

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

2023/24

Statement of Performance Expectations

Board statement

The Civil Aviation Authority of New Zealand (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 Authority for the period 1 July 2023 to 30 June 2024.

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

Signed on: 21 June 2023



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Introduction

This document details the outputs of the Civil Aviation Authority of New Zealand (the Authority), and the standards against which we'll assess our performance in 2023/24. It is part of our strategic framework, as described in the Statement of Intent.

The Authority exercises leadership and influence of participants and stakeholders, to ensure the safety and security of New Zealand's civil aviation system. We do this through mitigating risks and embracing opportunities. We work to ensure regulation is fit for purpose through active regulatory stewardship, and that it is applied in a professional way. 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.

This supports our vision and purpose of a safe and secure aviation system – so that people are safe, and feel safe, when they fly

The traditional aviation sector is rebuilding as the world emerges from the impacts of COVID-19, and copes with significant economic and environmental challenges. At the same time, there's a strong focus on development of emerging aviation technologies. These range from low-emission propulsion to autonomous aircraft, and remotely operated digital air traffic control towers. This combination of circumstances creates challenging safety and security risks which must be met over the next twelve months, and beyond.

Expectations of how we operate as New Zealand's aviation regulator are changing. While we must maintain a key focus on safety and security, we're also expected to play a stronger role in facilitating innovation to enable sustainable aviation activity. We also need to support a sector still recovering from COVID-19 and operating in an uncertain economic environment.

Our approach over the next year will continue to be underpinned by our values – collaboration, transparency, integrity, respect, and professionalism. We remain on a continuous journey to be an intelligence-led and modern regulator. This is built on the fundamental requirement we have of participants to operate safely, and openly report information to enable continuous improvement. We'll continue to use our full range of regulatory tools, from information and engagement, and enforcement as appropriate, to ensure safety and security.

Our people and financial situation

A positive workplace where our people feel respected, safe, and included, is critical to our success. All aviation organisations are finding it challenging to recruit and retain the people they need to operate effectively. This is a result of changing expectations of the workforce, shortage of specialist skills, and increasing salary costs. A review of our workforce plan will update our understanding what is required to deliver on our safety and security regulatory requirements taking into account the rapidly changing aviation environment.

The COVID-19 pandemic has impacted the Authority's revenue, most of which comes from fees, charges, and levies on the aviation sector. Government has provided financial support to date, and continues to do so, filling the gap between required expenditure and actual revenue. A key priority is preparation for a funding review which has the purpose of returning the Authority to financial sustainability. The review will identify the level of resource required to undertake our safety and security activities effectively and efficiently. We'll need to balance carefully our resources required to conduct this review while continuing to deliver our core services.

Despite operating in a challenging fiscal environment, we have still been able to deliver on most of our performance targets. This has placed significant, increased, pressure on staff who have risen to the challenge. We'll need to continue to monitor workloads over the coming year to ensure employee wellbeing is maintained.

2023/24 will be another year of limited financial resources and additional monetary support is still required if we're to achieve our program of work ahead. The Authority has resourcing constraints in several areas which is putting pressure on our day-to-day work and key programmes, specifically;

- preparing for the introduction of the new Civil Aviation Act,
- continuing to evolve the Emerging Technology initiative,
- and implementing our new digital platform to support our regulatory activity.

Becoming an intelligence-led/ risk-based organisation

Underpinning our modern regulatory approach, we'll continue to build on our intelligence capability. We rely on data and information to provide intelligence that informs the formulation of our strategic and operational policies, plans and regulatory activities.

A current security priority is responding to the 2022 ICAO security audit of New Zealand, and strengthening our ability to identify and respond to aviation security risks. As global security threats and risks continue to evolve and become more sophisticated, we'll continue obtaining advances in intelligence gathering, and in shaping the nature and focus of our security approaches and activities.

For the year ahead, a key safety priority is to strengthen our understanding of risks facing the recreational aviation sector, and addressing these using the full range of our regulatory tools. New Zealand will also be subject to an International Civil Aviation Organisation (ICAO) safety audit that will require significant management and follow through.

Emerging aviation technology

Regulating emerging aviation technologies has been, and continues to be, a challenge across the international aviation sector. Novel aviation activities create new risks, and there are no established pathways to certify and ensure their safety. Current rules and standards do not necessarily apply to industry development of safety cases, and our work to design methods of regulatory assessment to ensure safety, can be time-consuming and costly.

We've set up an emerging technologies programme and unit to coordinate work across emerging technologies aerospace and aviation stakeholders. This programme will enable us to safely and effectively integrate emerging technologies into the civil aviation system, and ensure we have an effective ongoing regulatory interface that's connected to and draws on international best practice. Ongoing resources will be required for this to be successful as the aerospace sector continues its rapid development.



We're also a member of the **Sustainable Aviation Aotearoa** public-private leadership group convened by the Ministry of Transport. This group brings together all parties who need to work together to achieve goals relating to decarbonising aviation, which includes government policy and regulatory agencies, airlines, airports, and energy companies. Under this umbrella, we'll be required to respond to specific industry proposals relating to the operation of zero carbon aircraft within New Zealand within a few years. This will require considerable regulatory activity.

Civil Aviation Act

The Civil Aviation Act 2023 has been passed and will come into force in 2025. This will replace the Civil Aviation Act 1990, which is the primary legislation that creates and enables the Authority to undertake its functions and powers. The new Act updates provisions and includes new functions necessary to keep pace with a rapidly changing aviation environment, and the expectations of a modern regulator. Implementing the Act will require a significant effort across the whole Authority over the transition period.

All existing Aviation Rules require some work to transfer to the new legislation. This is an extensive program and hence a 'full modernisation' approach (while desirable) is not practical at this time. Our focus is on the large and complex items of work which need to be implemented before the new legislation is enacted.

Digital platform

Our new digital platform to support our safety regulatory activity is being implemented in stages over 2023/24, with the final module due to be online late 2024. The time involved to educate participants regarding our online requirements cannot be underestimated. Any delays in implementation could put the Authority at risk, therefore proactive collaboration with users of the system is required to ensure a successful, on-time delivery of this platform.

