

CIVIL AVIATION AUTHORITY
**STATEMENT OF
PERFORMANCE
EXPECTATIONS**
2019-2020

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 2019 to 30 June 2020.

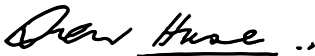
In signing this statement, we acknowledge our responsibility for the prospective financial statements contained in this SoPE.

Signed on: 29 May 2019



Nigel Gould

Chair of the Authority



Don Huse

Deputy Chair

Contact details

Civil Aviation Authority of New Zealand
Level 15, Asteron Centre, 55 Featherston Street, Wellington 6011
P O Box 3555, Wellington 6140, New Zealand.

T +64 4 560 9400
F +64 4 560 2024
E info@caa.govt.nz

www.caa.govt.nz

Aviation Security Service
Level 15, Asteron Centre, 55 Featherston Street, Wellington 6011
P O Box 2165, Wellington 6140, New Zealand.

T +64 4 495 2430
F +64 4 495 2432
E reception@avsec.govt.nz

www.avsec.govt.nz

Copyright © 2019

Unless otherwise stated, the information in this Statement of Intent is protected by copyright and is subject to the copyright laws of New Zealand. The information may be reproduced without permission, subject to the material being reproduced accurately and not being used in a misleading context. In all cases, the Civil Aviation Authority must be acknowledged as the source.

Note: Further copies of this document can be downloaded in colour from: www.caa.govt.nz and www.avsec.govt.nz

Contents

SECTION 1	4
STATEMENT OF PERFORMANCE EXPECTATIONS	5
Our strategic context	5
Our Statements of Performance Expectations for 2019/20	9
Output Class 1: Policy & Regulatory Strategy	10
Output Class 2: Outreach	13
Output Class 3: Certification and Licensing	15
Output Class 4: Surveillance and Investigation	17
Output Class 5: Security Service Delivery	19
SECTION 2	21
PROSPECTIVE FINANCIAL STATEMENTS	22
SECTION 3	27
NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS	28
Statement of significant underlying assumptions	28
Statement of accounting policies	31
SECTION 4	37
ADDITIONAL PROSPECTIVE FINANCIAL INFORMATION	38

SECTION 1



Statement of Performance Expectations

The following 2019-20 Statement of Performance Expectations sets out the outputs that the Civil Aviation Authority (the Authority) provides and the standards against which we will assess our performance. It is an integral part of our strategic framework described in the 2019-2024 Statement of Intent.

Our strategic context

The Authority will promote the safety and security of New Zealand’s civil aviation system through regulatory oversight and the provision of aviation security services, contributing to the Governments’ aim of a transport system that improves wellbeing and liveability.

Within the context of the overall strategic direction of the transport sector, and the expectations set by the Minister of Transport, we will:

- focus on strengthening our regulatory capability and performance;
- support the Government’s goals for modernising the aviation system;
- maintain civil aviation safety and security;
- engage with stakeholders to enable growth and prosperity within the regions across New Zealand; and
- work collaboratively across Government.

The Authority’s 2019-2024 Statement of Intent establishes the strategic framework in which we will deliver on this context. The Safety and Security Focus Area Work Programme targets the medium term issues that are emerging in relation to the safety and security performance of the civil aviation system.

The 2019-2024 Statement of Intent is available online at www.caa.govt.nz

Safety and Security Focus Areas

Each year, the Authority identifies issues that are emerging in relation to the safety and security performance of the system. The resultant focus areas provide a tactical lens to deliver the Authority’s outputs, and are described in the two year work programme for 2019-2021 (available online at www.caa.govt.nz).

The safety and security focus areas are categorised as:



Critical – there is immediate risk to people’s safety and wellbeing; an active work programme is in operation that is prioritised over other work.



Active management – there is high potential risk; an active work programme is in operation.



Monitoring/ maintained – we are monitoring activities and the impacts of previous work programmes.

A description of the focus areas under each category and the output class they relate to follows on the next page.



CRITICAL

there is immediate risk to people's safety and wellbeing; and active work programme is in operation that is prioritised over other work.

The helicopter sector – The focus area of increasing concern to the Authority is 'The helicopter sector' which is presenting an unacceptably high accident rate among commercial helicopter operators. This has the potential to damage New Zealand's reputation for having safe and secure skies, as well as incurring unnecessary social costs. The purpose of this focus area is to ensure safety risks are managed effectively by aviation participants with strong leadership, co-ordination and oversight by the Authority, and that accident rates are lowered so they align with, or are better than, international comparisons. In addition to the focus area work programme placing emphasis on the helicopter sector, the Authority will also utilise surveillance and investigation activities under Output Class 4 to target this sector and understand the drivers behind the evident risks.



