



THE CIVIL AVIATION AUTHORITY

**STATEMENT OF  
PERFORMANCE  
EXPECTATIONS**

2016 - 17



## BOARD STATEMENT

The Authority certifies that the information contained in this Statement of Performance Expectations (SoPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2016 to 30 June 2017.

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

Signed on: 26 May 2016



**Nigel Gould**  
Chair of the Authority



**Peter Griffiths**  
Deputy Chairman

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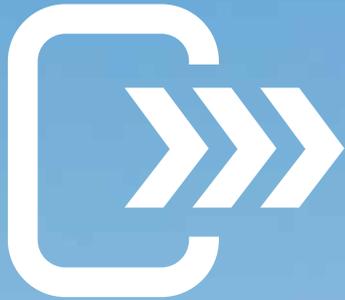
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## SECTION 1

# STATEMENT OF PERFORMANCE EXPECTATIONS

The Civil Aviation Authority (the Authority) is responsible to the Minister of Transport and governed by a five member board appointed by the Minister to represent the public interest in civil aviation (refer to the 2016//2026 Statement of Intent for further information on the nature and scope of the Authority).





The Statement of Performance Expectations sets out the outputs (goods and services) the Authority is funded to provide and the standards against which we will assess our service delivery performance. It is divided into the following five output classes:

**OUTPUT CLASS**

**1**

**POLICY &  
REGULATORY  
STRATEGY**

**OUTPUT CLASS**

**2**

**OUTREACH**

**OUTPUT CLASS**

**3**

**CERTIFICATION  
& LICENSING**

**OUTPUT CLASS**

**4**

**SURVEILLANCE &  
INVESTIGATION**

**OUTPUT CLASS**

**5**

**SECURITY  
SERVICE  
DELIVERY**

# OUR OUTPUTS AND PERFORMANCE EXPECTATIONS



## OUTPUT CLASS 1 POLICY & REGULATORY STRATEGY

### What we do Under this output class the Authority:

- // develops options and solutions for specific issues within the aviation regulatory system;
- // proactively identifies emerging issues for aviation;
- // delivers major policy and regulatory projects;
- // strategically coordinates Authority engagement in the international aviation system;
- // delivers Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials; and
- // develops and maintains linkages internally, across government, internationally and within industry.



### 1.1 INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

The Authority administrates New Zealand’s international civil aviation obligations and interests as delegated by the Minister of Transport. For example, coordinating New Zealand input into international conferences and meetings, managing the flow of incoming International Civil Aviation Organization state letters and coordination of technical aviation agreements with other countries.

#### What is intended to be achieved

This category is intended to achieve administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.

#### How does this contribute to our objectives?<sup>1</sup>

Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our objectives *“Improved sector safety performance”* and *“A vibrant aviation system”*. This contributes to reducing trade and market barriers.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>Quality:</b> International engagement is undertaken that meets the key objectives of the Civil Aviation Authority International Engagement Strategy.	100% of objectives met	100% of objectives met
<b>INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) COMPLIANCE:</b>		
<b>Timeliness:</b> Respond to incoming ICAO State letters by due date as set by ICAO.	100%	100%
Maintain the currency of the Electronic Filing of Differences (eFOD) in accordance with ICAO timeframe.	100%	100%
<b>Quality:</b> Facilitate the planned safety audit of New Zealand by ICAO for the 2016 year resulting in compliance for New Zealand to at least the average of OECD countries or better.	n/a The ICAO audit is scheduled for December 2016	The ICAO safety audit results in compliance for New Zealand to at least the average of OECD countries or better
Significant Safety Concerns (SSC) raised by ICAO.	nil	nil
ICAO coordinated validation mission (ICVM) carried out as a result of an SSC.	nil	nil

<sup>1</sup> The objectives of the Civil Aviation Authority described in the 2016//2026 Statement of Intent are presented in italics.

## 1.2 MINISTERIAL SERVICING – CIVIL AVIATION

<b>What is intended to be achieved</b>	This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.
<b>How does this contribute to our objectives?</b>	The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all three objectives described in our strategic framework.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>Quality:</b> Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.	Met or exceeded expectations (95% meet standard)	Met or exceeded expectations
<b>Quality and Timeliness:</b> Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	100%	100%

## 1.3 POLICY ADVICE – CIVIL AVIATION

<b>What is intended to be achieved</b>	This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.
<b>How does this contribute to our objectives?</b>	Through robust analysis and decision making, this output directly contributes to our objectives of “ <i>Improved sector safety performance</i> ” and “ <i>A vibrant aviation system</i> ”.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>Quality:</b> Percentage of policy papers that meet the standards set out in the Authority’s policy development procedures, i.e. quality and timeliness of deliverables (assessed by annual independent audit).	95%	95%
<b>Timeliness:</b> All policy projects prioritised for delivery by the Issue Review Panel (in accordance with the prioritisation procedures agreed by the panel) are delivered against objectives and timeframes specified in the respective project plans.	100%	100%

## 1.4 SYSTEM LEVEL DESIGN AND INTERVENTION

### What is intended to be achieved

This category is intended to achieve an effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.

### How does this contribute to our objectives?

The proactive identification of emerging issues within the civil aviation environment allows us to develop minimum safety and security standards for aviation participants that directly contribute to all three of the objectives defined in the Authority's strategic framework.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<p><b>Quality</b> Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross-government.</p>	Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies	Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies
All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.	100%	100%
<p><b>Quality and Timeliness:</b> Complete an analysis of the civil aviation regulatory framework following the changes to the Civil Aviation Act and the move to a risk based approach to regulation (subject to progress of the Act review).</p>	n/a Progress of the Civil Aviation Act review continues, led by the Ministry of Transport	Analysis completed by 30 June 2017 (subject to the extent of impact of changes)

## 1.5 RULES AND STANDARDS DEVELOPMENT

### What is intended to be achieved

This category is intended to achieve timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO standards.