Year ahead

2023/24 is going to be a challenging year for the Authority as we continue to operate in a constrained financial position, while actively evolving and pursuing our modern regulatory strategy. Careful planning and prioritising will be key if we're to deliver on our performance expectations over the coming year.



Expectations from the Minister of Transport

We have taken Ministerial priorities and changes to our operating environment into account when setting the following focus areas:

- enhance aviation safety (refer to output classes 1,2,3,4 and 5, and the building blocks)
- enable emerging aviation and aerospace technologies (refer to output classes 1, 3 and 4, and the building blocks)
- implement the Civil Aviation Act 2023 (refer to output class 1 and the building blocks)
- maintain resilience and security (refer to output class 5, and the building blocks)
- improve environmental outcomes (refer to output class 1, and the building blocks)
- financial sustainability (refer to the building blocks)
- risk and assurance (refer to the building blocks)
- organisational culture (refer to the building blocks).

Our strategic framework

The following pages set out the Authority's strategic framework. This framework forms the basis of our Statement of Intent 2021 - 2026. The framework expresses the work of the Authority across three dimensions:

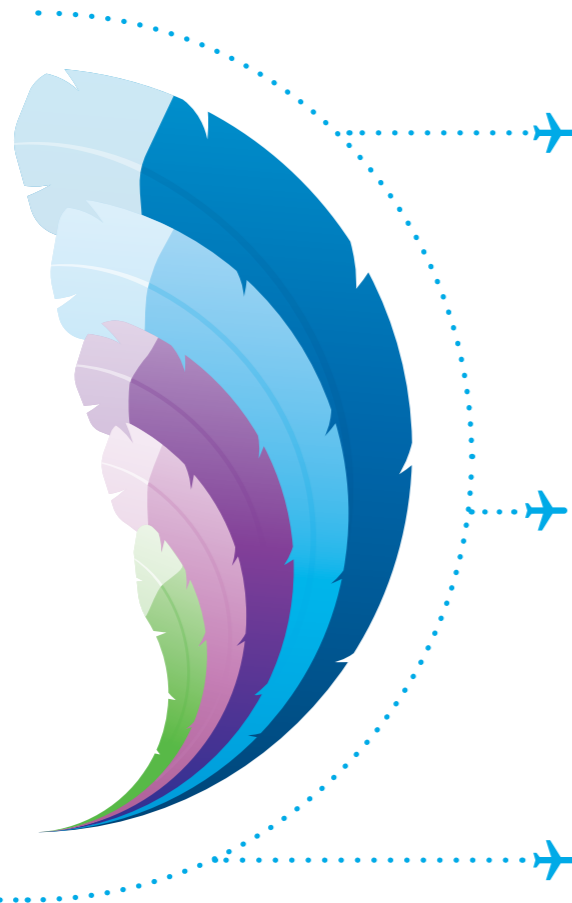
- our pathways - the major groups of activities through which we achieve our purpose and vision
- our organisational building blocks - the tools and resources we use to achieve our purpose and vision
- our outputs - the services we're funded to provide.

We carefully look at how we frame and measure the Authority's performance against the outputs. 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, without being burdensome to read. Our performance measures are selected by reviewing historical information, identifying the critical outcomes we seek, and drawing out key measures for those outcomes.

Our strategic framework and how we position ourselves to deliver

OUR VALUES

- Collaboration**
Me mahi tahi
- Transparency**
Me mahi pono
- Integrity**
Me mahi tika
- Respect**
Me manaaki
- Professionalism**
Kia tū rangatira ai



OUR PATHWAYS

Leadership and Influence

Maps to output classes 1 and 2

Through regulatory leadership we influence a safe and secure civil aviation system for New Zealand.

Success is when our stakeholders are engaged, and when we see behaviours improve as a result of what we do

Active Regulatory Stewardship

Maps to output classes 1, 3, and 4

We monitor and care for the civil aviation regulatory system through our policy and operational responsibilities.

Success is when our regulation is fit for purpose and our reputation is strong

Professional Regulatory Practice

Maps to output classes 2, 3, 4, and 5

We act to identify risk and reduce it through intelligence-led intervention.

Success is evident in the reduction of risk to safety and security within the system

OUR VISION AND PURPOSE

A safe and secure aviation system – so people are safe, and feel safe, when they fly

OUR BUILDING BLOCKS

People

Our highly skilled, professional workforce – building engagement through culture, capability, leadership, and diversity

Regulatory strategy

Our whole-of-system regulatory approach; risk-based and intelligence-led

- Security Delivery Strategy (AvSec's Horizon 2030)
- Safety Delivery Strategy (in development)

Digital

Our technology and information management supports our regulatory role and our people. Our systems and information are protected and well-managed

Resource stewardship

Responsibly managing our physical and financial resources and working towards financial and environmental sustainability

Communications and engagement

Our engagement – communicating effectively as one organisation with our stakeholders to understand and influence our environment

Strategic and business planning, reporting, quality, and assurance

Clear goals, clear pathways, and a performance and quality cycle that supports success



Building blocks

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

People

We'll enable and resource a highly skilled, professional workforce, building engagement through culture, capability, leadership and diversity.

To do this, during 2023/24 we'll:

- put focus on attracting and securing quality people, and investing in our people to aid retention and lift capability to deliver on our safety and security activities

- identify longer-term workforce needs, and deliver timely human resource services
- continue to develop, embed, and build on our culture to ensure the Authority's long-term future as a respectful, inclusive, and safe place to work
- deliver on the actions set out in our Health, Safety and Wellbeing Strategy; our Leadership Strategy, and our Diversity and Inclusion Strategy.

Digital

New digital technologies provide an opportunity to transform the way the Authority's safety and security regulatory activities are delivered.

To do this, during 2023/24 we'll:

We're setting a new direction and operate in new ways, shifting from developing and delivering services to integrating and managing services to achieve our vision of an integrated digital environment continuously evolving to enable our safety and security regulatory activities.



