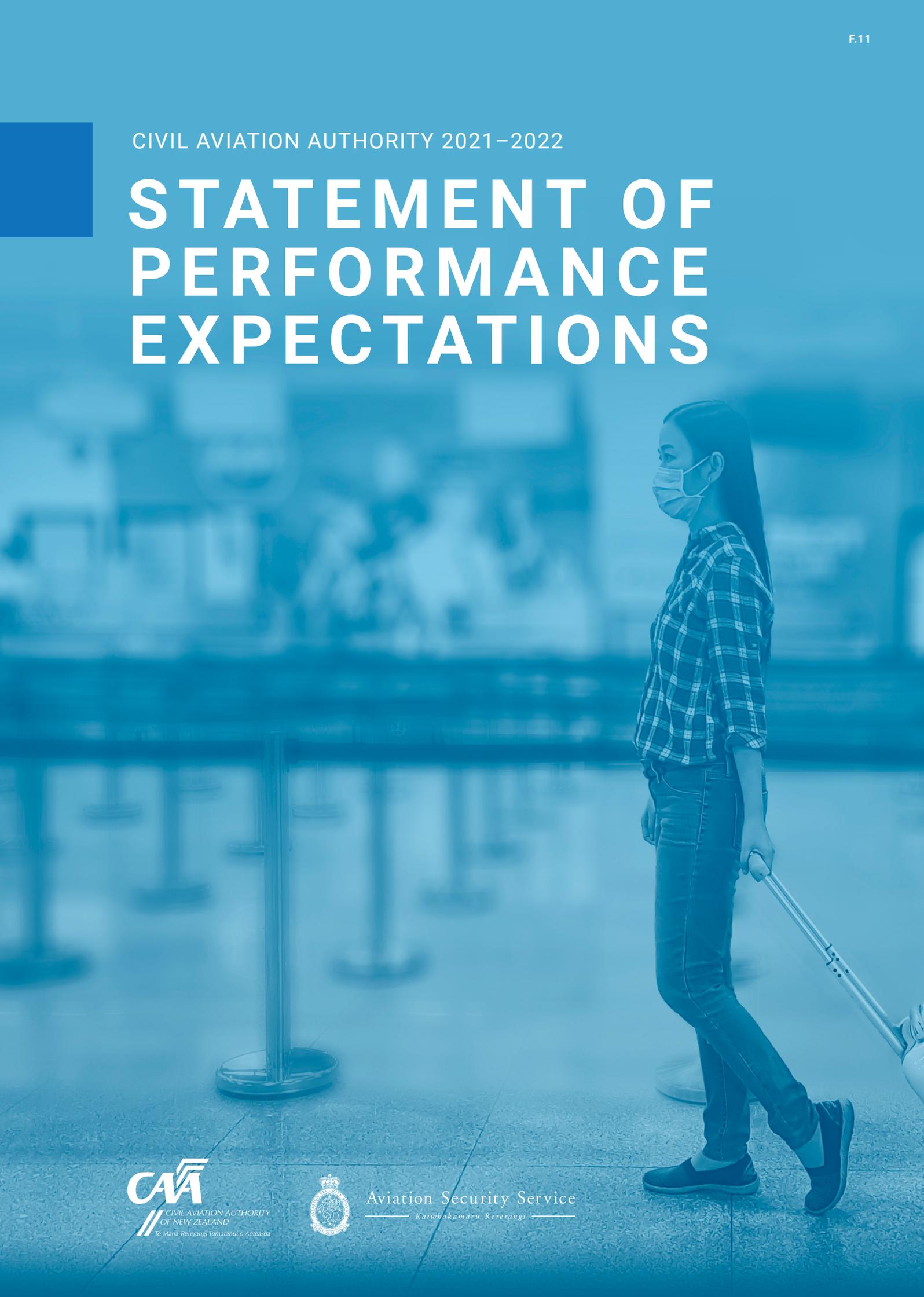


CIVIL AVIATION AUTHORITY 2021–2022

STATEMENT OF PERFORMANCE EXPECTATIONS



Board statement

The Authority certifies that the information contained in this Statement of Performance Expectations (SPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2021 to 30 June 2022.

In signing this statement, we acknowledge our responsibility for the prospective financial statements contained in this SPE.

Signed on: 17 June 2021



Janice Fredric

Chair of the Civil Aviation Authority of New Zealand



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Note: Further copies of this document can be downloaded from aviation.govt.nz

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Introduction

This document sets out the outputs that the Civil Aviation Authority (the Authority) provides and the standards against which we will assess our performance in 2021/22. It is an integral part of our strategic framework, as described in the 2021 – 2026 Statement of Intent.

The Authority works to ensure the safety and security of New Zealand’s civil aviation system through exercising leadership and influence, active regulatory stewardship, and professional regulatory practice. This supports our

vision and purpose of a safe and secure aviation system – so that people are safe, and feel safe, when they fly. It also contributes to the Government’s aim of a transport system that improves wellbeing and liveability.

2021/2022 strategic and operational environment

2021/2022 is a year of rebuilding, following the impacts of the COVID-19 pandemic on our sector, workforce and funding, and that of bedding in our organisation’s restructure and culture change. Major regulatory projects, for example the anticipated passage of the Civil Aviation Bill into primary legislation, will also require organisational change.

Our support for the wider Government response to COVID-19 will continue in 2021/2022, particularly through the deployment of our aviation security staff to work in managed isolation and quarantine facilities. Specific funding has now been provided from the Crown to support this (Output Class 5).

We aim to provide a safe, secure, and enabling environment for the New Zealand civil aviation sector, ensuring the system continues to modernise while maintaining safety. We do this by considering the impact on individuals in the civil aviation system – from passengers to participants, communities, businesses and the environment. We work closely with industry stakeholders to identify and resolve issues affecting aviation safety and security, and the regulation underpinning the sector.

In the coming year our work will continue with Government, aviation participants and stakeholders to achieve the best possible outcomes for the aviation industry and the New Zealand public. This includes working closely with WorkSafe New Zealand and other agencies to minimise the risk of regulatory operational gaps between systems. We will also continue to work closely with the Transport Accident Investigation Commission, to ensure recommendations from aviation investigations are carried out in a timely manner.

We aim to provide a safe, secure, and enabling environment for the New Zealand civil aviation sector.

Expectations from the Minister of Transport

The Minister of Transport's Letter of Expectations for 2021 asks the Authority to focus on the following specific areas:

- regulatory performance and organisational capability (refer to output class 1, and the building blocks)
- safety management and the Health and Safety at Work Act 2015 (refer to output classes 3 and 4)
- working with others to deliver good transport outcomes in aviation (refer to output classes 1 and 2, and the building blocks)
- supporting the Government's goals for modernising the aviation system (refer to output classes 1,2, and 3, and the building blocks)
- enhancing resilience and security (refer to output classes 4 and 5)
- organisational culture and change (refer to the building blocks)
- good employment practices (refer to the building blocks)
- financial management (refer to the building blocks).