### How does this contribute to our objectives?

A robust and fit for purpose regulatory structure directly contributes to all three of the objectives defined in the Authority's strategic framework.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<p><b>Quantity:</b> Number of rules under development agreed between the Authority and the Ministry of Transport.</p>	6–10	6–10
Number of rules completed agreed between the Authority and the Ministry of Transport.	3–5	3–5
<p><b>Quality and Timeliness:</b> Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook).</p>	100%	100%

## 1.6 PACIFIC SUPPORT

<b>What is intended to be achieved</b>	This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.
<b>How does this contribute to our objectives?</b>	Our objectives of “ <i>improved sector safety performance</i> ” and “ <i>a vibrant aviation system</i> ” are demonstrated through our role as a regional leader and safety promoter to the Pacific States.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>Timeliness:</b> Action plan for each state developed and delivered according to the timetable agreed with each State.	Delivered according to timetable	Delivered according to timetable
<b>Quality:</b> Improvement in aviation safety and security outcomes in the Pacific as evidenced by an increased level of compliance with the ICAO eight critical elements of oversight system for safety and security (particularly resolution of safety concerns). <sup>2</sup>  New systems and processes established and used as a result of training.	Improved level of compliance with ICAO eight critical elements  Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided	Improved level of compliance with ICAO eight critical elements  Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided
Increased industry satisfaction and willingness to engage in the Pacific.	Survey results reflect industry satisfaction and willingness to engage in the Pacific	Survey results reflect industry satisfaction and willingness to engage in the Pacific

<sup>2</sup> ICAO has identified and defined the following critical elements of a State's safety oversight system: CE-1 Primary aviation legislation, CE-2 Specific operating regulations, CE-3 State civil aviation system and safety oversight functions, CE-4 Technical personnel qualification and training, CE-5 Technical guidance, tools and the provision of safety-critical information, CE-6 Licensing, certification, authorization and approval obligations, CE-7 Surveillance obligations and, CE-8 Resolution of safety concerns. Definitions of each of the critical areas can be found at <http://www.icao.int/Security/USAP/Pages/The-Critical-Elements.aspx>

COST TO DELIVER OUTPUT CLASS 1: POLICY & REGULATORY STRATEGY	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
Crown Funding (Vote Transport: Policy Advice)	1,780	1,780
Ministry Contract Revenue (Rules Development & Pacific)	1,360	1,874
Levies	1,588	1,723
Fees and charges	1	–
Other Revenue	–	–
<b>Total Output Revenue</b>	<b>4,729</b>	<b>5,377</b>
<b>Total Output Expense</b>	<b>(4,729)</b>	<b>(5,377)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>–</b>	<b>–</b>



## OUTPUT CLASS 2 OUTREACH

### What we do Under this output class the Authority:

- // fosters and promotes safety and security across the civil aviation sector;
- // fosters and promotes health and safety at work within the bounds of the Authority designation; and
- // raises public awareness on transport of dangerous goods by air.

### 2.1 OUTREACH

#### What is intended to be achieved

This category is intended to achieve increased understanding and knowledge of aviation safety amongst participants and the public.

#### How does this contribute to our objectives?

People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes on risk identification and management. This directly contributes to all three of our objectives defined in our strategic framework.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>REPORTS AND PUBLICATIONS</b>		
<b>Quantity:</b> Number of standard publications released including safety summary data reports, aviation safety reports, Vector magazines and other targeted publications.	12–18 publications	12–18 publications
<b>Timeliness:</b> Percentage of reports and publications that are produced in accordance with the Authority's procedures <sup>3</sup> .	100%	100%
<b>EDUCATION</b>		
<b>Quantity:</b> Number of educational units (seminars, workshops and courses) delivered to 30 June 2017.	20–30	20–30
<b>Quality:</b> Percentage of educational units that are: <ul style="list-style-type: none"> <li>• delivered in accordance with the schedule published on the Civil Aviation Authority website; and</li> <li>• rated by participants as a 3 or higher<sup>4</sup> in their overall rating of the seminar and the benefit provided.</li> </ul>	100%	100%

<sup>3</sup> Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report  
Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report  
Vector magazine: :Authority Internal Procedure  
Other publications in accordance with agreed process for delivery 12

<sup>4</sup> 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?

COST TO DELIVER OUTPUT CLASS 2: OUTREACH	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
Levies	4,600	4,892
Fees and charges	–	–
Other Revenue	76	33
<b>Total Output Revenue</b>	<b>4,676</b>	<b>4,925</b>
<b>Total Output Expense</b>	<b>(4,691)</b>	<b>(4,981)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(15)</b>	<b>(56)</b>



## OUTPUT CLASS 3 CERTIFICATION & LICENSING

### What we do Under this output class the Authority:

// exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; and

// exercises control over the exit from New Zealand's civil aviation system through the suspension and revocation of documents.

### 3.1 CERTIFICATION & LICENSING

#### What is intended to be achieved

This category is intended to achieve robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

#### How does this contribute to our objectives?

The robust assessment and certification of participants in the civil aviation system ensures we meet our objective of "improved sector safety performance".

#### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

2016  
ESTIMATED  
ACTUAL

2017 ESTIMATE

##### Quantity:

Number of certifications carried out (demand driven volumes provided for contextual information):

- Organisation
- Aircraft
- Service providers

1,200–1,600  
930–1,130  
35–45

1,200–1,600  
930–1,130  
35–45

Number of licensing procedures carried out

5,000–7,000

5,000–7,000

##### Quality and Effectiveness:

Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy<sup>5</sup>).

new measure

Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.

<sup>5</sup> The Regulatory Operating Review Policy includes three components of assessment, PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.

#### COST TO DELIVER OUTPUT CLASS 3: CERTIFICATION AND LICENSING

2016  
ESTIMATED  
ACTUAL  
\$000

2017  
BUDGET  
\$000

Levies

13,169

13,980

Fees and charges

6,548

6,881

Other Revenue

323

143

**Total Output Revenue**

**20,040**

**21,004**

**Total Output Expense**

**(20,109)**

**(21,161)**

**NET SURPLUS/(DEFICIT)**

**(69)**

**(157)**



## OUTPUT CLASS 4 SURVEILLANCE & INVESTIGATION

### What we do Under this output class the Authority:

- // monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- // conducts inspections, audits and investigations under the Health and Safety at Work Act 2015;
- // assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- // takes appropriate regulatory intervention under the Civil Aviation Act 1990 to hold participants to account where necessary.