ACTIVE MANAGEMENT

there is high potential risk; an active work programme is in operation.

The Authority is working on:

Airborne conflicts – Airborne conflicts between aircraft have the potential to lead to mid-air collisions and resulting fatalities. Our work in this focus area draws on our educative services funded through Output Class 2 (Outreach) and our certification tasks and licensing procedures carried out under Output Class 3 (Certification and Licensing). Through targeted safety analysis undertaken under Output Class 4 (Surveillance and Investigation) and safety and regulatory investigations, we contribute to understanding the issues and influences of this focus area.

Security threat levels and responses – The aviation security environment is dynamic with the potential for high levels of ambiguity. In the event of a potential, emerging, or actual aviation security crisis, timely and coordinated decision making and operational responses are required to ensure the New Zealand aviation system remains safe and secure. The work conducted under Output Class 1 (Policy & Regulatory Strategy) helps us engage on the policy elements that enable us to influence this work while the deliverables under Smart Security and Output Class 5 support delivery.

International air cargo security – The security of the international air transport system and the continued facilitated flow of high value export cargo by air to international markets depends on the continued existence of a robust and trusted air cargo security system and is applied across all of our outputs.

Smart Security – Thinking smarter to improve security outcomes, enhanced passenger facilitation and optimised utilisation of equipment and staff. Our work in this focus area draws on our educative services funded through Output Class 2 (Outreach). We consider the achievement against performance measures in Output Class 5 (Security Service Delivery) as an indicator of our active management of this focus area.



MONITORING/ MAINTAINED

we are monitoring activities and the impacts of previous work programmes.

The Authority is monitoring:

Loss of control in flight – Where an aircraft loses control in flight due to human, mechanical or other reasons, leading to serious harm incidents/accidents. Our work in this focus area draws on our educative services funded through Output Class 2 (Outreach) and Output Class 3 (Certification and Licensing).

Runway excursions – Where an aircraft departs the runway unexpectedly, a critical phase of flight, with a high risk of serious harm. Our work in this focus area draws on our educative services funded through Output Class 2 (Outreach) and Output Class 3 (Certification and Licensing).

Queenstown operations – Queenstown is an important tourist destination and aviation plays an important part in the "Queenstown experience". There is a need to ensure the various flying activities are conducted safely. Our work in this focus area draws on our educative services funded through Output Class 2 (Outreach) and Output Class 3 (Certification and Licensing).

Our outputs

Our outputs are:

Output Class 1: Policy & Regulatory Strategy – the delivery of policy and regulatory projects, international linkages and Ministerial services;

Output Class 2: Outreach – increased understanding and knowledge of aviation safety amongst participants and the public;

Output Class 3: Certification & Licensing – the robust assessment of participants and products as safe and fit to be participating in New Zealand’s civil aviation system;

Output Class 4: Surveillance & Investigation – the continued assurance that the civil aviation system in New Zealand is safe and secure; and

Output Class 5: Security Service Delivery – keeping passengers and people in the air and on the ground safe from an aviation security threat.

Changes to the regulatory environment

Increased government funding through Output Class 4: Surveillance and Investigation, has allowed the Authority to significantly increase the amount of work it does under its designation to enforce the Health and Safety at Work Act 2015 for aircraft in operation and the Hazardous Substances and New Organisms Amendment Act. There are considerable synergies between this work and that currently underway to apply Safety Management System (SMS) requirements introduced in Rule Part 100. The certification of Operator’s Safety Management Systems is currently underway and the continuation of this work will be a focus in the coming year. The SMS Rule introduces performance-based regulatory requirements that are new to large parts of the aviation sector. They will also test the skill sets within the regulator. This activity is captured through Output Class 3 Certification & Licensing.

Stakeholder engagement

To be successful we recognise the importance of actively engaging with our stakeholders. We work with the Ministry of Transport and other transport agencies on regulatory stewardship and the rules programmes. We collaborate across local and central government to have the greatest impact possible such as our work with the Ministry of Business, Innovation and Employment and the Privacy Commission on addressing challenges presented by the increasing use by the public of Unmanned Aerial Vehicle (drones).