Our focus is one of sourcing digital-enabled solutions with anything as service (XaaS) and mobility by default to meet the needs of our people in a continuously evolving world. We'll make it easier for our people to have seamless access to the digital technologies and data they need to deliver our safety and security regulatory activities today and tomorrow.

Our priorities during 2023/34 will be to:

- update the digital platform that we use to support our regulatory work (we're implementing safety oversight management software - known as Kapua). This is an essential project for the Authority and delay could leave us at risk of failure to deliver regulatory services.
- 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.

Regulatory strategy and supporting strategies

We'll demonstrate a whole-of-system, regulatory approach that is intelligence-led and risk-based.

Our regulatory strategy sets out how we'll conduct our regulatory activity, our priorities, and how we'll 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 2023/24 we'll:

- continue to engage internally and externally on the Regulatory Safety and Security Strategy. This includes the development of a Regulatory Strategy introduction video, and the roll out of workshops for our people.
- develop a safety delivery strategy that will describe our five-year regulatory capability plan to evolve into an intelligence-led and risk-based regulator.
- develop two new operational policies to reflect the intent of the Regulatory Strategy - Certification and Licensing Policy, and Monitoring Policy.
- embed the authority intelligence led, risk-based model and maturing our intelligence capability
- connect the implementation of the new business system *Kapua* with the intent of the Regulatory Strategy.

Resource stewardship

Responsibly managing our physical and financial resources and working towards financial and environmental sustainability.

To do this, during 2023/24 we'll:

- initiate a review of funding options to consider ongoing funding of Authority functions
- maintain effective financial stewardship within the requirements of the relevant legislation and standards¹
- maintain effective workplace and resource stewardship through development of our workplace strategy
- follow through on our commitment to the Carbon Neutral Carbon Neutral Government Programme.

The Authority is committed to supporting our international obligations and participating in the Carbon Neutral Government Programme (CNGP) to reduce emissions in the public sector. Our carbon footprint comes from the vehicles we drive, the buildings we occupy, the power we consume, and the flights we take to perform our safety and security regulatory activities.

The financial impact of the COVID-19 pandemic constrained our ability to invest in making a meaningful and demonstrable change in how we operate on a day-to-day basis to reduce our carbon footprint. As funding allows, the Authority will invest to reduce its carbon footprint. It will take us time, planning and investment to become net zero carbon.

The Authority has already started its net zero carbon journey by starting to replace (where practicable) all light vehicles with battery electric vehicles when they're next due for replacement. We're also investing in capability to understand where our emissions are occurring and our best opportunities to make reductions. The Authority started monitoring in 2022/23 and will start reporting in December 2023 as required to by the CNGP.

We have developed the following emissions reduction performance measures for 2023/24

MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
Publish an Authority emissions reduction plan by 28 June 2024	New measure	Achieved
Start reporting Authority emissions from December 2023	New measure	Achieved

¹ The Public Finance Act 1989, the Crown Entities Act 2004, and the New Zealand equivalents to International Public Sector Accounting Standards.



Communications and engagement

We strive to communicate effectively as one organisation with our stakeholders, to understand and influence safety and security of the aviation system.

To do this, during 2023/24 we'll:

- continue to deliver and enhance our outreach, education, and engagement activities
- establish the foundations of the new stakeholder framework.

Our people and participants know what their roles are in ensuring a safe and secure aviation system, and how to access what they need.

Strategy and business planning, quality systems and assurance

We strive to establish clear goals and pathways to deliver and carry these through with a performance and quality cycle that supports success. We strive to have 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 2023/24 we'll:

- continue to develop and refine our tools to support business and strategic planning, quality systems, risk management and assurance, and project management across the Authority.

2023/24 Statement of Performance Expectations

How we're 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'll assess our performance.

Continued delivery of these outputs has only been possible through additional Crown funding to maintain our ability to deliver core functions where our revenue base reduced because of the COVID-19 pandemic, and through the ongoing efforts of our staff in difficult circumstances.

We're funded to deliver the following five classes of output:

- [Output Class 1: Policy and regulatory strategy](#)
- [Output Class 2: Outreach](#)
- [Output Class 3: Certification and 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 non-departmental output expenses appropriation 'Civil Aviation and Maritime Security Services'

This appropriation funds technical information and advice in relation to international matters affecting New Zealand aviation, investigation, determining compliance, and enforcement of safety in the aviation sector, and the provision of advice and services by the Civil Aviation Authority to support Ministers to discharge their portfolio responsibilities relating to transport (delivered within Output Class 1: Policy and Regulatory Strategy and Output Class 4: Monitoring, Inspection and Investigation), and standby screening and searching services at ports (delivered within Output Class 5: Security Service Delivery.)



This appropriation is intended to achieve a safe and secure airspace environment through the implementation and monitoring of rules and regulations and the management of risk for all aviation activities and preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers.

In addition to the information, advice, and services delivered under the output classes as described on the previous page, we have performance measures aligned to our overall vision and purpose statement: a safe and secure aviation system – so people are safe, and feel safe, when they fly.

Survey on confidence in safety and security in air transport

MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Survey not run in 2023	Maintained
Percentage of resident travellers that felt extremely or very safe and secure (2022 result – 72%)	Survey not run in 2023	75% or greater
Percentage of overseas travellers that felt extremely or very safe and secure (2022 result – 86%)	Survey not run in 2023	92% or greater

Vote Transport non-departmental output expenses appropriation ‘Health and Safety at Work Activities – Civil Aviation’

This appropriation funds health and safety activities for the civil aviation sector, for which the Civil Aviation Authority has designated responsibility (delivered within Output Class 4: Monitoring, Inspection and Investigation.)

This appropriation is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.



Additional funding through Vote Transport non-departmental output expenses appropriation 'Protection of Transport Sector Agency Core Functions'

We receive additional Crown funding to maintain our ability to deliver core functions, where our revenue base reduced because of the COVID-19 pandemic. Along with the output classes on the following pages, we have two non-financial performance measures that cover the performance expectations of the Crown against the funding provided to the Authority to protect core services where third party revenue has been significantly affected by COVID-19.

MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
Maintain appropriate capability for core functions - appropriate resourcing to meet service level requirements	Achieved	Achieved
Mitigate costs to the Crown - implement the plan for mitigating costs and any variations as agreed with the Ministry of Transport	Achieved	Achieved

Non-Departmental Capital Expenditure - Capital Appropriation

We received a capital appropriation to fund AvSec security screening equipment, *Kapua* (our core regulatory data recording system) and other critical infrastructure.

MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
Percentage of planned works delivered to timeframe and standard	100%	100%

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 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.

The Authority's ongoing financial challenges will place pressure on the delivery of this work. Authority has resourcing constraints in several areas which is putting pressure on our day-to-day work and key programmes, specifically preparing for the introduction of the new Civil Aviation Act, continuing to evolve the Emerging Technology initiative.



Key policy and international initiatives in 2023/24

We'll 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 and in support of our Pacific Island partners.

Begin the implementation of the Civil Aviation Act 2023.

With the publication of our regulatory safety and security strategy, we'll move to develop a safety delivery strategy that will describe our five-year regulatory capability plan to evolve into an intelligence-led and risk-based regulator.

We'll continue to work with other government departments, and the emerging technology sector, to ensure the appropriate and safe development and use of new technologies in the aviation system.

Our new Emerging Technology Unit will provide a bridge to enhance communications between these groups of stakeholders.

How we'll measure our performance

This output class contains the following six categories:

- 1.1 International relations and ICAO 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	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
1.1.1 *We'll ensure New Zealand's obligations as a signatory state to the Chicago convention are met, where appropriate for New Zealand:	Maintained	Maintained
<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 	Achieved 100%	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%
1.5.1 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%

Cost to deliver Output Class 1: Policy and regulatory strategy	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Crown Funding (Vote Transport: Policy Advice)	1,778	1,778
Crown – Protection of Core Functions	1	1,115
Ministry Contract Revenue (Rules Development & Pacific)	1,668	1,650
Levies	2,812	3,132
Fees and charges	-	-
Other Revenue	-	-
Total Output Revenue	6,259	7,675
Total Output Expenses	(6,362)	(7,823)
Net Surplus/(Deficit)	(103)	(148)

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'll measure our performance

OUTPUT MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
2.1.1 We build safety awareness through:		
<ul style="list-style-type: none"> our face-to-face, phone, online or other remote contact with participants by the Aviation Safety Advisors 	750	500 individual participants
<ul style="list-style-type: none"> education courses, workshops or seminars to participants nation-wide 	12	12 delivered
<ul style="list-style-type: none"> safety reports published on the Authority's website 	4	4 published
<ul style="list-style-type: none"> targeted safety campaigns in response to specific areas of concern or new issues that arise. 	5	5 campaigns
2.1.2 Our education courses, workshops, or seminars are rated by participants as a 3 or higher. ²	90%	85%
2.1.3 *The policy advice we provide to Ministers, government departments and agencies meets the Authority's internal guidelines for quality policy advice.	100%	85%
2.1.4 We'll implement the Authority's new stakeholder framework and approach.	100%	100%

Cost to deliver Output Class 2: Outreach	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Crown - Protection of Core Functions	317	617
Levies	1,509	1,623
Fees and charges	-	-
Other Revenue	6	7
Total Output Revenue	1832	2,247
Total Output Expenses	(1,862)	(2,290)
Net Surplus/(Deficit)	(30)	(43)

² Based on a post-seminar assessment with a rating scale of 1 to 5 (5 being the top rating).

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.

How we'll measure our performance

OUTPUT MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 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 ³ .	Achieved	Achieved
3.1.2 Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through Plan-Do-Check-Act reviews (PDCA)⁴ are subject to appropriate action. 	100%	100% of improvements identified are subject to appropriate action.

³ Transactions and decisions for key elements of each certification and licensing system are recorded and assessed against quality and timeliness standards.

⁴ PDCA process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours. PDCA's are considered to be valuable assessments even if improvement opportunities are not identified.



Cost to deliver Output Class 3: Certification and licensing	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Crown Funding (Vote Transport: New Technologies and ADSB)	3,849	1,601
Crown – Protection of Core Functions	8,502	16,745
Ministry Contract Revenue (Rules Development & Pacific)	-	-
Levies	14,892	15,904
Fees and charges	4,962	5,239
Other Revenue	99	128
Total Output Revenue	32,304	39,617
Total Output Expenses	(32,833)	(40,379)
Net Surplus/(Deficit)	(529)	(762)



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're 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're 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 1996
- 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.

How we'll measure our performance

OUTPUT MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
4.1.1 We'll complete health and safety assessments, investigations and audits within:		
• 180	70%	70%
• 12 months	100%	100%
4.1.2 We'll monitor adherence to the Civil Aviation Act 1990 through the conduct of:		
• Oversight activities ⁵ , e.g. Audits, inspections, spot checks and system testing or performance reviews ⁶	400	400-500
• Safety and security regulatory Investigations ⁷	325	300-390
• Enforcement Investigations	30	20-40
• Aviation Related Concerns (ARC) Investigations	550	500-600
• Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document) ⁸	2	2-3
4.1.3 Regulatory investigations independently assessed by a third party to ensure they're completed within 12 months and the recommendations made comply with our regulatory model.	100%	100% of those assessed comply
4.1.4 We'll complete investigations of Aviation Related Concerns within:		
• 180 days of receipt	90%	80%
• 12 months of receipt ⁹	100%	100%
4.1.5 We include aviation-specific Health and Safety guidance in safety and security guidance publications produced by the Authority.	New measure	8-12

5 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).

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

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

8 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.

9 In investigating Aviation Related Concerns, the principle of public interest is paramount. Two key considerations are the nature of the aviation activity carried out by the participant, and the impact of a safety failure. These determine the urgency of, and timeframes surrounding, any further investigation and subsequent assessment



OUTPUT MEASURE	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
4.1.6 Support delivered to the Airspace Integration Trials programme as agreed with the Ministry of Business, Innovation and Employment.	100%	100% of agreed support as included in the terms of reference with the Ministry of Business, Innovation and Employment.
4.1.7 Percentage of emerging technology participants surveyed reporting that the Emerging Technology Unit gateway process has met or exceeded their expectations.	New measure	Baseline to be established in 2023/24
4.1.8 Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> All improvements identified through PDCAs are subject to appropriate action. 	100%	100% of improvements identified are subject to appropriate action.