Changes to our strategic framework and our approach to this document

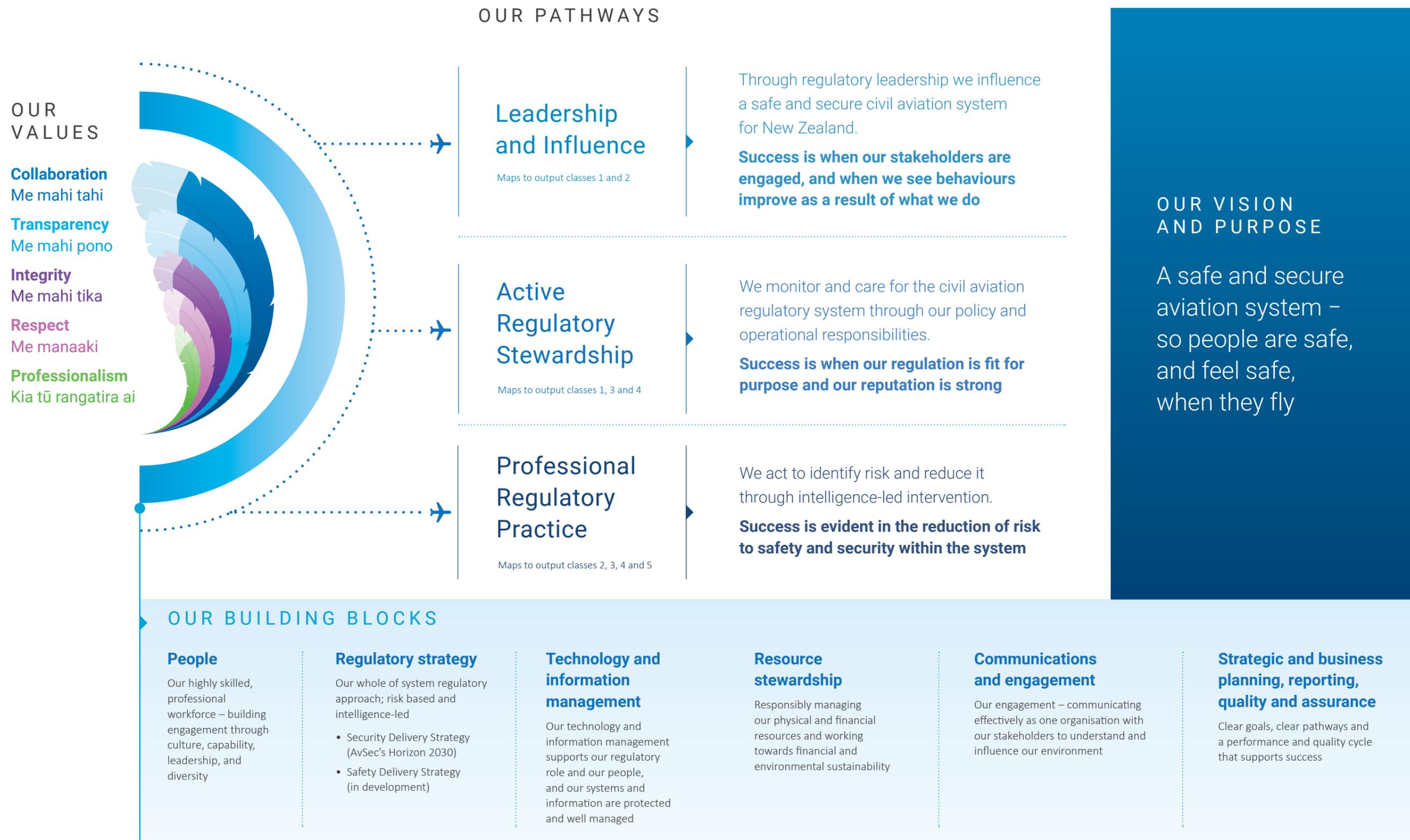
The following page sets out the refreshed strategic framework for the Authority. This framework forms the basis of our updated Statement of Intent 2021 – 2026. Changes include the identification of our three key pathways for achieving our purpose and vision, and the addition of organisational building blocks – the tools and resources we use to achieve our purpose and vision.

As part of refreshing the strategic framework, we have carefully looked at how we frame and measure performance at the Authority. The outcome of this work is a set of performance measures for output classes 1 – 5 that are results driven and aim to provide a good sense of overall performance direction, without being burdensome to read. To support this approach, we have, for the first time, used graphics in our output class information.

This is to illustrate the context of our work and to show trends over time.

Our performance measures are selected through a process of reviewing historical information, identifying the critical outcomes we seek, and then drawing out key measures for those outcomes.

Our strategic framework and how we position ourselves to deliver



Building blocks

Our organisational 'building blocks' are the foundational activities which support the organisation to deliver.

<p>People</p>	<p>We will enable and resource a highly skilled, professional workforce, building engagement through culture, capability, leadership and diversity.</p> <p>To do this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • deliver on the Te Kākano (culture change) programme that addresses the 31 recommendations from the 2020 Ministerial Review • deliver on the actions set out in our Health, Safety and Wellbeing Strategy; our Leadership Strategy; and our Diversity and Inclusion Strategy.
<p>Regulatory strategy and supporting strategies</p>	<p>We will demonstrate a whole of system, regulatory approach that is risk-based and intelligence-led. Our regulatory strategy sets out how we will conduct our regulatory activity, our priorities, and how we will stay true to our values. This will be supported by two delivery strategies – security delivery (AvSec's Horizon 2030) and safety delivery. To do this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • deliver on the 12-month action plan for regulatory safety and security • develop the safety delivery strategy.
<p>Technology and information management</p>	<p>Our technology and information management supports our regulatory role and our people, and our systems and information are protected and well managed.</p> <p>To do this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • update the digital platform that we use to support our regulatory work (we are implementing safety oversight management software – known as EMPIC) • deliver on our digital services, information and technology strategies • support the Authority with the appropriate tools and information to enable the performance of our duties.
<p>Resource stewardship</p>	<p>Responsibly managing our physical and financial resources and working towards financial and environmental sustainability.</p> <p>To do this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • initiate a review of funding options to consider ongoing funding of Authority functions • maintain effective financial stewardship within the requirements of the relevant Acts and standards¹ • maintain effective property and resource stewardship through implementation of our property strategy.
<p>Communications and engagement</p>	<p>We communicate effectively as one organisation with our stakeholders, to understand and influence safety and security of the aviation system.</p> <p>Our people and participants know what their roles are in ensuring a safe and secure aviation system, and how to access what they need. To do this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • continue to deliver and enhance our outreach, education and engagement activities • deliver on our stakeholder engagement plan.
<p>Strategy and business planning, quality systems and assurance</p>	<p>We establish clear goals and pathways to deliver and carry these through with a performance and quality cycle that supports success.</p> <p>Having the tools to ensure we focus on the right things, make the right decisions and use our resources to best effect. To achieve this, during 2021/22 we will:</p> <ul style="list-style-type: none"> • continue to develop and refine our tools to support business planning, quality systems, risk management and business assurance across the Authority.

¹ The Public Finance Act, the Crown Entities Act 2004, and the New Zealand equivalents to International Public Sector Accounting Standards.

2021/22 Statements of Performance Expectations

How we are funded to deliver

The following pages explain the outputs (goods and services) that the Authority is funded to provide, the results we seek for each, and how we will assess our performance.

We are funded to deliver the following five classes of output:

- Output Class 1: Policy & Regulatory Strategy
- Output Class 2: Outreach
- Output Class 3: Certification & Licensing
- Output Class 4: Monitoring, Inspection and Investigation
- Output Class 5: Security Service Delivery.

The Authority has three primary sources of revenue:

- aviation participant fees and charges for licensing and certification
- passenger charges and levies for civil aviation regulatory functions and security screening
- funding from the Crown, as below.

Crown funding of our output class activities

The activities funded through the Crown from Vote Transport are denoted by an asterisk* on the following pages. The associated funding is disclosed in the output class statements.

Vote Transport multi-category appropriation 'Policy Advice and Related Outputs'

This appropriation funds International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), and Hazardous Substances and New Organisms Act and Innovative Aviation Certificates (delivered within Output Class 4: Monitoring, Inspection and Investigation).

This multi-class appropriation is intended to achieve a safe and secure airspace environment through the implementation and maintenance of rules and regulations and the management of risk for all aviation activities.

Vote Transport non-departmental output 'Health and Safety at Work Activities – Civil Aviation'

The funding for Health and Safety at Work activities is provided under this appropriation, and is delivered within Output Class 4: Monitoring, Inspection and Investigation.

Vote Transport appropriation 'Maritime Port Security'

This appropriation funds preparedness to provide a maritime security response role to a high-level threat situation affecting cruise ships or their passengers. This activity is delivered under Output Class 5: Security Service Delivery.

Additional funding through Vote Transport

We receive additional Crown funding to maintain our ability to deliver core functions, and to assist managed isolation and quarantine facilities.

Output Class 1: Policy and regulatory strategy

This output class strongly contributes to our strategic pathways of leadership and influence (in how we engage, influence and provide information to stakeholders), and active regulatory stewardship (in how we contribute to a whole of system, life-cycle view of safety and security regulation).

Why this is important

Continuous improvement is foundational to the safety and security of the civil aviation regulatory system. We must take an active, not passive, role in regulatory stewardship; leading and influencing so that participants, Government, and other stakeholders can make informed decisions.

What we want to achieve

We aim to provide excellent administration of regulation for the civil aviation system in New Zealand, supporting the Minister of Transport and other parts of Government to make informed decisions on issues to do with the civil aviation system.

