

The Treasury

Budget 2015 Information Release

Release Document July 2015

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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.

Reference: T2015/840

CM-1-3-1-2-3

Date: 24 April 2015

To: Minister of Finance (Hon Bill English)
Associate Minister of Finance (Hon Steven Joyce)

Deadline: Tuesday 28 April 2015

Aide Memoire: Signalling ACC levy reductions at Budget 2015

This aide-memoire provides additional ACC levy scenarios to inform Ministers' decisions about what (if any) provision is made for levy reductions in Budget 2015 forecasts. We recommend that you discuss these scenarios with your colleagues. Further information about each scenario is at Appendix A. An oral item corresponding to each scenario, which may be tabled at Cabinet as required, is at Appendix B.

Table 1: Summary of ACC levy scenarios

Scenario	Aggregate levy reductions in 2016/17 fiscal year	2015/16 OBEGAL impact (compared to ACC's BEFU submission)
Scenario A: Reductions in all 3 accounts, as currently implied by Government funding policy <i>Variant:</i> Flat levy rates in out years	\$457m <i>Variant:</i> \$468m	\$163m
Scenario B: Reductions in all 3 accounts	\$419m	\$132m
Scenario C: Reductions in all 3 accounts; smaller Work and Earners' reductions than Scenario B	\$379m	\$93m
Scenario D: Work and Motor Vehicle reductions only	\$339m	\$62m
Scenario E: Spread reductions implied by funding policy over 2 years	\$267m	\$44m

Assumptions in these scenarios

As per ACC's Budget submission:

- calculations are based on economic factors as at the end of March 2015
- actuarial estimates are based on December 2013 claims experience (the most recent available). ACC's levy consultation rates will reflect more recent claims experience, which (due to deterioration in experience) may indicate higher levies

- it is assumed that the residual Work levy will continue to be charged and accrued on liable earnings up to the 2017/18 levy year (invoiced in the 2018/19 levy year).

Flat levy rates after 2015/16

- The scenarios include flat levies after the 2015/16 levy year, so that (in line with Ministers' request) levy reductions are not followed immediately by an increase.
 - This approach differs from the funding policy, which (all else being equal) would adjust levies gradually in line with costs. In practice, the levy path would be re-set every 1-2 years based on updated information.
 - On current projections, solvency in these scenarios does not fall below 100 per cent during the forecast period (by 2018/19). Everything else being equal, flat levies could lead to a larger increase when levies need to rise again. As you are aware, in practice solvency levels can fluctuate significantly in response to economic and other changes.

Communication of indicative levy reductions

- We recommend that Ministers consider how any indicative levy reductions are signalled in light of the funding policy:
 - The reductions in Scenario A are generated by applying the Government funding policy (as agreed in 2014) in the 2016/17 levy year. Since the policy responds to changes in solvency, however, the levy reductions implied by the policy could change significantly over time – e.g. \$468m in levy reductions may not correspond to funding policy reductions by the time 2016/17 levy decisions are made.
 - Scenarios B – D are unrelated to the funding policy.
 - Scenario E splits the reductions implied by the funding policy over two years. As for Scenario A, however, the funding policy may imply different reductions by the time levy decisions are made.
- We envisage that Budget communications would focus on signalling the expected total amount of levy reductions for levy payers, rather than levy rates. It is worth noting that:
 - the figures cited are for fiscal years, whereas levy reductions are normally quoted in levy years. Levy year information can be provided for Budget communications
 - a given amount of levy reductions could have a different OBEGAL impact in future, due to changes in economic and other factors.

No decisions on levy rates are sought now

No decisions on 2016/17 ACC levy rates are sought now, as ACC levy decisions can only be made by Government after consultation and recommendations from ACC. This work will be undertaken later in 2015. Treasury will provide advice on 2016/17 ACC levies at that time.

These scenarios are not recommended by ACC, and are unlikely to align with the levy rates that the ACC Board will consult on later in 2015.

Next steps

We recommend that you forward this aide-memoire to the Minister for ACC. Any decisions by Cabinet on Tuesday 28 April on the provision for ACC levy reductions will be built into final Budget forecasts.