### 4.1 SURVEILLANCE & INVESTIGATION

#### What is intended to be achieved

This category is intended to achieve continued assurance that the civil aviation system in New Zealand is safe and secure.

#### How does this contribute to our objectives?

People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of *“improved sector safety performance”* and *“effective and efficient security services”*.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2016 ESTIMATED ACTUAL	2017 ESTIMATE
<b>HEALTH AND SAFETY AT WORK ACT 2015</b>		
<b>Quantity:</b>		
Number of health and safety in employment investigations, audits, and inspections.	15	30–55 <sup>6</sup>
Percentage of occurrences investigated or reviewed where:		
1. Notifiable injury or illness is as per section 23 of the Health and Safety at Work Act 2015.		1. 100%
2. Notifiable incident is as per section 24 of the Health and Safety at Work Act 2015.	new measure	2. 75%
3. Minor = an isolated occurrence or deficiency not indicative of a significant system problem, including minor HSNO incidents.		3. 30%
<b>Quality and Timeliness:</b>		
Percentage of audit and inspection reports completed and dispatched within 30 days after the date of the exit meeting.	new measure	100%
Percentage of Health and Safety at Work follow up actions to be completed within 10 weeks of the exit meeting date.	new measure	100%

<sup>6</sup> The increase in budgeted health and safety in employment audits, inspections and investigations between 2015/16 and 2016/17 is reflective of the introduction of a new methodology by which we are managing our responsibilities under the Health and Safety at Work Act 2015.

<b>HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?</b>	<b>2016 ESTIMATED ACTUAL</b>	<b>2017 ESTIMATE</b>
<b>CIVIL AVIATION ACT 1990</b>		
<b>Quantity:</b>		
Number of audits and inspections.	630–750	630–750
Number of safety and regulatory investigations:		
• Safety Investigations (demand driven):	300–390	300–390
Enforcement Investigations.	20	20–40
Aviation Related Concerns (ARC) Investigations.	400–460	400–460
Percentage of total occurrences investigated or reviewed (based on historical averages of occurrences investigated). The aim of the safety Investigation team is investigate all critical and major occurrences and minor where benefit would be derived from investigation.	>50% classified as Minor >35% classified as Major >15% classified as Critical	>50% classified as Minor >35% classified as Major >15% classified as Critical
Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).	5–10	5–10
Number of hours spent on sector safety analysis reporting:		
• Airline sector	800	2,000
• Helicopter and agricultural	1,000	1,500
• Other	1,200	1,500
<b>Quality and Effectiveness</b>		
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy <sup>7</sup> ).	new measure	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified
This applies directly to:		
• Aviation Related Concerns (ARC) inspections and investigations		
• Safety and regulatory investigations		
<b>Quality and Timeliness:</b>		
Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines:	100%	100%
Percentage of safety investigations assessed externally (by a third party), as meeting Safety Investigations Unit Business Plan time scales and are based on defensible and justifiable reasons aligned with the Authority's strategic framework and Regulatory Operating Model (based on a quarterly assessment of progress against the Regulatory Operating Review Policy <sup>7</sup> ).	100%	100%
Percentage of regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model.	100%	100%

<sup>7</sup> The Regulatory Operating Review Policy includes three components of assessment, PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.

<b>COST TO DELIVER OUTPUT CLASS 4: SURVEILLANCE AND INVESTIGATION</b>	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
Crown Funding (Vote Transport: Health and Safety at Work)	907	1,610
Levies	8,272	8,688
Fees and charges	1,681	1,703
Other Revenue	178	298
<b>Total Output Revenue</b>	<b>11,038</b>	<b>12,299</b>
<b>Total Output Expense</b>	<b>(11,076)</b>	<b>(12,584)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(38)</b>	<b>(285)</b>



**OUTPUT CLASS 5**  
**SECURITY**  
**SERVICE**  
**DELIVERY**

**What we do** Under this output class the Authority:

- // screens all passengers and their carry-on baggage at security designated airports;
- // screens all hold baggage on departing international flights;
- // screens airport workers with access to enhanced security areas at international airports;
- // manages the issue of airport identity cards;
- // conducts perimeter patrols at security designated aerodromes and navigation facilities; and
- // maintains preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.

**5.1 SCREENING ACTIVITY**

**What is intended to be achieved**

This category is intended to achieve keeping passengers and people on the ground safe from a security threat.

**How does this contribute to our objectives?**

By meeting our objective of “*effective and efficient security services*” we ensure that threats and risks don’t materialise, or are resolved as quickly and unobtrusively as possible. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

<b>HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?</b>	<b>2016 ESTIMATED ACTUAL</b>	<b>2017 ESTIMATE</b>
<b>Quality and Timeliness:</b>		
Number of flight delays attributable to screening activities due to security system failure. <i>(A nil target for security impacts to the timely departure of aircraft is maintained to highlight these incidents as they occur and to reflect the commitment by the Aviation Security Service to the maintenance of a secure environment for passengers).</i>	Nil	Nil
Average passenger wait times at international departure screening points for operational efficiency and customer satisfaction.	≤3 mins	≤3 mins
Average passenger wait times at domestic departure screening points for operational efficiency and customer satisfaction.	≤3 mins	≤3 mins
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure). <sup>8</sup>	<3.4 items per million screened	3.4 items per million screened
Number of verified dangerous goods discovered post screening points (due to security system failure).	<3.4 items per million screened	<3.4 items per million screened
Number of substantiated complaints against security officers involved in the screening function.	No more than 1 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened
<b>Quantity:</b>		
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:		
• Metro-domestic airports (Auckland, Wellington, Christchurch)	>67.5%	>67.5%
• Metro international airports (Auckland, Wellington, Christchurch)	>64.0%	>64.0%
• Regional combined (domestic and international) airports (Queenstown and Dunedin)	>57.5%	>57.5%
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus). <sup>9</sup>	<12% rostering surplus	<12% rostering surplus

<sup>8</sup> Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

<sup>9</sup> Rostering surplus is the percentage of time that operational staff are deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.