Cost to deliver Output Class 4: Monitoring, inspection and investigation	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Crown Funding (Vote Transport: Health and Safety in Employment)	1,201	4,001
Crown - Protection of Core Functions	1,738	1,030
Levies	9,437	10,147
Fees and charges	27	28
Other Revenue	38	50
Total Output Revenue	12,441	15,256
Total Output Expenses	(12,644)	(15,550)
Net Surplus/(Deficit)	(203)	(294)



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 sustain 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're 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 adopt new security technologies and systems to mitigate evolving threats to aviation.

How we'll measure our performance

This output class contains the following two categories:

5.1 Screening Activity

5.2 Audit Performance; Access Control; Maritime Security Services.



OUTPUT MEASURE		2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
5.1.1	Acceptance by international regulators ¹⁰ of AvSec equipment and practices as used within the New Zealand aviation security system. Possible change prompted by Audit.	100%	100%
5.1.2	Technologies deployed meet accepted international standards, as directed and agreed by the Director of Civil Aviation.	100%	100%
5.1.3	Meet obligations to investigate, trial, and stay informed on new technologies and practices. ¹¹	100%	100% of initiatives aligned to strategy
5.1.4	Match of forecast screening capacity to actual passenger demand.	Under capacity 5% Over capacity 20% ¹²	Less than 10% under capacity and less than 10% over capacity
5.1.5	Number of complaints ¹³ upheld against the Aviation Security Service per 50,000 screened.	<2	<2 per 50,000 passengers
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 areas against regulated standards. ¹⁴	99% ¹⁵	100% of requirements met
5.2.3	Government requests for security assistance responded to. ¹⁶	100%	100% of requirements met
5.2.4	Capacity to respond to requests from Maritime NZ for security assistance.	100	50 qualified staff

¹⁰ ICAO, European Civil Aviation Conference, U.S. Transport Security Administration, Transport Canada

¹¹ As outlined under the Civil Aviation Act 1990 Part 80 Section (c) and (d), with alignment to Horizon 2030 strategic plan.

¹² Due to resourcing shortages in 2022/23, AvSec has had to cap the number of lanes open at peak periods. To aid passenger facilitation, AvSec works closely with other Airport stakeholders to smooth passenger presentation to the screening points outside of the peak periods. To try to offset peaks AvSec has been opening lanes earlier, if staffing allows, to stop queues from building. This can result in increased staffing of lanes which is reflected in the reported over supply.

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

¹⁴ Airport Identity Card checks, Non-Passenger Screening, security patrols.

¹⁵ New standards were issued by the Director of Civil Aviation on 19 October 2022 to increase monitoring activity in response to the ICAO audit. Avsec has met 100% of the increased standard for time coverage, but did not meet the intervention rate target on a small number of occasions due to resource shortages.

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



Cost to deliver Output Class 5: Aviation Security Service Delivery	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Contracted services	-	-
Passenger levies	107,513	125,352
Crown funding – Managed Isolation & Quarantine	-	-
Crown funding – Maritime Security Services	145	145
Crown – Protection of Core Functions	52,513	54,653
Other Revenue	2,418	2,349
Total Output Revenue	162,589	182,499
Total Output Expenses	(168,075)	(188,821)
Output Surplus/(Deficit)	(5,486)	(6,322)



Changes to performance measures

This table lists the changes to output performance measures since last year's Statement of Performance Expectations, and the reasons for those changes.

Changes to non-output measures

The following Estimates performance measures have been included in the 2023/24 Statement of Performance Expectations on pages 14 and 15 for the first time. This has been done to provide a full view in one place of all the Authority's performance measures.

PERFORMANCE MEASURE 2022/23	2022/23 ESTIMATED PERFORMANCE	2023/24 PERFORMANCE TARGET
Civil Aviation and Maritime Security Services		
People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Survey not run in 2023	Maintained
Percentage of resident travellers that felt extremely or very safe and secure (2022 result - 72%)	Survey not run in 2023	75% or greater
Percentage of overseas travellers that felt extremely or very safe and secure (2022 result - 86%)	Survey not run in 2023	92% or greater
Protection of Transport Sector Agency Core Functions		
Maintain appropriate capability for core functions - appropriate resourcing to meet service level requirements	Achieved	Achieved
Mitigate costs to the Crown - implement the plan for mitigating costs and any variations as agreed with the Ministry of Transport	Achieved	Achieved
Capital Injection		
Percentage of planned works delivered to timeframe and standard	100%	100%

Changes to output measures

Ref	Output Measure 2022/23	2022/23 PERFORMANCE TARGET	Changed Output Measure 2023/24	CHANGED 2023/24 PERFORMANCE TARGET
3.1.2	Applications to the ADS-B transponders rebate scheme that meet eligibility criteria are administered within required standards.	100%	Deleted	Deleted
Reason for change: The rebate scheme finished on 30 June 2023				
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 and / or videos.	100%	Deleted	Deleted
Reason for change: This activity no longer operates as originally designed. The wording has been changed to better describe the activity that is now conducted.				
4.1.5	We include aviation-specific Health and Safety guidance in safety and security guidance publications produced by the Authority.	2-5	New measure, replaces 4.1.5	8-12
Reason for change: Deleted wording for 4.1.5				
4.1.6	New measure	New measure	Percentage of emerging technology participants surveyed reporting that the Emerging Technology Unit gateway process has met or exceeded their expectations.	Baseline to be established in 2023/24
Reason for change: Measure designed for new activity				