We aim to provide an enabling environment for the New Zealand aviation sector. We do this by considering the impact on individuals within the civil aviation system from passengers through to participants, communities, businesses and the environment. An example is the programme of work on the New Southern Sky Programme which is contributing to reducing carbon emissions.

In the coming year, we intend to continue our effective management of the increased pressures on aviation security resulting from growing passenger numbers and emerging international trends in challenges to security.

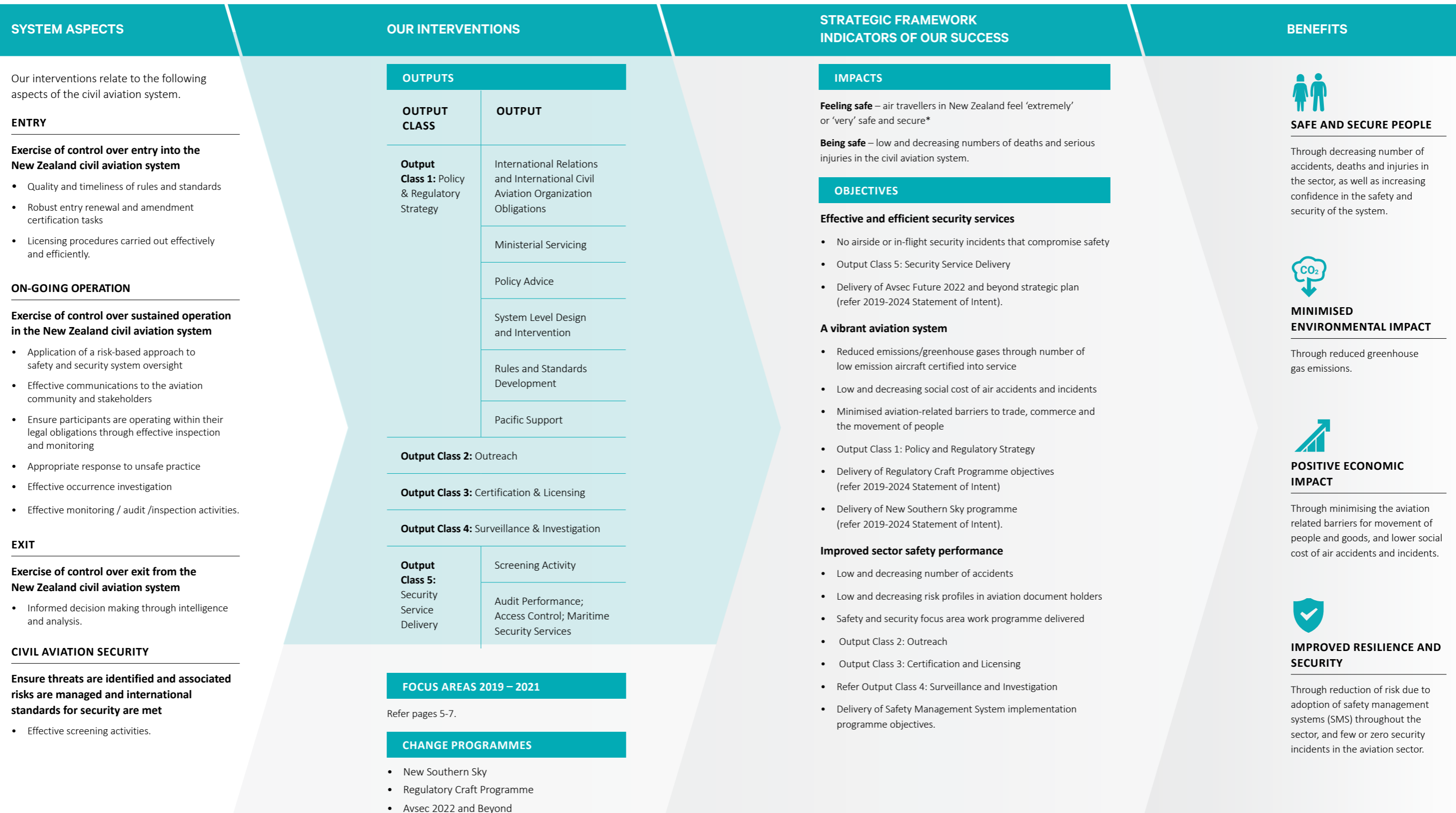
Internal capability and capacity

To ensure we have the right resources and approach, we are also focusing on the Authority to build capacity and capability and make efficient use of existing resources to achieve our outcome. The Authority’s Regulatory Craft Programme (RCP) is about ensuring that the Authority has the required capability, tools and systems to be an effective intelligence-driven risk-based regulator. 2019/20 will focus on the delivery of that programme while our Security Service continues to position us to effectively respond to the challenges within the environment through the future 2022 and beyond strategy.