## 5.2 AUDIT PERFORMANCE; ACCESS CONTROL; MARITIME SECURITY SERVICES

<b>What is intended to be achieved</b>	This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.
<b>How does this contribute to our objectives?</b>	High standards maintained in the delivery of security services directly contributes to our objective of “effective and efficient security services”.

<b>HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?</b>	<b>2016 ESTIMATED ACTUAL</b>	<b>2017 ESTIMATE</b>
<b>Quality:</b>		
Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	100%	100%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit.	Nils	Nil
Access Control: Number of corrective action requests pertaining to access control issued by the Regulator.	Nil	Nil
Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	Nil	Nil

<b>COST TO DELIVER OUTPUT CLASS 5: SECURITY SERVICE DELIVERY</b>	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
Contracted services	4,398	4,024
Passenger security charges	79,339	77,588
Crown funding – Maritime Security Services	145	145
Other Revenue	1,226	1,047
<b>Total Output Revenue</b>	<b>85,108</b>	<b>82,804</b>
<b>Total Output Expense</b>	<b>(85,853)</b>	<b>(87,494)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(745)</b>	<b>(4,690)</b>

A photograph of an airport lounge at night. The scene is viewed through large glass windows. Outside, a dark silhouette of an airplane is visible against a warm, orange-hued sky. The background is filled with a dense field of colorful bokeh lights in shades of yellow, orange, red, and blue. Inside the lounge, several modern, dark-colored chairs with metal frames are arranged. The floor is highly reflective, mirroring the chairs and the bokeh lights from the window. The overall atmosphere is warm and sophisticated.

SECTION 2

# PROSPECTIVE FINANCIAL STATEMENTS

**PROSPECTIVE FINANCIAL INDICATORS**

For the year ended 30 June

	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
<b>Regulatory Function</b>		
Revenue	40,483	43,605
Output Expense	40,605	44,103
Net surplus/(deficit)	<b>(122)</b>	<b>(498)</b>
Bank and Investment balances	8,014	7,536
Net assets	10,608	10,110
Capital Expenditure	682	854
<b>Security Service Function</b>		
Revenue	85,108	82,804
Output Expense	85,853	87,494
Net surplus/(deficit)	<b>(745)</b>	<b>(4,690)</b>
Bank and Investment balances	17,321	12,762
Net assets	24,789	20,099
Capital Expenditure	7,372	2,850
<b>Civil Aviation Authority<sup>10</sup></b>		
Revenue	125,339	126,157
Output Expense	126,206	131,345
Net surplus/(deficit)	<b>(867)</b>	<b>(5,188)</b>
Bank and Investment balances	25,335	20,298
Net assets	35,397	30,209
Capital Expenditure	8,054	3,704

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

10 The consolidation is net of the elimination of transactions between the Regulatory Function and the Security Services Function.

**PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**

For the years ending 30 June

	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
<b>Revenue</b>		
Levies revenue	27,629	29,283
Passenger security charges	79,339	77,588
Revenue from other services	12,376	12,356
Crown funding revenue	2,832	3,535
Ministry contract revenue	1,558	2,072
Interest and other revenue	1,605	1,323
<b>Total revenue</b>	<b>125,339</b>	<b>126,157</b>
<b>Expense</b>		
Personnel costs	96,698	100,960
Other costs of services	25,254	25,806
Audit fees for financial statements	112	115
Finance costs	182	174
Depreciation and amortisation expense	3,811	4,141
Authority member costs	149	149
<b>Total expenditure</b>	<b>126,206</b>	<b>131,345</b>
<b>Net Surplus/(Deficit)</b>	<b>(867)</b>	<b>(5,188)</b>
<b>Total other comprehensive revenue and expense</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(867)</b>	<b>(5,188)</b>

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

	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
<b>Equity</b>		
<b>Opening balance of equity at 1 July</b>		
General funds	21,165	21,368
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,353	13,283
<b>Total opening balance of equity at 1 July</b>	<b>36,264</b>	<b>35,397</b>
Total comprehensive revenue and expense	(867)	(5,188)
Transfers to/(from) passenger security charges and other fees and charges reserves	(1,070)	(5,165)
Transfers to/(from) general funds	1,070	5,165
<b>Total changes in equity during the year</b>	<b>(867)</b>	<b>(5,188)</b>
<b>Closing balance of equity at 30 June</b>		
General funds	21,368	21,345
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	13,283	8,118
<b>Total closing balance of equity at 30 June</b>	<b>35,397</b>	<b>30,209</b>

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

**PROSPECTIVE STATEMENT OF FINANCIAL POSITION**

As at 30 June

	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Current Assets</b>		
Cash and cash equivalents	1,335	1,298
Debtors and other receivables	13,209	13,120
Services work in progress	147	147
Investments – term deposits	24,000	19,000
<b>Total Current Assets</b>	<b>38,691</b>	<b>33,565</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	16,182	15,943
Intangible assets	1,306	1,107
Investment Property	270	139
<b>Total Non-Current Assets</b>	<b>17,758</b>	<b>17,189</b>
<b>TOTAL ASSETS</b>	<b>56,449</b>	<b>50,754</b>
<b>Current Liabilities</b>		
Creditors and other payables	5,356	4,930
Employee entitlements	8,257	8,283
Provisions	144	144
<b>Total Current Liabilities</b>	<b>13,757</b>	<b>13,357</b>
<b>Non-Current Liabilities</b>		
Employee entitlements	6,211	6,211
Provisions	1,084	977
<b>Total Non-Current Liabilities</b>	<b>7,295</b>	<b>7,188</b>
<b>Total Liabilities</b>	<b>21,052</b>	<b>20,545</b>
<b>NET ASSETS</b>	<b>35,397</b>	<b>30,209</b>
<b>Equity</b>		
General funds	21,368	21,345
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	13,283	8,118
<b>Total Equity</b>	<b>35,397</b>	<b>30,209</b>