What we do to deliver on this output

- we coordinate strategic engagement in the international aviation system
- we administer New Zealand's civil aviation obligations and interests within the delegation of the Minister of Transport
- we deliver Ministerial services – e.g. providing answers to parliamentary questions, briefings, responses to letters to the Minister from the public
- we develop options and solutions for specific issues within the aviation regulatory system
- we proactively identify emerging issues for aviation
- we deliver major policy and regulatory projects
- we develop and maintain linkages internally, across Government, internationally, and within industry.

Key policy and international initiatives in 2021/2022

Despite the current difficulties with travelling internationally, we continue to engage with our international counterparts and the International Civil Aviation Organization (ICAO) to meet New Zealand's obligations as a participant in a global aviation system. International engagement has moved towards attendance at online summits, meetings, and conferences, and to remote support of our Pacific Island partners.

We will continue to work with the Ministry of Transport on the refreshment of the Civil Aviation Act 1990, with a new Civil Aviation Bill working its way through the legislative process.

We will continue to develop our regulatory strategy, with supporting safety and security delivery strategies. The regulatory strategy is a foundational piece of work (also noted as an organisational building block) that describes our regulatory approach – how we will conduct our activities and carry out our priorities whilst staying true to our values.

We will continue to work with other government departments to ensure the appropriate and safe development and use of new technologies in the aviation system.

How we will measure our performance

This output class contains the following six categories:

1.1 International relations and International Civil Aviation Organization obligations

1.2 Ministerial servicing – civil aviation

1.3 Policy advice – civil aviation

1.4 System level design and intervention

1.5 Rules and standards development

1.6 Pacific support

OUTPUT MEASURE		2020/21 ESTIMATED PERFORMANCE	2021/22 PERFORMANCE TARGET
1.1.1	*We will ensure New Zealand's obligations as a signatory state to the Chicago convention are met, where appropriate for New Zealand: <ul style="list-style-type: none"> Maintained alignment with existing Standards and Recommended Practices (SARPs) Alignment with new SARPS Filing of Differences within required timeframes. 	Maintained Achieved 100%	Maintained Achieved 100%
1.2.1	*Our reports, correspondence and Parliamentary questions will be acceptable to the Minister (assessed through a biannual survey).	Met expectations	Meet or exceed expectations
1.3.1	*The policy advice we provide to Ministers, government departments and agencies meets the Authority's internal guidelines for quality policy advice.	100%	100%
1.4.1	We assess all emerging issues that impact the aviation regulatory system according to our issue assessment procedures.	100%	100%
1.4.2	We will develop and release a regulatory strategy.	New measure	By 30 June 2022
1.5.1	The rules and standards programme is delivered as agreed with the Minister of Transport.	100%	100%
1.6.1	Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade (MFAT).	100%	100%

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
Cost to deliver Output Class 1: Policy and regulatory strategy		
Crown funding (Vote Transport – Policy Advice)	1,779	1,887
Crown – protection of core functions	779	770
Ministry contract revenue (Rules development and Pacific)	1,544	2,300
Levies	2,007	2,375
Total output revenue	6,109	7,332
Total output expenses	(6,109)	(7,332)
Net surplus (/deficit)	-	-

Output Class 2: Outreach

This output class contributes to our strategic functions of leadership and influence (in how we engage, influence and provide information to the sector), and professional regulatory practice (in how we act to ensure safety and security knowledge is disseminated and understood).

Why this is important

Engagement with participants, organisations, and other aviation sector stakeholders is critical for the Authority. We need to understand what is happening in the environment that we regulate. Conversely, those who are regulated need to hear safety messages, updates on the regulatory environment, and to be aware of their responsibilities to keep the civil aviation system safe.

What we want to achieve

Increased understanding and awareness of the roles, responsibilities and risks of operating in the civil aviation system, by regulated parties (including non-traditional participants – for example, drone operators), stakeholders and the New Zealand public, so that behaviour changes and the civil aviation system becomes safer over time.

What we do to deliver on this output

- stakeholder communications (various channels – face to face visits, publications, online, etc.)
- aviation industry / regulatory partner facilitation, engagement and collaboration
- research and analysis
- risk-based safety and security campaign development and delivery.

How we will measure our performance

OUTPUT MEASURE		2020/21 ESTIMATED PERFORMANCE	2021/22 PERFORMANCE TARGET
2.1.1	We build safety awareness through: <ul style="list-style-type: none"> our face to face Aviation Safety Adviser visits to participants education courses, workshops or seminars to participants nation-wide safety reports published on the Authority's website targeted safety campaigns in response to specific areas of concern or new issues that arise. 	1,200 ² 12 4 4	500 individual participants 12 delivered 4 published 5 campaigns
2.1.2	Our education courses, workshops, or seminars are rated by participants as a 3 or higher ³ .	97%	85%
2.1.3	Our targeted safety campaigns meet or exceed their agreed success criteria.	100%	85%
2.1.4	We will implement an action plan to support our Stakeholder Engagement Strategy.	New measure	By 30 June 2022

Cost to deliver Output Class 2: Outreach	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
Crown – protection of core functions	505	560
Levies	722	2,066
Other revenue	9	14
Total output revenue	1,236	2,641
Total output expenditure	(1,535)	(2,641)
Net surplus/(deficit)	(299)	-

2 Due to the impact of the COVID-19 pandemic, Aviation Safety Advisers increased the frequency of engagement with participants in the sector. This increase in activity helped participants with safety support and advice during a difficult time and kept them engaged with the Authority.

3 Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar? How would you rate the seminar overall?

Output Class 3: Certification and licensing

This relates to our strategic pathways to carry out professional regulatory practice (through our activities to allow people to enter, exit, and participate in the system), and active regulatory stewardship (through our intelligence-led risk assessments and continuous improvement).

Why this is important

People and organisations operating within the civil aviation system must be appropriately licensed, certified, and aware of their responsibilities as participants in the sector, to ensure the overall safety of the civil aviation system.

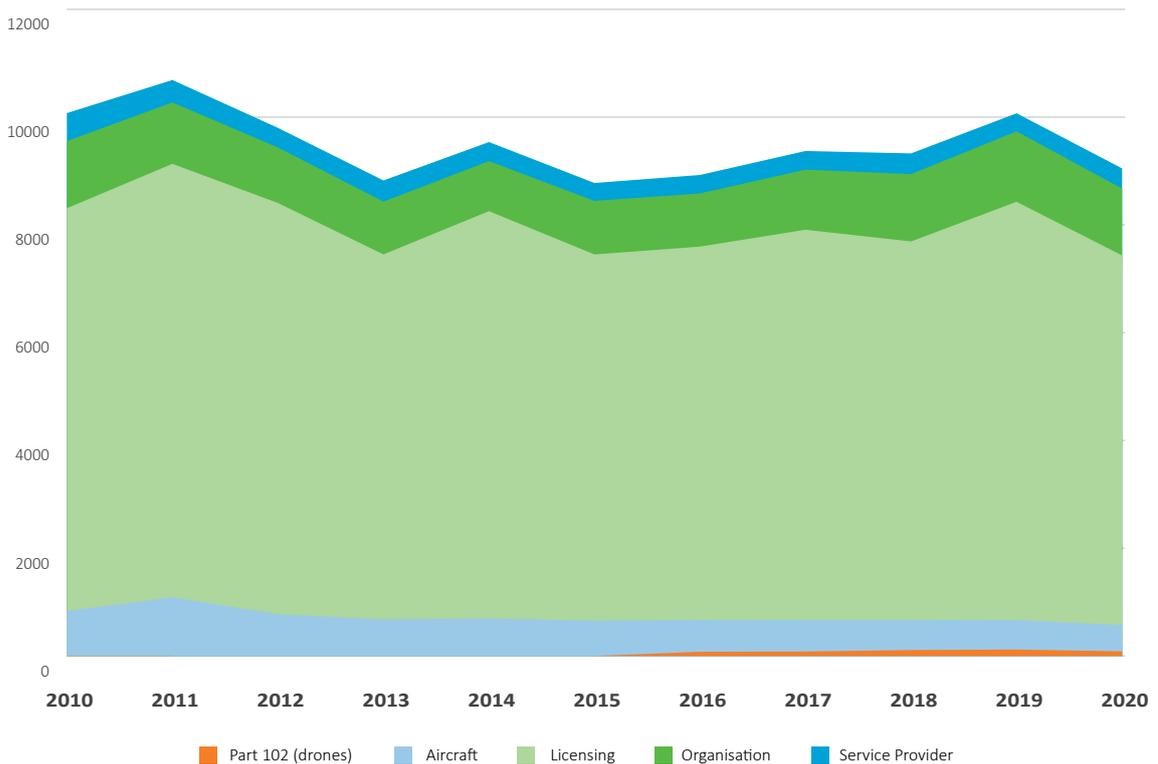
What we want to achieve

Robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

What we do to deliver on this output

- exercise control over entry, through issuing or amending aviation documents, and approvals of organisations, individuals and products
- exercise control over exit, through the suspension and revocation of documents
- provide administration of the ADS-B transponders rebate scheme.