Helen Anderson, Senior Analyst, Health, 04 917 6307

Ben McBride, Manager, Health, 04 917 6184

Appendix A – Scenarios

Scenario A – Rates implied by Government funding policy (\$163m OBEGAL impact in 2015/16)

This scenario reduces levy rates in line with the Government funding policy from the 2016/17 levy year. Levy rates are projected to increase gradually in out years in line with costs.

These reductions may not correspond to the funding policy by the time 2016/17 levy rates are consulted on and decisions made. For example, deteriorating claims experience is expected to make levy reductions smaller.

Table A1: Summary of impacts

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 (int / div)	0	-2	-5	-8
OBEGAL	-163	-487	-511	-396
Investment income (g / l)	0	-11	-33	-55
Total (operating balance)	-163	-498	-544	-451

Table A2: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17	2017/18	2018/19	2019/20	2020/21
Earners'	\$1.26	\$1.20	\$1.22	\$1.24	\$1.26	\$1.28
Work	\$0.90	\$0.70	\$0.72	\$0.73 ¹	\$0.75	\$0.76
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$117.98	\$122.94	\$127.63	\$131.92	\$136.84

Rates are per \$100 liable earnings in the Earners' and Work Accounts, and per vehicle for the Motor Vehicle Account.

Variant: Flat levy rates in out years

This variant flattens levy rates in out years. It has the same OBEGAL impact in 2015/16 as the scenario above.

¹ ACC would accrue only \$0.42 in this year due to the residual levy.

Table A3: Summary of impacts

Fiscal years (\$ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-64	-468	-533	-547
Unexpired risk liability (URL)	-99	-61	-71	-7
Investment income (int / div)	0	-11	-33	-57
OBEGAL	-163	-540	-638	-611
Investment income (g / l)	0	-2	-7	-12
Total (operating balance)	-163	-542	-645	-623

Table A4: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17 and out years
Earners'	\$1.26	\$1.20
Work	\$0.90	\$0.70
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$117.98

Scenario B – \$132m OBEGAL impact in 2015/16

This scenario provides for levy reductions across all three accounts.

Table B1: Summary of impacts

Fiscal years (\$ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-52	-419	-483	-494
Unexpired risk liability (URL)	-80	-60	-71	-7
Investment income (int / div)	0	-10	-30	-52
OBEGAL	-132	-489	-584	-553
Investment income (g / l)	0	-2	-6	-11
Total (operating balance)	-132	-491	-590	-564

Table B2: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17 and out years
Earners'	\$1.26	\$1.24
Work	\$0.90	\$0.70
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$117.98

Rates are per \$100 liable earnings in the Earners' and Work Accounts, and per vehicle for the Motor Vehicle Account.

Scenario C – \$93m OBEGAL impact in 2015/16

This scenario provides for levy reductions across all three accounts. The Earners' and Work levy reductions would be smaller than under Scenario B.

Table C1: Summary of impacts

Fiscal years (\$ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-42	-379	-441	-451
Unexpired risk liability (URL)	-51	-59	-69	-5
Investment income (int / div)	0	-9	-28	-48
OBEGAL	-93	-447	-538	-504
Investment income (g / l)	0	-2	-6	-10
Total (operating balance)	-93	-449	-544	-514

Table C2: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17 and out years
Earners'	\$1.26	\$1.25
Work	\$0.90	\$0.73
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$117.98

Rates are per \$100 liable earnings in the Earners' and Work Accounts, and per vehicle for the Motor Vehicle Account.

Scenario D – \$62m OBEGAL impact in 2015/16

This scenario provides for Work and Motor Vehicle levy reductions.

Table D1: Summary of impacts

Fiscal years (\$ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-32	-339	-400	-408
Unexpired risk liability (URL)	-30	-58	-69	-5
Investment income (int / div)	0	-8	-25	-43
OBEGAL	-62	-406	-493	-456
Investment income (g / l)	0	-2	-5	-9
Total (operating balance)	-62	-407	-499	-465

Table D2: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17 and out years
Earners'	\$1.26	\$1.26
Work	\$0.90	\$0.76
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$117.98

Rates are per \$100 liable earnings in the Earners' and Work Accounts, and per vehicle for the Motor Vehicle Account.