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

**PROSPECTIVE STATEMENT OF CASH FLOWS**

For the years ended 30 June

	<b>2016 ESTIMATED ACTUAL \$000</b>	<b>2017 BUDGET \$000</b>
<b>Cash Flows From Operating Activities</b>		
<b>Cash was provided from:</b>		
Receipts from levies	27,694	29,266
Receipts from Passenger security charges and other services	91,843	89,721
Receipts from Crown funding and Ministry contracts	4,390	5,607
Interest received	1,115	828
Receipts from other revenue	473	495
<b>Total</b>	<b>125,515</b>	<b>125,917</b>
<b>Cash was applied to:</b>		
Payments to employees	(96,693)	(101,018)
Payments to suppliers	(25,870)	(25,982)
Interest paid	–	–
Goods and Services Tax (net)	(232)	(250)
<b>Total</b>	<b>(122,795)</b>	<b>(127,250)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>2,720</b>	<b>(1,333)</b>
<b>Cash Flows From Investing Activities</b>		
<b>Cash was provided from:</b>		
Maturity of investments	2,500	5,000
Sale of property, plant and equipment	–	–
<b>Total</b>	<b>2,500</b>	<b>5,000</b>
<b>Cash was applied to:</b>		
Placement of investments	–	–
Purchase of property, plant and equipment	(7,409)	(3,359)
Purchase of intangible assets	(645)	(345)
<b>Total</b>	<b>(8,054)</b>	<b>(3,704)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(5,554)</b>	<b>1,296</b>
<b>Cash Flows From Financing Activities</b>		
<b>Cash was provided from:</b>		
Capital contributions from the Crown	–	–
Proceeds from external borrowings	–	–
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Cash was applied to:</b>		
Repayment of external borrowings	–	–
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Net Cash Flows from Financing Activities</b>	<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,834)</b>	<b>(37)</b>
<b>OPENING CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>4,169</b>	<b>1,335</b>
<b>CLOSING CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>1,335</b>	<b>1,298</b>

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



**SECTION 3**

# **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 Aviation Safety and Regulatory Function and the Aviation Security Service of the Civil Aviation Authority (the Authority); and
- // separate prospective financial statements for each of the Aviation Safety and Regulatory Function and the Aviation Security Service 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 Aviation Safety and Regulatory Function and the Aviation Security Service of the Authority.

The Authority is facing significant business decisions in the 2015/16 financial year for which the financial outcomes rely on Cabinet decisions that cannot be predetermined and/or business proposals that require the approval of the Board. As a result, these prospective financial statements have been prepared assuming the current regulated pricing and do not include outcomes for:

- // Regulatory Triennial Funding Review – the Authority is currently reviewing submissions following its public consultation on its proposed changes to its fees, charges and levies. Cabinet is expected to make decisions on these around the start of the 2016/17 financial year, with any changes to pricing and the implementation date being unknown.
- // Domestic Aviation Security Risk Assessment – the Government raised New Zealand's terrorist threat level from very low to low in October 2014. No provision has been made for any Government policy changes relating to the final outcomes of this risk assessment and any impact on the level of security services provided by the Aviation Security Service.
- // Business System Replacement – the redesign and investment in replacing the Authority's business systems is progressing. Expenditure of \$1.5 million will be incurred in the 2015/16 financial year for the implementation of the Electronic Content Management System (ECMS) with a further \$1.3 million budgeted in the 2016/17 financial year. No provision has been made by the Regulatory Function or the Aviation Security Service for other investment or operating costs associated with the replacement of other key business systems.

Any investment decision would rely on Board approval of business proposals.

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

### PASSENGER VOLUMES

Forecasting revenue from safety levies and security charges based on domestic and international passenger volumes remains problematic. This is due to the competitiveness and commercial confidentiality surrounding airlines planned activity and projected passenger numbers, and the impacts external factors such as economic events and natural disasters can have, in terms of market responses by operators and consumer behaviour.

	2015/16 ESTIMATED ACTUAL '000	2016/17 BUDGET '000
<b>PASSENGER NUMBERS</b>		
Safety levies: Domestic	11,701	12,447
Security charges: Domestic	6,648	6,900
Safety levy and Security charges: International	5,726	6,056

### Projected Passenger Numbers

A 1% movement in domestic and international passenger volumes would have an estimated impact on projected revenues depicted in the table below.

	2015/16 ESTIMATED ACTUAL \$'000	2016/17 BUDGET \$'000
<b>REVENUE</b>		
Domestic Passenger Safety levy charges <sup>11</sup>	197	210
Domestic Passenger Security charges	211	219
International Passenger Safety levy charges	74	79
International Passenger Security charges	527	557

<sup>11</sup> Assuming 1% variance at budgeted ANZA/non-ANZA proportions

Aviation Security Service domestic passenger security charges are based upon departing passengers carried on jet aircraft with 90 or more passengers on each domestic sector. The Aviation Safety and Regulatory Safety levy is based upon departing passengers carried on each domestic sector by all airlines carrying greater than 20,000 passengers per annum.

Revenues have been estimated based on the following projections of passenger volumes:

- // Volumes of passengers departing on international flights are predicted to increase by 5.8% over the 2015/16 estimated actual to 6.1 million in 2016/17, reflecting strong volumes in Auckland, and strong percentage growth in Queenstown.
- // Aviation Security screened domestic passenger volumes are forecast to increase by 3.8% over the 2015/16 estimated actual to 6.9 million in 2016/17. This is reflective of strong growth in volumes in Auckland, and strong percentage growth in Queenstown.
- // The total number of passengers departing on domestic flights is forecast to increase by 6.4% over the 2015/16 estimated actual to 12.4 million in 2016/17, reflective of a full 12 months impact of new services on regional routes.