Certification and licensing activity (work requests) 2010 - 2020



How we will measure our performance

OUTPUT MEASURE		2020/21 ESTIMATED PERFORMANCE	2021/22 PERFORMANCE TARGET
3.1.1	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.	New measure	<i>Note – measure in development during 2021/2022</i>
3.1.2	Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving a complete application.	New measure	100%
3.1.3	Timeliness: All personnel licensing activities will be completed within ten working days of receiving a compliant application.	100%	100%
3.1.4	Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards.	100%	100% of the time
3.1.5	Applications to the ADS-B transponders rebate scheme that meet eligibility criteria are administered within required standards.	100%	100%
3.1.6	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> Of PDCAs⁴ that identified an improvement opportunity, 75% resulted in improvement actions. 	New measure	75% of PDCAs result in improvement actions

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
Cost to deliver Output Class 3: Certification and licensing		
Crown funding (Vote Transport – New technologies and ADS-B)	3,559	4,670
Crown – protection of core functions	11,913	15,348
Levies	8,556	6,524
Fees and charges	5,688	5,384
Other revenue	211	172
Total output revenue	29,927	32,097
Total output expenditure	(31,861)	(32,097)
Net surplus (/deficit)	(1,934)	-

⁴ Plan-Do-Check-Act process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.

Output Class 4: Monitoring, inspection and investigation

We carry out professional regulatory practice through our active investigations, audits, and monitoring activities, and active regulatory stewardship through our intelligence-led risk assessments and continuous improvement.

Why this is important

We take an active role in the civil aviation system, ensuring that participants act safely within the system. Monitoring, inspection and investigation activities ensure that we are confident that risks are being well managed throughout the civil aviation system, and that participants are carrying out their responsibilities, or are in a position to act if they are not.

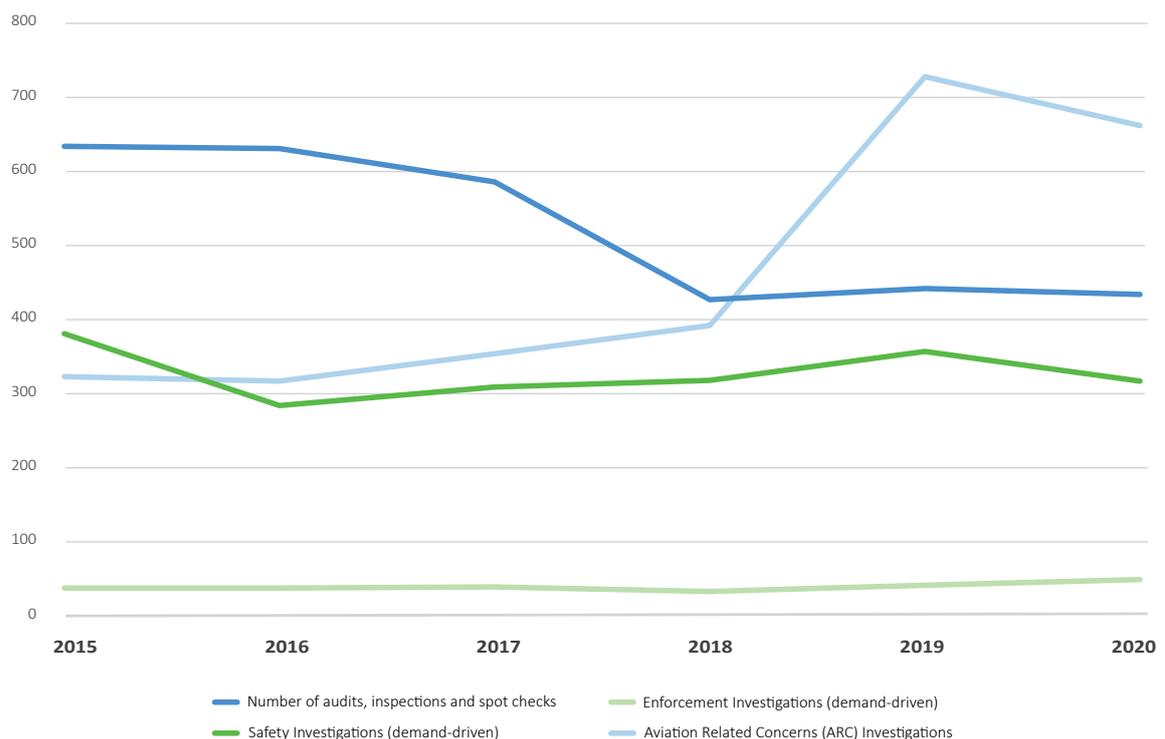
What we want to achieve

Continued assurance that the aviation system in New Zealand is safe and secure.

What we do to deliver on this output

- we monitor adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the Civil Aviation Act 1990, the Health and Safety at Work Act 2015 and the Hazardous Substances and New Organisms Act
- we assess safety data and information to identify safety and security risks in order to inform and influence the management of risk
- we take appropriate action in the public interest to enforce the provisions of the Acts and Rules, and to address safety risk.

Quantity of monitoring, inspections and investigations carried out 2015–2020



How we will measure our performance

OUTPUT MEASURE		2020/21 ESTIMATED PERFORMANCE	2021/22 PERFORMANCE TARGET
4.1.1	We will complete health and safety assessments, investigations and audits within: ⁵ <ul style="list-style-type: none"> • 180 days • 12 months 	74% 100%	60% 100%
4.1.2	We will monitor adherence to the Civil Aviation Act 1990 through the conduct of: <ul style="list-style-type: none"> • Oversight activities⁶, e.g. Audits, inspections, spot checks and system performance reviews⁷ • Safety Investigations⁸ • Enforcement Investigations • Aviation Related Concerns (ARC) Investigations • Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document)⁹ 	300 200 40 480 2	400–500 300–390 20–40 500–600 2–5
4.1.3	Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our regulatory model.	100%	100% of those assessed comply
4.1.4	We will complete investigations of Aviation Related Concerns within: <ul style="list-style-type: none"> • 180 days of receipt • 12 months of receipt. 	91% 100%	80% 100%
4.1.5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material.	6	2–5
4.1.6	Support the Ministry of Business, Innovation and Employment on Airspace Integration Trials through provision of regulatory advice as requested: <ul style="list-style-type: none"> • trials per year (demand driven) • trials resulting in formal certification decisions under Part 102 	New measure	4–5 trials 2–3 formal certification decisions
4.1.7	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • Of PDCAs¹⁰ that identified an improvement opportunity, 75% resulted in improvement actions. 	New measure	75% of PDCAs result in improvement actions

5 Under the Health and Safety at Work Act 2015, we anticipate conducting 24 scheduled audits and outreach activities, and 30-50 non-scheduled assessments and investigations. Completion is when the recommendations/ findings are made.

6 In previous years, the targeted number of oversight activities has been higher. The target number has been reduced to reflect that other activities have increased (see graph on previous page).

7 System performance reviews analyse sector, geographic and individual participant level act adherence.

8 The aim of safety investigation is to investigate aviation occurrences where a safety benefit can be derived.

9 In previous years, the targeted number for S15A Investigations has been higher. The target number of these investigations has reduced as we engage earlier across the business.