These programmes are discussed on pages 30-31 of the 2019-2024 Statement of Intent.

Civil Aviation System Level Benefits Map

The Authority has taken a different approach to how we measure performance in 2019-20, and that is to measure results that prove contribution towards the outcome of 'Safe and secure skies to help New Zealand fly' as well as a strong set of effectiveness and qualitative measures. We expect to achieve a number of benefits for New Zealand, through our work which are identified in the System Level Benefits Map below and reconcile back to the 2019-2024 Statement of Intent. Our interventions applied through our outputs below are the focus of this Statement of Performance Expectations (www.caa.govt.nz).



* Measured through a biennial Colmar Brunton survey

Our Statements of Performance Expectations for 2019/20

The following 2019-20 Statements 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 while cognisant of our context in the preceding pages. These are described under 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

To comply with our responsibilities under the Public Finance Act, the activities funded through the Crown from Vote Transport and how performance is measured from the Information Supporting the Estimates for each activity is indicated within the appropriate outputs and denoted by an asterisk*. The associated funding is disclosed in the relevant output class financials.

The funding for International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), Hazardous Substances and New Organisms Act and Innovative Aviation Certificates (delivered within Output Class 4: Surveillance and Investigation) is provided under the Vote Transport multi-category appropriation – ‘Policy Advice and Related Outputs’.

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

The funding for Health and Safety at Work activities is provided under the Transport non-departmental output expense ‘Health and Safety at Work Activities – Civil Aviation’ appropriation (delivered within Output Class 4: Surveillance and Investigation).

Crown funding is also provided through the Maritime Port Security appropriation. This appropriation is intended to achieve preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers. This activity is delivered under Output Class 5: Security Service Delivery.

Output Class 1: Policy & Regulatory Strategy

What we do under this output class:

- Coordinate the Authority’s strategic engagement in the international aviation system;
- Administer New Zealand’s civil aviation obligations and interests within the delegation of the Minister of Transport;
- Deliver Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials;
- Develop options and solutions for specific issues within the aviation regulatory system;
- Proactively identify emerging issues for aviation;
- Deliver major policy and regulatory projects; and
- Develop and maintain linkages internally, across government, internationally and within industry.

If we are successful we will influence the following System Level Benefits described in our 2019-2024 Statement of Intent:

System Level Benefits



Safe and secure people

Indicator:

Increased confidence in the safety and security of the civil aviation system.

Our performance will be measured against the following outputs:

Output	What is intended to be achieved	The rationale for our intervention
1.1 International Relations and International Civil Aviation Organization Obligations ¹	Administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.	New Zealand’s international civil aviation obligations and interests as delegated by the Minister of Transport are administrated.
1.2 Ministerial Servicing – Civil Aviation	The effective delivery of support to executive government and parliamentary processes.	The obligations of the Authority to provide support are met while effective engagement provides the opportunity to inform the Minister and other parts of Government, and support informed decisions on matters relating to civil aviation safety and security.
1.3 Policy Advice – Civil Aviation	A high level of safety and security standards within the New Zealand civil aviation system.	Sharing of information, knowledge, expertise and resources to inform policy, practices and procedures.
1.4 System Level Design and Intervention	An effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.	Early identification of threats or risks to New Zealand’s civil aviation regulatory system.
1.5 Rules and Standards Development	Timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.	The need for an effective and responsive regulatory regime that contributes to reducing safety and security risks in the aviation system.
1.6 Pacific Support	Provision of support for our Pacific region neighbours to improve regional aviation security.	Support our South Pacific region neighbours to improve national and regional civil aviation security and to protect the New Zealand travelling public.

¹ 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.

How will we measure our performance?