Other assumptions for the 2016/17 Statement of Performance Expectations are:

- // No new large airline will enter or exit the New Zealand market.
- // There will be no additional airports requiring the introduction of security screening services. Security screening operations will be provided at Auckland, Wellington, Christchurch, Dunedin and Queenstown.

## AVIATION SAFETY AND 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 tables on page 21.

The 2016/17 budget has been set based on the Civil Aviation (Safety) Levies Order 2002 using the current regulated international and domestic passenger safety levy of \$1.30 and \$1.71 respectively (GST exclusive). Airlines operating domestically under Australia-New Zealand Aviation (ANZA) privileges pay a domestic passenger levy of \$1.55 (GST exclusive).

### 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

The revenue appropriated by the Crown has increased by \$1.17 million in 2016/17 for administering the Civil Aviation Authority's designation under the new Health and Safety at Work Act 2015.

### PERSONNEL COSTS

The 2016/17 budget has been prepared on an Aviation Safety and Regulatory Function staff establishment of 250 full-time equivalent positions.

The budgeted personnel costs include provision for performance related increases and to assist with attracting and retaining key staff.

## OPERATING SURPLUSES/DEFICITS

It is intended that the projected deficit in 2015/16 and 2016/17 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 29 will be incurred to fund capability projects and will reduce accumulated reserves.

### EQUITY

The Board's policy is to maintain a minimum cash reserve of \$4 million to manage the risk of external shocks.

## SECURITY SERVICE FUNCTION

### PASSENGER SECURITY CHARGES

Passenger security charges have been estimated based on the projections of security screened domestic and international passenger volumes stated in the tables on page 21.

The 2016/17 budget has been set using the regulated passenger security charges set in April 2014 that followed a review of passenger charges approved by Cabinet. Effective 1 April 2016 the domestic passenger levy reduced to \$3.17 (GST exclusive) and the international security charge reduced to \$9.20 (GST exclusive).

These revised passenger security charges were set at a level that reflected the Aviation Security Service's normal operating costs, anticipated efficiency gains and a planned reduction in passenger security charges reserves to a target of \$10 million.

### CONTRACTED SERVICES REVENUE

The Aviation Security Service receives revenue from security services work provided to third parties. The revenue level is assumed to be consistent with 2015/16 activity levels, with the exception of gatehouse services at Christchurch. Current contracted recovery rates have been utilised in the setting of revenue.

### PERSONNEL COSTS

The 2016/17 budget has been prepared on an Aviation Security Service average establishment of 814 full-time equivalent positions.

## OPERATING SURPLUSES/DEFICITS

It is intended that the projected deficit in 2015/16 and 2016/17 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 29 will reduce accumulated reserves to the \$10 million policy target.

### EQUITY

The Board's policy is to maintain a \$10 million reserve. The purpose and targeted level of this reserve was reviewed as part of the Aviation Security Services review of passenger charges approved by Cabinet.

The purpose of the reserve is to manage the risk of external shocks and provide for required business-as-usual working capital to deal with seasonal and business cycle fluctuations in passenger volumes.

# 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 page 2.

## 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.

## FUNCTIONAL AND PRESENTATION CURRENCY

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 and charges 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. Commitments and contingencies are disclosed exclusive of GST.

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.

[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.

## 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.

## 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.

## SERVICE'S 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 or fair value less any accumulated depreciation and impairment losses.

## ACCOUNTING FOR REVALUATIONS

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The results of revaluation are recorded in the appropriate asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Prospective Statement of Comprehensive Revenue and Expense. Any subsequent increase in the revaluation that offsets a previous decrease in value recognised in the Prospective Statement of Comprehensive Revenue and Expense will be recognised first in the Prospective Statement of Comprehensive Revenue Expense up to the amount previously expensed, and then credited to the revaluation reserve for the asset class.

## 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 \$2,000.

## 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:

Buildings (including components)	10-24 years	10%-4%
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%

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.

## INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or capital appreciation. Property held to meet service delivery objectives is classified as property, plant and equipment.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in fair value of investment property 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
- // Passenger security charges and other fees and charges reserves
- // Passenger safety reserves

## PROPERTY REVALUATION RESERVE

This reserve relates to the revaluation of property, plant and equipment to fair value.

## PASSENGER SECURITY RESERVE

This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities.

## PASSENGER SAFETY RESERVE

This reserve relates to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

## OUTPUT COSTING

### 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 Aviation Safety and 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 Aviation Security Service 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 Aviation Safety and Regulatory Function and the Aviation Security Service was established from 7 November 2011. The costs arising in each shared services group (Business Development and Services, and Legal Services) 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 Aviation Safety and Regulatory Function and Aviation Security Service 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.



**SECTION 4**

**ADDITIONAL  
PROSPECTIVE  
FINANCIAL  
INFORMATION**

**PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY <sup>12</sup>	
	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Revenue</b>						
Levies revenue	27,629	29,283	–	–	27,629	29,283
Passenger security charges	–	–	79,339	77,588	79,339	77,588
Revenue from other services	8,230	8,584	4,398	4,024	12,376	12,356
Crown funding revenue	2,687	3,390	145	145	2,832	3,535
Ministry contract revenue	1,360	1,874	198	198	1,558	2,072
Interest and other revenue	577	474	1,028	849	1,605	1,323
<b>Total Revenue</b>	<b>40,483</b>	<b>43,605</b>	<b>85,108</b>	<b>82,804</b>	<b>125,339</b>	<b>126,157</b>
<b>Expense</b>						
Personnel costs	31,164	33,681	65,534	67,279	96,698	100,960
Other costs of services	8,251	9,177	17,255	16,881	25,254	25,806
Audit fees for financial statements	112	115	–	–	112	115
Finance costs	–	–	182	174	182	174
Depreciation and amortisation expense	929	981	2,882	3,160	3,811	4,141
Authority member costs	149	149	–	–	149	149
<b>Total Expenses</b>	<b>40,605</b>	<b>44,103</b>	<b>85,853</b>	<b>87,494</b>	<b>126,206</b>	<b>131,345</b>
<b>Net Surplus/(Deficit)</b>	<b>(122)</b>	<b>(498)</b>	<b>(745)</b>	<b>(4,690)</b>	<b>(867)</b>	<b>(5,188)</b>
<b>Total other comprehensive revenue and expense</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(122)</b>	<b>(498)</b>	<b>(745)</b>	<b>(4,690)</b>	<b>(867)</b>	<b>(5,188)</b>