10 Plan-Do-Check-Act process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.

Cost to deliver Output Class 4: Monitoring, inspection and investigation	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
Crown funding (Vote Transport – Health and Safety in Employment)	1,200	1,201
Crown – protection of core functions	4,423	2,293
Levies	5,045	8,800
Fees and charges	76	55
Other revenue	78	67
Total output revenue	10,822	12,415
Total output expenditure	(11,894)	(12,415)
Net surplus (/deficit)	(1,072)	-

Output Class 5: Security service delivery

Security service delivery is part of the Authority’s role of professional regulatory practice; our screening and security delivery functions are regulatory actions in practice.

Why this is important

We need to sustain trust in New Zealand’s aviation security system.

Security screening and other activities sustains that trust by identifying threats and managing associated risks at security designated airports, and elsewhere as required across New Zealand.

What we want to achieve

We are evolving our security approach over time, to focus on developing a highly skilled workforce, creating a more intelligence-led, risk-based approach to security activities.

We explore and adopt new technologies and innovative solutions. We collaborate with others, at the border and internationally, to sustain confidence through our security outcomes and provide ease of passage for travellers.

What we do to deliver on this output

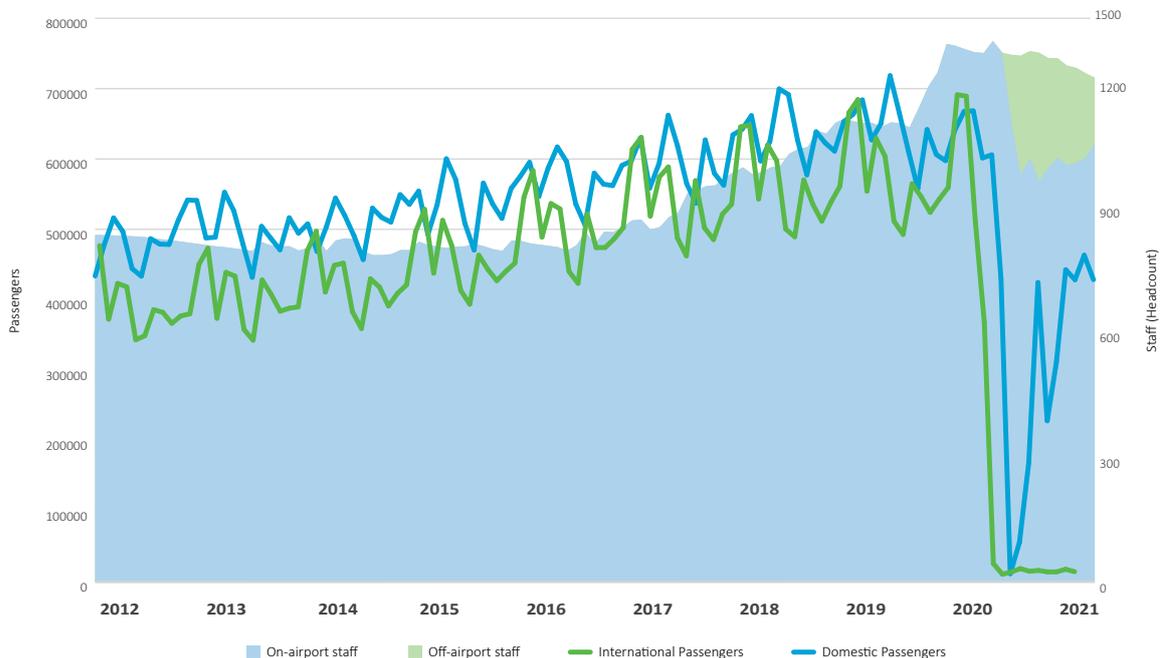
- we carry out aviation security screening to keep passengers, crew and other personnel safe
- we provide security capability to strengthen New Zealand’s national security, law enforcement activities and the border system
- we contribute to the All of Government COVID-19 Response and Recovery initiatives
- we adopt new security technologies and systems to mitigate evolving threats to aviation.

How we will measure our performance

This output class contains the following two categories:

- 5.1 – Screening Activity
- 5.2 – Audit Performance; Access Control; Maritime Security Services.

AvSec – passengers vs staff deployment



Note: Staff numbers are impacted by passenger volumes, but also by increased security requirements and flight schedules.

OUTPUT MEASURE		2020/21 ESTIMATED PERFORMANCE	2021/22 PERFORMANCE TARGET
5.1.1	Acceptance by International regulators ¹¹ of AvSec equipment and practices as used within the New Zealand aviation security system.	New measure	100%
5.1.2	Technologies deployed meet accepted international standards, as directed and agreed by the Director of Civil Aviation.	New measure	100%
5.1.3	Meet obligations to investigate, trial, and stay informed on new technologies and practices ¹² .	New measure	Number of initiatives aligned to strategy
5.1.4	Match of forecast screening capacity to actual passenger demand.	New measure	> 80%
5.1.5	Percentage of complaints upheld ¹³ against the Aviation Security Service.	New measure	< 2%
5.1.6	Dangerous goods ¹⁴ are relinquished or removed from passengers or their luggage as a result of pre flight security screening.	New measure	Number of items removed
5.2.1	Major audit findings reported by the Civil Aviation Authority and internal Aviation Security Service quality audits responded to within required timeframes.	100%	100%
5.2.2	Security monitoring of restricted air-side areas against regulated standards ¹⁵ .	New measure	100% of requirements met
5.2.3	Government requests for security assistance ¹⁶ responded to.	New measure	100% of requirements met
5.2.4	Capacity to respond to requests from Maritime NZ for security assistance.	New measure	50 qualified staff
5.2.5	Provide agreed staffing to support All-Of-Government Managed Isolation and Quarantine facilities.	New measure	155 FTEs (full time equivalent)

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
Cost to deliver Output Class 5: Security service delivery		
Contracted services	1,890	1,493
Passenger Levies	33,513	58,004
Crown funding – Managed isolation and quarantine	8,149	16,460
Crown funding – Maritime Security Service	145	145
Crown – protection of core functions	83,596	79,791
Other revenue	234	196
Total output revenue	127,527	156,089
Total output expenditure	(127,527)	(156,089)
Net surplus (/deficit)	-	-

11 International Civil Aviation Organisation (ICAO), European Civil Aviation Conference (ECAC), Transport Security Administration (TSA), Transport Canada.

12 As outlined under the Civil Aviation Act 1990 Part 80 Section (c) and (d), with alignment to Horizon 2030 strategic plan.

13 In relation to the carrying out of requirements under Civil Aviation Rule 140.

14 In accordance with ICAO's "Technical Instructions for the Safe Transport of Dangerous Goods by Air" and the "IATA Dangerous Goods Regulations".

15 Airport Identity Card (AIC) checks, Non-Passenger Screening (NPS), security patrols.

16 Patrols for New Zealand Police, monitoring of transport hubs.

Prospective Financial Statements

Prospective financial indicators

For the years ended 30 June

	2020/21 ESTIMATED ACTUAL \$'000	2021/22 BUDGET \$'000
REGULATORY FUNCTION		
Revenue	48,094	54,485
Output expense	51,399	54,485
Net surplus (/deficit)	(3,305)	-
Bank and investment balances	516	2,650
Net assets	226	8,426
Capital expenditure	1,093	8,252
SECURITY SERVICE FUNCTION		
Revenue	127,527	156,089
Output expense	127,527	156,089
Net surplus (/deficit)	-	-
Bank and investment balances	7,429	6,728
Net assets	6,466	14,605
Capital expenditure	6,623	7,715
CIVIL AVIATION AUTHORITY		
Revenue	175,249	210,162
Output expense	178,554	210,162
Net surplus (/deficit)	(3,305)	-
Bank and investment balances	7,945	9,378
Net assets	6,692	23,031
Capital expenditure	7,716	15,967

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of comprehensive revenue and expense

For the years ended 30 June

	2020/21 ESTIMATED ACTUAL \$'000	2021/22 BUDGET \$'000
REVENUE		
Levies revenue	49,843	77,714
Revenue from other services	7,639	6,911
Crown funding revenue	116,048	123,124
Ministry contract revenue	1,544	2,300
Interest and other revenue	175	113
Total revenue	175,249	210,162
EXPENSE		
Personnel costs	138,465	165,527
Other cost of services	34,404	38,007
Audit fees for financial statements	133	139
Finance costs	26	24
Depreciation and amortisation expense	5,392	6,316
Authority member costs	134	149
Total expense	178,554	210,162
Net surplus/(deficit)	(3,305)	-
Total other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(3,305)	-

