACC levy rates from 2016/17, updated for 31 March 2015 economic factors. The funding policy aims for a funding target of 100-110 per cent of reported liabilities, using a ten-year funding horizon to smooth levy volatility.

These impacts are best estimates based on the most recent available information on claims experience and economic assumptions. Actual OBEGAL impacts of implementing the funding policy for 2016/17 could differ significantly from this scenario as a result of:

- recent claims experience. The levy rates in this scenario are based on claims experience at December 2013. The levy rates developed as part of ACC's levy consultation process will reflect actual claims experience up to December 2014. Claims experience over that time has worsened, so applying the funding policy to the more recent claims experience will likely result in higher levy rates (and hence lower levy reductions) than were used in this scenario.
- changes in discount rates. Forecast impacts are highly sensitive to subsequent movements in the applicable discount rate, which has been particularly volatile over recent months[1]. A fall in the discount rate reduces ACC's funding position, meaning smaller levy reductions (all else being equal); an increase in the discount rate does the opposite.

Table 1 – Potential OBEGAL impact of implementing Government funding policy for ACC, beginning 1 April 2016 (relative to final BEFU submission)

Fiscal years ($ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-64	-457	-466	-422
Unexpired risk liability (URL)	-99	-28	-40	34
Investment income (interest / dividends)	0	-2	-5	-8
OBEGAL	**-163**	**-487**	**-511**	**-396**
Investment income (gains / losses)	0	-11	-33	-55
Total	**-163**	**-498**	**-544**	**-451**

ACC levy decisions can only be made by Government after consultation and recommendations from ACC. This work will be undertaken later in 2015. We will provide our advice on ACC levy rates for 2016/17 at this time.

[1] From December 2013 to January 2015, estimated levy reductions associated with applying the funding policy from 2016/17 fell from $570 million to $200 million, largely due to discount rate changes.

Supporting information

- Tables 2 and 3 below show the levy rates and levy reductions underpinning Table 1.
- Levy rates for the 2015/16 levy year are already agreed – they started on 1 April in the Earners' and Work Accounts, and will start on 1 July for the Motor Vehicle Account.
- Rates beyond 2015/16 reflect current assumptions, which will change. A decision on 2016/17 levy rates will be sought later this year. After 2016/17, ACC would recalculate levy rates based on up-to-date information.

Table 2 – Average levy rates underpinning levy scenario (levy year)

			Rates assumed in funding policy scenario			
Account	**Current rates**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Earners' Account (per $100 liable earnings)	$1.26		$1.20	$1.22	$1.24	$1.26
Work Account (per $100 liable earnings)	$0.90		$0.70	$0.72	$0.42[2]	$0.75
Motor Vehicle Account (per vehicle)	$330.68	$195.00	$117.98	$122.94	$127.63	$131.92

Table 3 – Levy reductions by fiscal and levy year ($ million)

Financial year	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Motor Vehicle		-210	-251	-237	-225
Earners' (incl Treatment Injury)	-18	-67	-44	-20	7
Work	-46	-181	-171	-165	-153
Total	**-64**	**-457**	**-466**	**-422**	**-371**
Levy year (starts 1 April for Earners' and Work levies)	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Motor Vehicle		-210	-251	-237	-225
Earners' (incl Treatment Injury)		-68	-50	-26	0
Work		-181	-173	-167	-156
Total		**-459**	**-474**	**-430**	**-381**

Table 4 – Unexpired risk liability ($ million) (using 31 March 2015 discount rates)

- These impacts arise primarily because lower levy rates put expected future levy income below expected costs (including a risk margin) for that fiscal year.

Financial year	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Motor Vehicle		-52	3	3	
Earners'	-28	18	19	21	
Work	-71	7	-62	11	
Total	**-99**	**-28**	**-40**	**34**	

2 The rate for levy-payers would be $0.73, but ACC would earn only $0.42. The remaining $0.31 is the residual portion of the Work levy, which is charged against the prior year's earnings. Forecasts assume the residual levy is invoiced for the last time in April 2018, and accrued for the last time in the prior year.