Prospective Financial Statements

Prospective financial indicators

For the year ended 30 June

	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
CAA		
Revenue	52,836	64,795
Output Expense	53,701	66,042
Net surplus/(deficit)	(865)	(1,247)
Bank and Investment balances	497	450
Net assets	11,308	21,379
Capital Expenditure	8,594	11,318
AvSec		
Revenue	162,589	182,499
Output Expense	168,075	188,821
Net surplus/(deficit)	(5,486)	(6,322)
Bank and Investment balances	590	1,227
Net assets	11,501	16,706
Capital Expenditure	15,554	16,551
Authority		
Revenue	215,419	247,287
Output Expense	221,770	254,856
Net surplus/(deficit)	(6,351)	(7,569)
Bank and Investment balances	1,087	1,677
Net assets	22,809	38,085
Capital Expenditure	24,148	27,869

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

Prospective statement of comprehensive revenue and expense

For the year ended 30 June

	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Revenue		
Levies revenue	136,163	156,158
Revenue from other services	7,090	7,333
Crown funding revenue	70,044	81,685
Ministry contract revenue	1,668	1,650
Interest and other revenue	454	461
Total revenue	215,419	247,287
Expense		
Personnel costs	177,281	205,130
Other cost of services	37,618	41,602
Audit fees for financial statements	161	170
Finance costs	214	214
Depreciation and amortisation expense	6,330	7,568
Authority member costs	166	172
Total expense	221,770	254,856
Net Surplus/(Deficit)	(6,351)	(7,569)
Total other comprehensive revenue and expense	-	-
Total comprehensive revenue and expenses	(6,351)	(7,569)

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

* The Triennial Funding Review was completed and implemented from 1 July 2019. This changed the passenger security charge to a passenger security levy, extended the passenger security to transit passengers, and increased the rates. For more information please refer to page 38.



Prospective statement of changes in equity

For the year ended 30 June

Equity	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Opening balance of equity at 1 July		
General funds	7,622	22,809
Total opening balance of equity at 1 July	7,622	22,809
Total comprehensive revenue and expense	(6,351)	(7,569)
Rounding adjustment	1	-
Capital Contribution from Crown	21,537	22,845
Total changes in equity during the year	15,187	15,276
Closing balance of equity at 30 June		
General funds	22,809	38,085
Total closing balance of equity at 1 July	22,809	38,085

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

Prospective statement of financial position

For the year ended 30 June

	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Current Assets		
Cash and cash equivalents	1,087	1,677
Debtors and other receivables	19,381	20,776
Services work in progress	160	160
Investments - term deposits	-	-
Total Current Assets	20,628	22,613
Non-Current Assets		
Property, plant and equipment	33,005	43,047
Intangible assets	8,112	14,332
Total Non-Current Assets	41,117	57,379
Total Assets	61,745	79,992
Current Liabilities		
Creditors and other payables	10,834	12,043
Employee entitlements	20,070	21,832
Provisions	150	150
Total Current Liabilities	31,054	34,025
Non-Current Liabilities		
Employee entitlements	7,507	7,507
Provisions	375	375
Total Non-Current Liabilities	7,882	7,882
Total Liabilities	38,936	41,907
NET ASSETS	22,809	38,085
Equity		
General funds	22,809	38,085
Total Equity	22,809	38,085

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

Prospective statement of cash flows

For the year ended 30 June

Equity	2022/23 ESTIMATED ACTUAL \$000	2023/24 BUDGET \$000
Cashflows from an operating activities cash was provided from:		
Receipts from levies	132,716	154,425
Receipts from other services	7,559	7,585
Receipts from Crown funding and Ministry contracts	71,712	83,335
Interest received	304	396
Receipts from other income	150	65
Total	212,441	245,806
Cash was applied to:		
Payments to employees	(165,651)	(191,645)
Payments to suppliers	(45,440)	(49,506)
Goods and Services Tax (net)	1,255	959
Total	(209,836)	(240,192)
Net Cash Flows from Operating Activities	2,605	5,614
Cash was applied to:		
Purchase of property plant and equipment	(19,781)	(20,888)
Purchase of intangible assets	(4,367)	(6,981)
Total	(24,148)	(27,869)
Net Cash Flows from Investing Activities	(24,148)	(27,869)
Cash flows from financing activities cash was provided from:		
Capital Injection from Crown	21,537	22,845
Total	21,537	22,845
Net Cash Flows from Financing Activities	21,537	22,845
Net increase/(decrease) in cash and cash equivalents	(6)	590
Opening Cash And Cash Equivalents as at 1 July	1,093	1,087
Closing Cash And Cash Equivalents as at 30 June	1,087	1,677

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 impact of the COVID-19 pandemic on the Authority and these prospective financial statements has started to reduce. As part of Budget 23, Cabinet approved continued access to Crown liquidity funding support, with a further \$72.053 million for the 2023/24 financial year through a multi-year appropriation "Protection of Transport Agency Core Functions". This also includes a carry forward of amounts previously appropriated for the 2022/23 financial year.

The Authority's capital expenditure budget for the 2023/24 financial year continues to be funded from a \$113.219 million capital multi-year appropriation approved in Budget 21 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 on 30 June 2026.

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

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

- the combined prospective financial statements for the safety and security activities of the Authority; and
- separate prospective financial statements for each of the Authority's safety and security regulatory activities.

This is in accordance with the Civil Aviation Act 1990, which requires the Authority to maintain separate accounts, records, and reports for the Aviation Security Service.



Projected passenger numbers

Forecasting revenue from passenger safety and security levies based on domestic and international passenger volumes remains particularly challenging, despite the recently announced acceleration of key milestones of the Government's 'Reconnecting New Zealand' strategy. Such uncertainties also impact domestic volumes, given domestic flights taken by overseas visitors, and passengers flying domestically to connect to international flights.

For international passengers, the forecast assumes departing passenger volumes will progressively recover from 75% of pre-COVID-19 levels from July 2023 to 89% by June 2024, in line with forecasting prepared by the Border Executive Board.

Domestic volumes are assumed to be 90% of pre-COVID-19 levels across the full financial year.

Should actual passenger volumes increase during the year, any consequent increase in passenger safety 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 requirement for screening.