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of changes in equity

For the years ended 30 June

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
EQUITY		
OPENING BALANCE OF EQUITY AT 1 JULY		
General funds	9,997	6,692
Specific reserves	-	-
Total opening balance of equity at 1 July	9,997	6,692
Total comprehensive revenue and expense	(3,305)	-
Transfer to/(from) specific reserves	83,600	79,860
Transfer to/(from) general funds	(83,600)	(79,860)
Capital contribution from Crown	-	16,339
Total changes in equity during the year	(3,305)	16,339
CLOSING BALANCE OF EQUITY AT 30 JUNE		
General funds	6,692	23,031
Specific reserves	-	-
Total closing balance of equity at 30 June	6,692	23,031

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of financial position

As at 30 June

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
CURRENT ASSETS		
Cash and cash equivalents	7,945	9,378
Debtors and other receivables	8,805	10,574
Services work in progress	36	36
Investments-term deposits	-	-
Total current assets	16,786	19,988
NON-CURRENT ASSETS		
Property, plant and equipment	23,159	25,514
Intangible assets	1,797	9,095
Total non-current assets	24,956	34,609
Total assets	41,742	54,597
CURRENT LIABILITIES		
Creditors and other payables	9,876	5,404
Employee entitlements	15,130	16,237
Provisions	120	120
Total current liabilities	25,126	21,761
NON-CURRENT LIABILITIES		
Employee entitlements	9,679	9,679
Provisions	245	126
Total non-current liabilities	9,924	9,805
Total liabilities	35,050	31,566
Net assets	6,692	23,031
EQUITY		
General funds	6,692	23,031
Specific reserves	-	-
Total equity	6,692	23,031

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of cash flows

For the years ended 30 June

	2020/21 ESTIMATED ACTUAL \$000	2021/22 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES CASH WAS PROVIDED FROM:		
Receipts from levies	49,479	74,344
Receipts from other services	7,114	8,950
Receipts from Crown funding and Ministry contracts	117,592	125,424
Interest received	6	-
Receipts from other income	717	677
Total	174,908	209,395
CASH WAS APPLIED TO:		
Payments to employees	(133,193)	(159,578)
Payments to suppliers	(39,479)	(48,490)
Goods and services tax (net)	(133)	(266)
Total	(172,805)	(208,334)
Net cash flows from operating activities	2,103	1,061
CASH FLOWS FROM INVESTING ACTIVITIES CASH WAS PROVIDED FROM:		
Sale of property plant and equipment	28	-
Maturity of investments	-	-
Total	28	-
CASH WAS APPLIED TO:		
Placement of investments	-	-
Purchase of property plant and equipment	(7,167)	(8,070)
Purchase of intangible assets	(549)	(7,897)
Total	(7,716)	(15,967)
Net cash flows from investing activities	(7,688)	(15,967)
CASH FLOWS FROM FINANCING ACTIVITIES CASH WAS PROVIDED FROM:		
Capital Injection from Crown	-	16,339
Total	-	16,339
CASH WAS APPLIED TO:		
Repayment of capital to the Crown	-	-
Total	-	-
Net Cash Flows from Financing Activities	-	16,339
Net increase/(decrease) in cash and cash equivalents	(5,585)	1,433
Opening Cash And Cash Equivalents as at 1 July	13,530	7,945
Closing Cash And Cash Equivalents as at 30 June	7,945	9,378

The accompanying statement of accounting policies forms part of these prospective financial statements.

Notes to the prospective financial statements

Statement of significant underlying assumptions

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. They comprise:

- the combined prospective financial statements for both the regulatory function and the security service function of the Civil Aviation Authority (the Authority); and
- separate prospective financial statements for each of the regulatory function and the security service function of the Authority.

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the Authority to maintain separate accounting records for each of the regulatory function and the security service function of the Authority.

COVID-19 continues to have a significant impact on the Authority and these prospective financial statements. As part of Budget 2021, Cabinet approved continued access to Crown liquidity funding of \$114.3 million for the 2021/22 financial year through a multi-year appropriation "Protection of Transport Agency Core Functions". This included a carry forward of amounts previously appropriated for the 2020/21 financial year.

In addition, Cabinet also approved in Budget 2021 a capital injection of \$113.2 million to fund the security service function's screening equipment, replace the regulatory function's regulatory technology platform, and other critical regulatory and aviation security infrastructure. This appropriation expires in June 2026, with the investments currently profiled to take place over the next three financial years.

Consistent with the legislative framework, the following significant assumptions have been applied in preparing the prospective financial statements for the Authority.

Projected passenger numbers

Forecasting revenue from passenger safety and security levies based on domestic and international passenger volumes remains challenging, particularly due to uncertainties around further Quarantine Free Travel (QFT) agreements and potential delays and disruptions to current QFT's. Such uncertainties also impact domestic

volumes, along with any changes in New Zealand's COVID alert levels that impact domestic air travel.

For international passengers, the forecast assumes departing passenger volumes will recover from just 3% of pre-COVID levels seen prior to the recent opening of the Australian and Cook Island QFT arrangements to 35% of pre-COVID levels by June 2022.

Domestic volumes are assumed to be 70% of pre-COVID levels.

Should actual passenger volumes increase during the year, any consequent increase in levy income would result in a reduction in the amount of Crown funding required from the COVID-19 related appropriation, although the security service function's expenditure may also need to increase above the level budgeted to meet the increased demand for screening.

PASSENGER NUMBERS	2020/21	2021/22
Safety levies: Domestic	8,860,130	9,432,306
Security levies: Domestic	4,787,194	5,386,449
Safety levies: International	192,043	1,846,845
Security levies: International (includes international transit)	216,129	1,860,431

A 10% movement in domestic and international passenger volumes would have an estimated impact on projected revenues depicted in the table below:

REVENUE	2020/21	2021/22
Domestic passenger safety levies	\$ 1,413,680	\$1,504,412
Domestic passenger security levies	\$3,073,379	\$3,458,100
International passenger safety levies	\$30,727	\$295,495
International passenger security levies	\$272,106	\$2,342,283

The security service function's domestic passenger

security levies are based upon departing passengers carried on jet aircraft with 90 or more passengers on each domestic sector. The regulatory function's passenger safety levy is based upon departing passengers carried on each domestic sector by all airlines carrying greater than 20,000 passengers per annum.

Regulatory function

Levy revenue

Revenue from safety levies are collected on the total number of passengers departing on domestic and international flights and have been estimated based on the projections in the preceding passenger numbers table.

The 2021/22 budget has been set based on the Civil Aviation (Safety) Levies Order 2002 using the current regulated safety levy of \$1.60 for both international and domestic passenger (GST exclusive). Airlines operating domestically under Australia- New Zealand Aviation (ANZA) privileges pay a domestic passenger levy of \$1.57 (GST exclusive).

Operations safety levies apply to commercial aviation operations, i.e. agricultural, adventure, freight-only and those that carry fewer than 20,000 passengers per annum.

Fees and charges revenue

The revenue for fees and charges are based on the Civil Aviation Charges Regulations (No2) 1991 Amendment Regulation 2012 with the pricing structure reflecting the size of the industry and the income recoverable from regulatory interventions.

Crown funding revenue

In addition to the COVID-19 relief fund mentioned earlier, revenue appropriated by the Crown includes \$0.7 million of new funding to allow for technical capability to be recruited into the Authority to provide technical advice to support the integration of unmanned aircraft/drones into controlled airspace. In respect of the Automatic Dependent Surveillance- Broadcast (ADS-B) Transponders Rebate Scheme, the 2021/22 budget includes \$3.9 million of grant payments, and \$0.2 million of additional Crown funding to administer the scheme.

Personnel costs

The 2021/22 budget has been prepared on a regulatory function staff establishment of 295.8 full-time equivalent positions.

Security service function

Passenger security levies

Passenger security levies have been estimated based on the projections of security screened domestic and international passenger volumes stated in the tables on the previous page.

The 2021/22 budget has been set based on a rate of \$6.42 (GST exclusive) for domestic passengers and \$12.59 (GST exclusive) for international passengers (including transit passengers).

Contracted services revenue

The security service function receives revenue from security services work provided to third parties. Revenue from these services is assumed to be slightly lower in 2021/22 with that received in 2020/21, following a reduction in demand for such services.