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

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Equity</b>						
<b>Opening Balance of Equity at 1 July</b>						
General funds	10,730	10,608	10,435	10,760	21,165	21,368
Property, plant and equipment revaluation reserve	–	–	746	746	746	746
Passenger security charges and other fees and charges reserves	–	–	14,353	13,283	14,353	13,283
<b>Total opening balance of equity at 1 July</b>	<b>10,730</b>	<b>10,608</b>	<b>25,534</b>	<b>24,789</b>	<b>36,264</b>	<b>35,397</b>
Total comprehensive revenue and expense	(122)	(498)	(745)	(4,690)	(867)	(5,188)
Transfers to/(from) passenger security charges and other fees and charges reserves	–	–	(1,070)	(5,165)	(1,070)	(5,165)
Transfers to/(from) general funds	–	–	1,070	5,165	1,070	5,165
<b>Total changes in equity during the year</b>	<b>(122)</b>	<b>(498)</b>	<b>(745)</b>	<b>(4,690)</b>	<b>(867)</b>	<b>(5,188)</b>
<b>Closing balance of taxpayers' equity at 30 June</b>						
General funds	10,608	10,110	10,760	11,235	21,368	21,345
Property, plant and equipment revaluation reserve	–	–	746	746	746	746
Passenger security charges and other fees and charges reserves	–	–	13,283	8,118	13,283	8,118
<b>Total closing balance of taxpayers' equity at 30 June</b>	<b>10,608</b>	<b>10,110</b>	<b>24,789</b>	<b>20,099</b>	<b>35,397</b>	<b>30,209</b>

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

**PROSPECTIVE STATEMENT OF FINANCIAL POSITION**

As at 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Current Assets</b>						
Cash and cash equivalents	1,014	536	321	762	1,335	1,298
Debtors and other receivables	4,112	4,274	10,124	9,873	13,209	13,120
Services work in progress	147	147	–	–	147	147
Investments – term deposits	7,000	7,000	17,000	12,000	24,000	19,000
<b>Total Current Assets</b>	<b>12,273</b>	<b>11,957</b>	<b>27,445</b>	<b>22,635</b>	<b>38,691</b>	<b>33,565</b>
<b>Non-Current Assets</b>						
Property, plant and equipment	2,960	2,854	13,222	13,089	16,182	15,943
Intangible assets	368	347	938	760	1,306	1,107
Investment Property	–	–	270	139	270	139
<b>Total Non-Current Assets</b>	<b>3,328</b>	<b>3,201</b>	<b>14,430</b>	<b>13,988</b>	<b>17,758</b>	<b>17,189</b>
<b>TOTAL ASSETS</b>	<b>15,601</b>	<b>15,158</b>	<b>41,875</b>	<b>36,623</b>	<b>56,449</b>	<b>50,754</b>
<b>Current Liabilities</b>						
Creditors and other payables	2,757	2,806	3,626	3,151	5,356	4,930
Employee entitlements	1,774	1,781	6,483	6,502	8,257	8,283
Provisions	–	–	144	144	144	144
<b>Total Current Liabilities</b>	<b>4,531</b>	<b>4,587</b>	<b>10,253</b>	<b>9,797</b>	<b>13,757</b>	<b>13,357</b>
<b>Non-Current Liabilities</b>						
Employee entitlements	385	384	5,826	5,827	6,211	6,211
Provisions	77	77	1,007	900	1,084	977
<b>Total Non-Current Liabilities</b>	<b>462</b>	<b>461</b>	<b>6,833</b>	<b>6,727</b>	<b>7,295</b>	<b>7,188</b>
<b>Total Liabilities</b>	<b>4,993</b>	<b>5,048</b>	<b>17,086</b>	<b>16,524</b>	<b>21,052</b>	<b>20,545</b>
<b>NET ASSETS</b>	<b>10,608</b>	<b>10,110</b>	<b>24,789</b>	<b>20,099</b>	<b>35,397</b>	<b>30,209</b>
<b>Equity</b>						
General funds	10,608	10,110	10,760	11,235	21,368	21,345
Property, plant and equipment revaluation reserve	–	–	746	746	746	746
Passenger security charges and other fees and charges reserves	–	–	13,283	8,118	13,283	8,118
<b>Total Equity</b>	<b>10,608</b>	<b>10,110</b>	<b>24,789</b>	<b>20,099</b>	<b>35,397</b>	<b>30,209</b>