Passenger Numbers	2023	2024
Safety Levies: Domestic	12,427,301	12,358,189
Security Levies: Domestic	6,912,748	6,908,488
Safety Levies: International	4,422,333	5,682,841
Security Levies: International (includes international transit)	4,732,929	6,094,776

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

Revenue	2023	2024
Safety Levies: Domestic	\$19,883,682	\$19,773,102
Security Levies: Domestic	\$90,695,254	\$90,639,363
Safety Levies: International	\$7,075,733	\$9,092,546
Security Levies: International (includes international transit)	\$62,096,028	\$79,963,461

Our Aviation 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. Our safety 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.

Safety and security regulatory function (CAA)

Passenger safety 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 2023/24 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 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 Crown liquidity funding mentioned earlier, revenue appropriated by the Crown includes \$1.233 million of additional 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, and \$2.800 million one-off funding to support the Authority's Health and Safety at Work activities.

Expenditure

The 2023/24 budget has been set at a level that will enable our regulatory activities to deliver core functions and meet expectations around being intelligence led and able to address issues arising from new aviation technologies. It also includes funding to deliver several projects, including preparing for the implementation of the Civil Aviation Act 2023.

Operating surpluses/deficits

The \$7.569 million projected deficit in 2023/24 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 32 will arise as the Crown liquidity funding appropriation does not fund depreciation and amortisation (a non-cash expenditure). The funding of such expenditure from the Crown appropriation would otherwise re-establish a capital asset replacement reserve.

Aviation Security Service regulatory function (AvSec)

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 page 37.

The 2023/24 budget has been set based on a rate of \$6.57 (GST exclusive) for domestic passengers and \$13.12 (GST exclusive) for international passengers (including transit passengers).

Contracted services revenue

Our Aviation Security Service function receives revenue from security services work provided to third parties. Revenue from these services is assumed to be an increase in 2023/24 from that received in 2022/23 due to the progressive increase in aviation activity.

Expenditure

The 2023/24 budget has been set at a level that will enable our Aviation Security Service function to respond to the projected recovery of passenger volumes. This has resulted in a need to recruit several vacant positions that were envisaged in its 2019 Triennial Funding Review, but which have been held vacant in recent years as a cost saving measure during the peak of the COVID-19 pandemic. It also includes our Aviation Security Service function's share of costs noted above for preparing for the expected implementation of the Civil Aviation Act 2023.

Statement of accounting policies

Reporting entity

The Authority was established under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992, and is owned by the Crown. 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 safety and security regulatory function of the Authority (CAA) and the separate regulatory Aviation Security Service (AvSec).

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 COVID-19 pandemic continues to have an impact, albeit reducing. Levies from departing passengers normally account for approximately 90% of the Authority's revenue, and whilst showing improvement they're forecast to be at 63% of total revenue for 2022/23 and budgeted at 63% for 2023/24. This has continued to affect the Authority's funding, but with a diminishing impact.

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 after 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 evaluation 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 CAA and AvSec 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.

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Authority applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

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're 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:

Leasehold improvements	Remaining life of lease	
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%

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.

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) because 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 into 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 CAA, 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 AvSec 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 CAA and AvSec was established from 7 November 2011. The costs arising in each shared services group are apportioned to the two operational arms 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 CAA and AvSec 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 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 year ended 30 June

	CAA		AvSec		Authority	
	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000
Revenue						
Levies revenue	28,650	30,806	107,513	125,352	136,163	156,158
Revenue from other services	4,989	5,267	2,107	2,073	7,090	7,333
Crown funding revenue	17,386	26,887	52,658	54,798	70,044	81,685
Ministry contract revenue	1,668	1,650	-	-	1,668	1,650
Interest and other revenue	143	185	311	276	454	461
Total revenue	52,836	64,795	162,589	182,499	215,419	247,287
Expense						
Personnel costs	50,103	60,984	127,178	144,146	177,281	205,130
Other cost of services	2,405	3,469	35,219	38,140	37,618	41,602
Audit fees for financial statements	161	170	-	-	161	170
Finance costs	-	-	214	214	214	214
Depreciation and amortisation expense	866	1,247	5,464	6,321	6,330	7,568
Authority member costs	166	172	-	-	166	172
Total Expenses	53,701	66,042	168,075	188,821	221,770	254,856
Net Surplus/(Deficit)	(865)	(1,247)	(5,486)	(6,322)	(6,351)	(7,569)
Total comprehensive revenue and expense	(865)	(1,247)	(5,486)	(6,322)	(6,351)	(7,569)

Prospective statement of changes in equity

For the year ended 30 June

	CAA		AvSec		Authority	
	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000
Equity						
Opening balance of Equity at 1 July						
General funds	4,773	11,308	2,849	11,501	7,622	22,809
Total opening balance of equity at 1 July	4,773	11,308	2,849	11,501	7,622	22,809
Total comprehensive revenue and expense	(865)	(1,247)	(5,486)	(6,322)	(6,351)	(7,569)
Rounding adjustment	-	-	1	-	-	-
Capital Contribution from Crown	7,400	11,318	14,137	11,527	21,537	22,845
Total changes in equity during the year	6,535	10,071	8,652	5,205	15,187	15,276
Closing balance of taxpayers' equity at 30 June						
General Funds	11,308	21,379	11,501	16,706	22,809	38,085
Total closing balance of taxpayers' equity at 30 June	11,308	21,379	11,501	16,706	22,809	38,085

Prospective statement of financial position

For the year ended 30 June

	CAA		AvSec		Authority	
	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000
Current assets						
Cash and cash equivalents	497	450	590	1,227	1,087	1,677
Debtors and other receivables	6,129	6,406	13,873	15,021	19,381	20,776
Services Work in Progress	160	160	-	-	160	160
Total current assets	6,786	7,016	14,463	16,248	20,628	22,613
Non-Current Assets						
Property, plant and equipment	5,026	8,662	27,979	34,385	33,005	43,047
Intangible assets	7,711	14,167	401	165	8,112	14,332
Total non-current assets	12,737	22,829	28,380	34,550	41,117	57,379
Total assets	19,523	29,845	42,843	50,798	61,745	79,992
Current Liabilities						
Creditors and other payables	3,602	3,661	7,853	9,033	10,834	12,043
Employees entitlements	3,879	4,071	16,191	17,761	20,070	21,832
Provisions	150	150	-	-	150	150
Total current liabilities	7,631	7,882	24,044	26,794	31,054	34,025
Non-Current Liabilities						
Employees entitlements	309	309	7,198	7,198	7,507	7,507
Provisions	275	275	100	100	375	375
Total non-current liabilities	584	584	7,298	7,298	7,882	7,882
Total liabilities	8,215	8,466	31,342	34,092	38,936	41,907
Net assets	11,308	21,379	11,501	16,706	22,809	38,085
Equity						
General funds	11,308	21,379	11,501	16,706	22,809	38,085
Total equity	11,308	21,379	11,501	16,706	22,809	38,085