Personnel costs

The 2021/22 budget has been prepared on a security service function average establishment of 1,378 full-time equivalent positions.

Statement of accounting policies

Reporting entity

The Authority is government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992, and is domiciled in New Zealand. As a Crown Entity, the Authority is also subject to the provisions of the Crown Entities Act 2004. The Authority has a responsibility to work towards the development and delivery of achieving an integrated, safe, responsive and sustainable civil aviation system.

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory function of the Authority and the Aviation Security Service.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Public Sector Accounting Standards.

Basis of preparation

The prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Civil Aviation Act 1990, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements comply with NZ FRS 42 and Public Benefit Entity (PBE) accounting standards.

The prospective financial statements will not be further updated subsequent to publication.

The prospective financial statements contain information that may not be appropriate for purposes other than those described in the Board Statement on the inside cover.

Measurement basis

The prospective financial statements have been prepared on an historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and the measurement of any derivative financial instruments at fair value.

With the exception of cash flow information which has been prepared on a cash basis, the prospective financial statements have been prepared on the basis of accrual accounting.

Presentation currency and rounding

The functional and presentation currency is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000).

Changes in accounting policies

There have been no changes in accounting policies.

Significant accounting policies

The following significant accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

Revenue

The Authority earns revenue from:

- regulated levies on airlines based on departing international passenger volumes and domestic sectors travelled by passengers;
- fees and charges for regulatory and aviation safety functions and security activities;
- interest revenue;
- Crown funding through Vote Transport; and
- Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity).

Revenue is measured at the fair value of the consideration received or receivable.

Section 72 of the Civil Aviation Act 1990, prevents the Authority from applying revenue from levies, fees and charges made by one part of the entity to the activities of the other part of the entity.

Provision of fee-based services

Revenue derived from the Authority's provision of safety and regulatory services is recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period that the services have been rendered, in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which the Authority provides the funded programmes.

Goods and services tax

All items in the prospective financial statements are presented exclusive of Goods and Services Tax (GST), except receivables and payables, which are presented on a GST inclusive basis.

Where GST is not recoverable, it is recognised as part of the related asset or expense.

Net GST receivable or payable at balance date is included in receivables or payables in the Prospective Statement of Financial Position as appropriate.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Prospective Statement of Cash Flows.

Income tax

The Authority is a Public Authority in terms of the Income Tax Act 2004 and is consequently exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Payment of any surplus to the Crown

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown Entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that the Aviation Security Service surplus funds are subject to a similar requirement by the Minister of Finance.

Derivative financial instruments and foreign currency transactions**Financial instruments measured at fair value through profit or loss – comprising forward exchange contract derivatives**

Financial instruments in this category comprise those either held for trading or designated at fair value through profit or loss at inception. Under New Zealand equivalents to International Public Sector Accounting Standards, those derivatives not designated as hedge accounting

instruments are classified as held for trading instruments irrespective of the purpose for which they have been entered into. The Authority enters into forward exchange contract derivatives from time to time solely to mitigate currency risks associated with its operational activities.

Forward exchange contract derivatives are recognised in the Prospective Statement of Financial Position at their fair value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which they arise.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of foreign currency monetary assets and liabilities, are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Other financial assets

Financial assets are initially recognised at fair value. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

Loans and receivables financial assets – comprising cash and cash equivalents, debtors and other receivables

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial recognition, loans and receivables financial assets are carried at amortised cost using the effective interest method.

Impairment of financial assets

Financial instruments are regularly reviewed for objective evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

Other financial liabilities

Financial liabilities measured at amortised cost – comprising creditors and other payables, finance lease liabilities

After initial recognition, financial liabilities measured at amortised cost are carried at amortised cost using the effective interest method.

Leases

Operating leases

The Authority leases office premises and office equipment.

As substantially all the risks and rewards incidental to ownership of the asset are retained by the lessor, these leases are classified as operating leases. Operating lease payments are recognised in the Prospective Statement of Comprehensive Revenue and Expense as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments, with original maturities of three months or less. Cash is measured at its face value.

Services work in progress

The Authority carries services work in progress that includes costs incurred in the partial completion of certification and audit engagements.

The Authority's services work in progress is measured at the lower of the costs incurred to date for the specific work being undertaken, and net realisable value. The estimated net realisable value is based on the contracted service price.

Any write-down from cost to net realisable value for services work in progress in the provision of services is recognised in the Prospective Statement of Comprehensive Revenue and Expense when the write-down occurs.

Investments

At each balance date the Authority assesses whether there is any objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered factors that the deposit is impaired.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The minimum cost value for a purchase to be classified as a property, plant and equipment asset is \$2,500.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Prospective Statement of Comprehensive Revenue and Expense. When re-valued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Prospective Statement of Comprehensive Revenue and Expense as they are incurred.

Depreciation

Depreciation is provided for on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Remaining life of lease	
Leasehold improvements		
Furniture and fittings	10 years	10%
Plant and equipment	5-10 years	20%-10%
Office equipment	5 years	20%
Motor vehicles	4-5 years	25%-20%
Computer equipment	3-4 years	33%-25%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Software acquisition and development

Acquired computer software licenses and databases are capitalised on the basis of the costs incurred to acquire and bring these to use.

Costs incurred by the Authority for the development of software for internal use, other than for the development of software associated with websites, are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software, staff training, and with the development and maintenance of websites, are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised.

The amortisation charge for each period is recognised in the Prospective Statement of Comprehensive Revenue and Expense.

The useful lives and associated amortisation rates of major classes of intangible asset have been estimated as follows:

Acquired computer software	3-5 years	33%-20%
Developed computer software	3-5 years	33%-20%

Impairment of property, plant and equipment and intangibles

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset is impaired, its carrying amount is written down to the recoverable amount. For assets carried at historical cost the total impairment loss and any subsequent reversals of impairment are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date, or if the borrowings are expected to be settled within 12 months of the balance date.

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

The Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Post-employment entitlements

Superannuation schemes: Obligations for the Authority's contributions to KiwiSaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined-contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expense.

Provisions

The Authority recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified in to the following components:

- **General Funds**
- **Property plant and equipment revaluation reserve:** This reserve relates to the revaluation of property, plant and equipment to fair value
- **Passenger security levies and other fees and charges reserves:** This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities
- **Passenger safety reserves:** This reserve relates to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

Cost allocation

Criteria for direct and indirect costs

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Indirect costs for the regulatory function, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Indirect personnel, property, occupancy and certain other indirect costs for the security service function are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.

Criteria for apportioning support services costs

The delivery of shared support services for both the regulatory function and the security service function was established from 7 November 2011. The costs arising in each shared services group (Organisation Development and Support, and Performance Monitoring and Assurance) are apportioned to the two functions by applying an allocation methodology which reflects the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both the regulatory function and the security service function bear an equitable share of the costs of providing shared services.

Critical accounting estimates, assumptions and judgments

In preparing the prospective financial statements the Authority has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and the variations may be material. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events, rather than actually occurring events or transactions, which are believed to be reasonable under the circumstances.

There are no critical accounting estimates and assumptions that will cause material adjustments to the carrying amounts of assets and liabilities within the financial year.