Scenario E – \$44m OBEGAL impact in 2015/16

This scenario spreads the levy reductions implied by the new funding policy over two years, and then holds levy rates flat in out years.

Motor Vehicle levy reductions do not affect the 2015/16 fiscal year. As a variant on this option, Ministers could therefore consider reducing the Motor Vehicle levy in a single step (to \$117.98 in 2016/17) without any additional OBEGAL impact.

Table E1: Summary of impacts

Fiscal years (\$ million)	2015/16	2016/17	2017/18	2018/19
Levy revenue	-32	-267	-507	-547
Unexpired risk liability (URL)	-12	-121	-98	-7
Investment income (int / div)		-6	-22	-46
OBEGAL	-44	-394	-627	-600
Investment income (g / l)	0	-1	-5	-10
Total (operating balance)	-44	-395	-632	-610

Table E2: Average levy rates used in this scenario (levy year)

Account	Current rates	2016/17	2017/18 and out years
Earners'	\$1.26	\$1.23	\$1.20
Work	\$0.90	\$0.80	\$0.70
Motor Vehicle	\$330.68 (to 30/06/15) \$195.00 (from 01/07/15)	\$156.49	\$117.98

Rates are per \$100 liable earnings in the Earners' and Work Accounts, and per vehicle for the Motor Vehicle Account.

[SCENARIO A]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$457m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$163m in 2015/16. These reductions reflect the following average levy rates:

Table 1: Average levy rates (levy year)

Account	2016/17	2017/18	2018/19	2019/20	2020/21
Earners' Account	\$1.20	\$1.22	\$1.24	\$1.26	\$1.28
Work Account	\$0.70	\$0.72	\$0.73 ²	\$0.75	\$0.76
Motor Vehicle Account	\$117.98	\$122.94	\$127.63	\$131.92	\$136.84

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

I recommend that Cabinet:

1. **agree** to a provision in 2015 Budget forecasts of \$457m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$163m in 2015/16;

² ACC would accrue only \$0.42 in this year due to the residual levy.

2. **note** that these reductions reflect the following average levy rates:

Average levy rates (levy year)

Account	2016/17	2017/18	2018/19	2019/20	2020/21
Earners' Account	\$1.20	\$1.22	\$1.24	\$1.26	\$1.28
Work Account	\$0.70	\$0.72	\$0.73 ³	\$0.75	\$0.76
Motor Vehicle Account	\$117.98	\$122.94	\$127.63	\$131.92	\$136.84

3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
 - 4.2 the fiscal position;
5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 may differ significantly from the levy rates outlined in recommendation 2, due to factors including:
- 6.1 recent ACC claims experience, which (everything else being equal) would result in smaller levy reductions; and
 - 6.2 future changes in discount rates.

³ ACC would accrue only \$0.42 in this year due to the residual levy.

[SCENARIO A with flat levy rates in out years]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$468m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$163m in 2015/16. These reductions reflect the following average levy rates in the 2016/17 levy year and out years:

Table 1: Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.20 per \$100 liable earnings
Work Account	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

I recommend that Cabinet:

1. **agree** to a provision in 2015 Budget forecasts of \$468m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$163m in 2015/16;

2. **note** that these reductions reflect the following average levy rates in 2016/17 and out years:

Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.20 per \$100 liable earnings
Work Account	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
 - 4.2 the fiscal position;
5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 may differ significantly from the levy rates outlined in recommendation 2, due to factors including:
- 6.1 recent ACC claims experience, which (everything else being equal) would result in smaller levy reductions; and
 - 6.2 future changes in discount rates.

[SCENARIO B]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$419m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$132m in 2015/16. These reductions reflect the following average levy rates in the 2016/17 levy year and out years:

Table 1: Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.24 per \$100 liable earnings
Work Account	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

I recommend that Cabinet:

1. **agree** to a provision in 2015 Budget forecasts of \$419m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$132m in 2015/16;

2. **note** that these reductions reflect the following average levy rates in 2016/17 and out years:

Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.24 per \$100 liable earnings
Work Account	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
 - 4.2 the fiscal position;
5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 are unlikely to align with the levy rates outlined in recommendation 2.