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

## PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Cash Flows From Operating Activities</b>						
<b>Cash was provided from:</b>						
Receipts from levies	27,694	29,266	–	–	27,694	29,266
Receipts from Passenger security charges and other services	8,239	8,559	83,856	81,414	91,843	89,721
Receipts from Crown funding and Ministry contracts	4,047	5,264	343	343	4,390	5,607
Interest received	308	200	807	628	1,115	828
Receipts from other revenue	269	274	204	221	473	495
<b>Total</b>	<b>40,557</b>	<b>43,563</b>	<b>85,210</b>	<b>82,606</b>	<b>125,515</b>	<b>125,917</b>
<b>Cash was applied to:</b>						
Payments to employees	(31,282)	(33,742)	(65,411)	(67,276)	(96,693)	(101,018)
Payments to suppliers	(8,780)	(9,345)	(17,342)	(16,889)	(25,870)	(25,982)
Interest paid	–	–	–	–	–	–
Payments of capital charge to the Crown	–	–	–	–	–	–
Goods and Services Tax (net)	(100)	(100)	(132)	(150)	(232)	(250)
<b>Total</b>	<b>(40,162)</b>	<b>(43,187)</b>	<b>(82,885)</b>	<b>(84,315)</b>	<b>(122,795)</b>	<b>(127,250)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>395</b>	<b>376</b>	<b>2,325</b>	<b>(1,709)</b>	<b>2,720</b>	<b>(1,333)</b>
<b>Cash Flows From Investing Activities</b>						
<b>Cash Was Provided From:</b>						
Maturity of investments	500	–	2,000	5,000	2,500	5,000
<b>Total</b>	<b>500</b>	<b>–</b>	<b>2,000</b>	<b>5,000</b>	<b>2,500</b>	<b>5,000</b>
<b>Cash was applied to:</b>						
Placement of investments	–	–	–	–	–	–
Purchase of property plant and equipment	(550)	(632)	(6,859)	(2,727)	(7,409)	(3,359)
Purchase of intangible assets	(132)	(222)	(513)	(123)	(645)	(345)
<b>Total</b>	<b>(682)</b>	<b>(854)</b>	<b>(7,372)</b>	<b>(2,850)</b>	<b>(8,054)</b>	<b>(3,704)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(182)</b>	<b>(854)</b>	<b>(5,372)</b>	<b>2,150</b>	<b>(5,554)</b>	<b>1,296</b>

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000	2016 ESTIMATED ACTUAL \$000	2017 BUDGET \$000
<b>Cash Flows From Financing Activities</b>						
<b>Cash Was Provided From:</b>						
Proceeds from external borrowings	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–
<b>Cash was applied to:</b>						
Repayment of external borrowings	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–
<b>Net Cash Flows from Financing Activities</b>	–	–	–	–	–	–
<b>Net increase/decrease in cash and cash equivalents</b>	213	(478)	(3,047)	441	(2,834)	(37)
<b>OPENING CASH AND CASH EQUIVALENTS AT 1 JULY</b>	801	1,014	3,368	321	4,169	1,335
<b>CLOSING CASH &amp; CASH EQUIVALENTS AT 30 JUNE</b>	1,014	536	321	762	1,335	1,298

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

## PROSPECTIVE RECONCILIATION OF EQUITY: REGULATORY FUNCTION

For the years ended 30 June

2017 BUDGET \$000	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
Revenue	2,963	5,621	5,264	29,757
Expenditure	(4,390)	(11,386)	(6,835)	(21,492)
<b>Net surplus/(deficit)</b>	<b>(1,427)</b>	<b>(5,765)</b>	<b>(1,571)</b>	<b>8,265</b>
Opening balance at 1 July	–	–	–	10,608
Transfer (from) to other reserves	1,427	5,765	1,571	(8,763)
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,110</b>

2016 ESTIMATED ACTUAL \$000	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
Revenue	2,911	5,319	4,047	28,206
Expenditure	(4,171)	(10,619)	(5,408)	(20,407)
<b>Net surplus/(deficit)</b>	<b>(1,260)</b>	<b>(5,300)</b>	<b>(1,361)</b>	<b>7,799</b>
Opening balance at 1 July	–	–	–	10,730
Transfer (from) to other reserves	1,260	5,300	1,361	(7,921)
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,608</b>

## PROSPECTIVE RECONCILIATION OF EQUITY: SECURITY SERVICE FUNCTION

For the years ended 30 June

2017 BUDGET \$000	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	TOTAL PASSENGER SECURITY CHARGES	OTHER FEES/ CHARGES	TOTAL SPECIFIC RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE	GENERAL FUNDS
Revenue	55,715	21,873	77,588	4,367	81,955	–	–
Expenditure	(57,827)	(24,526)	(82,353)	(4,292)	(86,645)	–	–
<b>Net surplus/(deficit)</b>	<b>(2,112)</b>	<b>(2,653)</b>	<b>(4,765)</b>	<b>75</b>	<b>(4,690)</b>	<b>–</b>	<b>–</b>
Opening balance at 1 July	10,470	2,813	13,283	–	13,283	746	10,760
Transfer (from)/to specific reserves	(280)	(120)	(400)	(75)	(475)	–	475
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>8,078</b>	<b>40</b>	<b>8,118</b>	<b>–</b>	<b>8,118</b>	<b>746</b>	<b>11,235</b>

2016 ESTIMATED ACTUAL \$000	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	TOTAL PASSENGER SECURITY CHARGES	OTHER FEES/ CHARGES	TOTAL SPECIFIC RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE	GENERAL FUNDS
Revenue	57,975	21,364	79,339	4,752	84,091	–	–
Expenditure	(55,930)	(24,079)	(80,009)	(4,827)	(84,836)	–	–
<b>Net surplus/(deficit)</b>	<b>2,045</b>	<b>(2,715)</b>	<b>(670)</b>	<b>(75)</b>	<b>(745)</b>	<b>–</b>	<b>–</b>
Opening balance at 1 July	8,705	5,648	14,353	–	14,353	746	10,435
Transfer (from)/to specific reserves	(280)	(120)	(400)	75	(325)	–	325
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>10,470</b>	<b>2,813</b>	<b>13,283</b>	<b>–</b>	<b>13,283</b>	<b>746</b>	<b>10,760</b>

**PROSPECTIVE CAPITAL EXPENDITURE**

For the years ending 30 June

	REGULATORY FUNCTION \$000		SECURITY SERVICE FUNCTION \$000	
	ESTIMATED ACTUAL 2016	BUDGET 2017	ESTIMATED ACTUAL 2016	BUDGET 2017
Computer hardware	452	422	84	–
Computer software	132	252	513	123
Plant & equipment	20	10	5,908	2,362
Furniture & fittings	–	–	22	81
Motor vehicles	76	100	520	205
Leasehold Improvements	2	70	325	79
<b>TOTAL</b>	<b>682</b>	<b>854</b>	<b>7,372</b>	<b>2,850</b>





Aviation Security Service  
*Kaiwhakamaru Rererangi*