Additional prospective financial information

Prospective statement of comprehensive revenue and expense

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
REVENUE						
Levies revenue	16,330	19,710	33,513	58,004	49,843	77,714
Revenue from other services	5,764	5,438	1,890	1,493	7,639	6,911
Crown funding revenue	24,158	26,728	91,890	96,396	116,048	123,124
Ministry contract revenue	1,544	2,300	-	-	1,544	2,300
Interest and other revenue	298	308	234	196	175	113
Total revenue	48,094	54,484	127,527	156,089	175,249	210,162
EXPENSE						
Personnel costs	40,690	42,531	97,775	122,996	138,465	165,527
Other cost of services	9,667	10,774	25,109	27,644	34,404	38,007
Audit fees for financial statements	133	139	-	-	133	139
Finance costs	-	-	26	24	26	24
Depreciation and amortisation expense	775	891	4,617	5,425	5,392	6,316
Authority member costs	134	149	-	-	134	149
Total expenses	51,399	54,484	127,527	156,089	178,554	210,162
Net surplus/(deficit)	(3,305)	-	-	-	(3,305)	-
Total other comprehensive revenue and expense	-	-	-	-	-	-
Total comprehensive revenue and expense	(3,305)	-	-	-	(3,305)	-

Prospective statement of changes in equity

For the years ending 30 June 2022

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
EQUITY						
Opening Balance of Equity at 1 July						
General funds	3,531	226	6,466	6,466	9,997	6,692
Specific reserves	-	-	-	-	-	-
Total opening balance of equity at 1 July	3,531	226	6,466	6,466	9,997	6,692
Total comprehensive revenue and expense	(3,305)	-	-	-	(3,305)	-
Transfer to (from) specifics reserves	-	-	83,600	79,860	83,600	79,860
Transfer to (from) general funds	-	-	(83,600)	(79,860)	(83,600)	(79,860)
Capital contribution from Crown	-	8,200	-	8,139	-	16,339
Total changes in equity during the year	(3,305)	8,200	-	8,139	(3,305)	16,339
CLOSING BALANCE OF EQUITY AT 30 JUNE						
General funds	226	8,426	6,466	14,605	6,692	23,031
Specific reserves	-	-	-	-	-	-
Total closing balance of equity at 30 June	226	8,426	6,466	14,605	6,692	23,031

Prospective statement of financial position

As at 30 June

	REGULATORY FUNCTION		AVIATION SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
CURRENT ASSETS						
Cash and cash equivalents	516	2,650	7,429	6,728	7,945	9,378
Debtors and other receivables	4,195	2,809	4,610	7,765	8,805	10,574
Services Work in Progress	36	36	-	-	36	36
Investments-term deposits	-	-	-	-	-	-
Total current assets	4,747	5,495	12,039	14,493	16,786	19,988
NON-CURRENT ASSETS						
Property, plant and equipment	1,279	1,418	21,880	24,096	23,159	25,514
Intangible assets	1,081	8,305	716	790	1,797	9,095
Total non-current assets	2,360	9,723	22,596	24,886	24,956	34,609
Total assets	7,107	15,218	34,635	39,379	41,742	54,597
CURRENT LIABILITIES						
Creditors and other payables	4,299	4,111	5,577	1,293	9,876	5,404
Employees entitlements	2,110	2,209	13,020	14,028	15,130	16,237
Provisions	-	-	120	120	120	120
Total current liabilities	6,409	6,320	18,717	15,441	25,126	21,761
NON-CURRENT LIABILITIES						
Employees entitlements	378	378	9,301	9,301	9,679	9,679
Provisions	94	94	151	32	245	126
Total non-current liabilities	472	472	9,452	9,333	9,924	9,805
Total liabilities	6,881	6,792	28,169	24,774	35,050	31,566
Net assets	226	8,426	6,466	14,605	6,692	23,031
EQUITY						
General funds	226	8,426	6,466	14,605	6,692	23,031
Specific reserves	-	-	-	-	-	-
Total equity	226	8,426	6,466	14,605	6,692	23,031

Prospective statement of cash flows

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Receipts from Levies	15,325	18,972	34,154	55,372	49,479	74,344
Receipts from other services	5,481	7,590	1,648	1,380	7,114	8,950
Receipts from Crown funding and Ministry contracts	25,702	29,028	91,890	96,396	117,592	125,424
Interest received	1	-	5	-	6	-
Receipts from other income	295	308	779	760	717	677
Total	46,804	55,898	128,476	153,908	174,908	209,395
CASH WAS APPLIED TO:						
Payments to employees	(39,267)	(40,994)	(93,926)	(118,584)	(133,193)	(159,578)
Payments to suppliers	(12,181)	(12,588)	(27,670)	(36,313)	(39,479)	(48,490)
Interest paid	-	-	-	-	-	-
Payments of capital charge to the crown	-	-	-	-	-	-
Goods and services tax (net)	285	(130)	(418)	(136)	(133)	(266)
Total	(51,163)	(53,712)	(122,014)	(155,033)	(172,805)	(208,334)
Net cash flows from operating activities	(4,359)	2,186	6,462	(1,125)	2,103	1,061
CASH FLOWS FROM INVESTING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Sale of property plant and equipment	2	-	26	-	28	-
Maturity of investments	-	-	-	-	-	-
Total	2	-	26	-	28	-
CASH WAS APPLIED TO:						
Placement of investments	-	-	-	-	-	-
Purchase of property plant and equipment	(664)	(700)	(6,503)	(7,370)	(7,167)	(8,070)
Purchase of intangible assets	(429)	(7,552)	(120)	(345)	(549)	(7,897)
Total	(1,093)	(8,252)	(6,623)	(7,715)	(7,716)	(15,967)
Net cash flows from investing activities	(1,091)	(8,252)	(6,597)	(7,715)	(7,688)	(15,967)

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
CASH FLOWS FROM FINANCING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Capital injection from Crown	-	8,200	-	8,139	-	16,339
Total	-	8,200	-	8,139	-	16,339
CASH WAS APPLIED TO:						
Repayment of capital to the Crown	-	-	-	-	-	-
Total	-	-	-	-	-	-
Net cash flows from financing activities	-	8,200	-	8,139	-	16,339
Net increase/decrease in cash and cash equivalents	(5,450)	2,134	(135)	(701)	(5,585)	1,433
Opening cash and cash equivalents at 1 July	5,966	516	7,564	7,429	13,530	7,945
Closing cash and cash equivalents at 30 June	516	2,650	7,429	6,728	7,945	9,378

Prospective reconciliation of equity: regulatory function

For the years ended 30 June

	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
2022 BUDGET \$000				
Revenue	1,821	3,618	10,058	38,988
Expenditure	(5,137)	(8,975)	(11,287)	(29,086)
Net surplus / (deficit)	(3,316)	(5,358)	(1,229)	9,902
Opening balance at 1 July	-	-	-	226
Transfer (from) to other reserves	3,316	5,358	1,229	(9,902)
Capital contributions from the Crown	-	-	-	8,200
Closing balance at 30 June	-	-	-	8,426
2021 ESTIMATED ACTUAL \$000				
Revenue	1,863	3,900	8,082	34,249
Expenditure	(4,852)	(10,861)	(9,497)	(26,189)
Net surplus / (deficit)	(2,989)	(6,961)	(1,415)	8,060
Opening balance at 1 July	-	-	-	3,531
Transfer (from) to other reserves	2,989	6,961	1,415	(11,365)
Closing balance at 30 June	-	-	-	226

Prospective reconciliation of equity: Security Service function

For the years ending 30 June

	PASSENGER SECURITY RESERVES	OTHER FEES/ RESERVES	TOTAL SPECIFIC RESERVES	MANAGED ISOLATION & QUARANTINE FUNDS	GENERAL FUNDS
2022 BUDGET \$000					
Revenue	58,004	1,568	59,571	16,460	79,860
Expenditure	(137,040)	(2,391)	(139,431)	(16,460)	-
Net surplus / (deficit)	(79,036)	(823)	(79,860)	-	79,860
Opening balance at 1 July	-	-	-	-	6,466
Transfer (from) to specific reserves	79,036	823	79,860	-	(79,860)
Capital contributions from the Crown	-	-	-	-	8,139
Closing balance at 30 June	-	-	-	-	14,605
2021 ESTIMATED ACTUAL \$000					
Revenue	33,513	2,032	35,545	8,149	83,600
Expenditure	(116,436)	(2,709)	(119,145)	(8,149)	-
Net surplus / (deficit)	(82,923)	(677)	(83,600)	-	83,600
Opening balance at 1 July	-	-	-	-	6,466
Transfer (from) to specific reserves	82,923	677	83,600	-	(83,600)
Capital contributions from the Crown	-	-	-	-	-
Closing balance at 30 June	-	-	-	-	6,466

Prospective capital expenditure

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION	
	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000	2021 ESTIMATED ACTUAL \$000	2022 BUDGET \$000
PROPOSED CAPITAL EXPENDITURE				
Computer hardware	538	385	-	194
Computer software	429	7,552	120	345
Plant & equipment	-	-	6,159	6,711
Furniture & fittings	38	315	-	50
Motor vehicles	88	-	42	-
Leasehold improvements	-	-	302	415
Total	1,093	8,252	6,623	7,715



Aviation Security Service

Kaiwhakamaru Rererangi

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