[SCENARIO C]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$379m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$93m in 2015/16. These reductions reflect the following average levy rates in the 2016/17 levy year and out years:

Table 1: Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.25 per \$100 liable earnings
Work Account	\$0.73 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

I recommend that Cabinet:

1. **agree** to a provision in 2015 Budget forecasts of \$379m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$93m in 2015/16;

2. **note** that these reductions reflect the following average levy rates in 2016/17 and out years:

Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.25 per \$100 liable earnings
Work Account	\$0.73 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
 - 4.2 the fiscal position;
5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 are unlikely to align with the levy rates outlined in recommendation 2.

[SCENARIO D]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$339m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$62m in 2015/16. These reductions reflect the following average levy rates in the 2016/17 levy year and out years:

Table 1: Average levy rates (levy year)

Account	Average levy rate 2016/17
Earners' Account	\$1.26 per \$100 liable earnings
Work Account	\$0.76 per \$100 liable earnings
Motor Vehicle Account	\$117.98 per vehicle

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

1. **agree** to a provision in 2015 Budget forecasts of \$339m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$62m in 2015/16;

2. **note** that these reductions reflect the following average levy rates in 2016/17 and out years:

Average levy rates (levy year)

Account	Average levy rate
Earners' Account	\$1.26 per \$100 liable earnings
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3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
 - 4.2 the fiscal position;
5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 are unlikely to align with the levy rates outlined in recommendation 2.

[SCENARIO E]

Office of the Minister of Finance
Budget-Sensitive

Chair
Cabinet

ORAL ITEM: INDICATIVE ACC LEVY REDUCTIONS

I am seeking Cabinet's agreement to make provision for ACC levy reductions in Budget 2015 forecasts.

I recommend a provision of \$267m levy reductions in the 2016/17 fiscal year, with a projected OBEGAL impact of \$44m in 2015/16. These reductions reflect the following average levy rates in the 2016/17 levy year and out years:

Table 1: Average levy rates (levy year)

Account	Average levy rate 2016/17	Average levy rate 2017/18 and out years
Earners' Account	\$1.23 per \$100 liable earnings	\$1.20 per \$100 liable earnings
Work Account	\$0.80 per \$100 liable earnings	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$156.49 per vehicle	\$117.98 per vehicle

These levy reductions are based on economic factors as at March 2015 and ACC claims experience as at December 2013. The OBEGAL impacts of these levy reductions could change due to the impacts of economic and other factors.

No decisions on 2016/17 ACC levy rates are sought now. ACC levy decisions can only be made after consultation and recommendations from ACC. This work will be undertaken later in 2015.

Recommendations

I recommend that Cabinet:

1. **agree** to a provision in 2015 Budget forecasts of \$267m for ACC levy reductions in 2016/17, with a projected OBEGAL impact of \$44m in 2015/16;

2. **note** that these reductions reflect the following average levy rates:

Average levy rates (levy year)

Account	Average levy rate 2016/17	Average levy rate 2017/18 and out years
Earners' Account	\$1.23 per \$100 liable earnings	\$1.20 per \$100 liable earnings
Work Account	\$0.80 per \$100 liable earnings	\$0.70 per \$100 liable earnings
Motor Vehicle Account	\$156.49 per vehicle	\$117.98 per vehicle

3. **note** that these levy reductions are based on economic factors as at March 2015 and claims experience as at December 2013;
4. **note** that no final decisions on 2016/17 levy rates are sought now, and that any provision agreed under recommendation 1 is subject to:
- 4.1 levy consultation and recommendations by ACC; and
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5. **note** that ACC will develop recommendations based on updated ACC claims experience and economic factors for consultation later in 2015;
6. **note** that ACC's recommended levy rates for 2016/17 are unlikely to align with the levy rates outlined in recommendation 2.