Prospective statement of cash flows

For the year ended 30 June

	CAA		AvSec		Authority	
	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000
Cash Flows from Operating Activities						
Cash was provided from:						
Receipts from Levies	28,299	29,950	104,417	124,475	132,716	154,425
Receipts from Passenger security charges and other services	5,607	5,641	1,961	1,951	7,559	7,585
Receipts from Crown funding and Ministry contracts	19,054	28,537	52,658	54,798	71,712	83,335
Interest received	86	120	218	276	304	396
Receipts from other income	57	65	93	-	150	65
Total	53,103	64,313	159,347	181,500	212,441	245,806
Cash was applied to:						
Payments to employees	(46,938)	(57,744)	(118,713)	(133,901)	(165,651)	(191,645)
Payments to suppliers	(5,493)	(6,878)	(39,956)	(42,635)	(45,440)	(49,506)
Goods and Services Tax (net)	722	262	533	697	1,255	959
Total	(51,709)	(64,360)	(158,136)	(175,839)	(209,836)	(240,192)
Net cash flows from operating activities	1,394	(47)	1,211	5,661	2,605	5,614

Prospective statement of cash flows (continued)

For the year ended 30 June

	CAA		AvSec		Authority	
	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000	2023 Estimated Actual \$000	2024 Budget \$000
Cash was applied to:						
Purchase of property plant and equipment	(4,337)	(4,397)	(15,444)	(16,491)	(19,781)	(20,888)
Purchase of intangible assets	(4,257)	(6,921)	(110)	(60)	(4,367)	(6,981)
Total	(8,594)	(11,318)	(15,554)	(16,551)	(24,148)	(27,869)
Net cash flows from investing activities	(8,594)	(11,318)	(15,554)	(16,551)	(24,148)	(27,869)
Cash Flows from Financing Activities						
Cash was provided from:						
Capital Injection from Crown	7,400	11,318	14,137	11,527	21,537	22,845
Total	7,400	11,318	14,137	11,527	21,537	22,845
Net Cash Flows from Financing Activities	7,400	11,318	14,137	11,527	21,537	22,845
Net increase/decrease in cash and cash equivalents	200	(47)	(206)	637	(6)	590
Opening cash and cash equivalents at 1 July	297	497	796	590	1,093	1,087
Closing cash & cash equivalents at 30 June	497	450	590	1,227	1,087	1,677

Prospective reconciliation of equity: CAA

For the year ended 30 June

	Fixed Fee	Hourly Charges	Other (Vote Transport & MOT Contract)	General Funds (including Levies)	Total
2024 Budget					
\$000					
Revenue	1,878	3,389	9,031	50,498	64,796
Expenditure	(7,393)	(10,188)	(11,401)	(37,061)	(66,043)
Net surplus / (deficit)	(5,515)	(6,799)	(2,370)	13,437	(1,247)
Opening balance at 1 July	-	-	-	11,308	11,308
Transfer (from) to other reserves	5,515	6,799	2,370	(14,684)	-
Capital Contributions from the Crown	-	-	-	11,318	11,318
Closing balance at 30 June	-	-	-	21,379	21,379
2023 Estimated Actual					
\$000					
Revenue	1,837	3,151	8,497	39,352	52,837
Expenditure	(6,011)	(8,285)	(9,271)	(30,136)	(53,702)
Net surplus / (deficit)	(4,174)	(5,133)	(774)	9,216	(865)
Opening balance at 1 July	-	-	-	4,773	4,773
Transfer (from) to other reserves	4,174	5,133	774	(10,081)	-
Capital Contributions from the Crown	-	-	-	7,400	7,400
Closing balance at 30 June	-	-	-	11,308	11,308

Prospective reconciliation of equity: AvSec

For the year ended 30 June

	Total Passenger Security Reserves	Other Fees/ Reserves	Total Specific Reserves	General Funds
2024 Budget \$000				
Revenue	125,352	2,348	127,701	54,798
Expenditure	(186,472)	(2,348)	(188,821)	-
Net surplus/(deficit)	(61,120)	-	(61,120)	54,798
Opening balance at 1 July	-	-	-	11,501
Transfer (from) to specific reserves	61,120	-	61,120	(61,120)
Capital Contributions from the Crown	-	-	-	11,527
Closing balance at 30 June	-	-	-	16,706
2023 Estimated Actual \$000				
Revenue	107,513	2,563	110,076	52,512
Expenditure	(165,512)	(2,563)	(168,075)	-
Net surplus/(deficit)	(57,999)	-	(57,999)	52,512
Opening balance at 1 July	-	-	-	2,851
Transfer (from) to specific reserves	57,999	-	57,999	(57,999)
Capital Contributions from the Crown	-	-	-	14,137
Closing balance at 30 June	-	-	-	11,501

Prospective reconciliation of equity: capital expenditure

For the year ended 30 June

	CAA		AvSec	
	2022 Estimated Actual \$000	2023 Budget \$000	2022 Estimated Actual \$000	2023 Budget \$000
Proposed Capital Expenditure				
Computer hardware	728	509	155	260
Computer software	4,257	6,921	110	60
Plant & equipment	-	-	15,131	15,214
Furniture & fittings	745	-	79	242
Motor vehicles	-	-	3	-
Leasehold Improvements	2,864	3,888	76	775
Total	8,594	11,318	15,554	16,551