Output 1.1: International Relations and International Civil Aviation Organization Obligations

Output measures	2019 estimated actual	2020 budgeted standard
<p>Organisation focus: We will develop an Authority International Engagement strategy that will enable us to proactively influence the global debate on aviation safety and security issues that are important to New Zealand including:</p> <ul style="list-style-type: none"> working with other States and regulators to influence changes that will benefit aviation growth and safety seeking mutual recognition arrangements in areas where it can help reduce the regulatory burden for New Zealand companies operating, or want to operate, overseas keeping abreast of developments and ensuring we take a consistent approach to how we regulate where this is consistent with New Zealand’s interest working with other states and regulators to share information, knowledge, expertise, and resources for mutual benefit. 	New measure	Strategy developed by 30 June 2020
<p>*Quality: We will ensure New Zealand’s obligations as a signatory State to the Chicago convention are met through:</p> <ul style="list-style-type: none"> Maintained alignment with existing Standards and Recommended Practices (SARPs) where appropriate Alignment with new SARPs where appropriate for New Zealand Filing of Differences within required timeframes. <p>(The Convention on International Civil Aviation, also known as the Chicago Convention, established the International Civil Aviation Organization, a specialized agency of the UN charged with coordinating and regulating international air travel.)</p>	New measure	Maintained Achieved 100%

Output 1.2: Ministerial Servicing – Civil Aviation

Output measures	2019 estimated actual	2020 budgeted standard
<p>*Quality: Our reports, correspondence and Parliamentary questions will be acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.</p>	Met expectations	Met expectations
<p>Quality and timeliness: Reports and responses will be delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.</p>	95%	100%

Output 1.3: Policy Advice – Civil Aviation

Output measures	2019 estimated actual	2020 budgeted standard
<p>*Quality: The policy advice we provide to Ministers, government departments and agencies will meet Treasury and DPMC guidelines (as per section 3.2 of “Reorganisation of Appropriations for Policy Advice – Guide for Departments (Treasury 2011) and DPMC policy guidance).</p>	New measure	Achieved
<p>Timeliness: All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies.</p>	100%	Achieved

Output 1.4: System Level Design and Intervention

Output measures	2019 estimated actual	2020 budgeted standard
Quality and timeliness: All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures and align with the Government's expectations for good regulatory practice.	100%	100%

Output 1.5: Rules and Standards Development

Output measures	2019 estimated actual	2020 budgeted standard
Quality and timeliness: Percentage of documentation provided to the Ministry of Transport that is accepted by the Ministry as meeting timeliness and quality standards established in the Ministry's "Regulatory Development and Rule Production Handbook" (the Handbook) and Treasury's "Guide to Cabinet's Impact Analysis Requirements".	100%	100%

Output 1.6: Pacific Support

Output measures	2019 estimated actual	2020 budgeted standard
Quality: Provision of regulatory assistance and advice to eight South Pacific Island States to further develop and enhance aviation regulatory security requirements across the region as agreed with the Ministry of Foreign Affairs and Trade (MFAT).	New measure	
<ul style="list-style-type: none"> Meet quality and timeliness requirements in annual programme of work as agreed with MFAT 		100%
<ul style="list-style-type: none"> Evaluation Reports provided to the Pacific Security Coordination Committee meet the project objectives and deliverables. 		100%

Cost to deliver Output Class 1: Policy & Regulatory Strategy	2019 estimated actual \$000	2020 budget \$000
Crown Funding (Vote Transport: Policy Advice)	2,025	2,030
Ministry of Transport Contract Revenue (rules development) and Ministry of Foreign Affairs (Pacific Security Fund activity)	2,022	1,600
Levies	1,928	1,365
Fees and charges	17	–
Other Revenue	–	–
Total Output Revenue	5,991	4,995
Total Output Expenditure	(5,991)	(4,995)
Net surplus/(deficit)	0	0

Output Class 2: Outreach

What we do under this output class:

- Foster and promote safety and security across the civil aviation sector;
- Raise public awareness on the transport of dangerous goods by air; and
- Raise public awareness of Civil Aviation Rules for the safe use of Unmanned Aerial Vehicles (drones).

If we are successful we will influence the following System Level Benefits described in our 2019-2024 Statement of Intent:

System Level Benefits



Positive economic impact

Indicator:

Low and decreasing social cost of air accidents and incidents.



Safe and secure people

Indicator:

Low and decreasing numbers of deaths and injuries in the civil aviation system.

Our performance will be measured against the following output:

Output	What is intended to be achieved	The rationale for our intervention
2.1 Outreach	Increased understanding and knowledge of aviation safety amongst participants and the public.	<ul style="list-style-type: none"> • To improve aviation safety through raising awareness of good aviation safety practice and positively influencing the adoption of desired aviation safety behaviours. • Participants are better informed about risks and consequences and the ways in which to address them. • Non-traditional participants and the wider public are aware of their responsibilities when engaging in the civil aviation system (e.g. operation of unmanned aircraft, carriage of dangerous goods).

How will we measure our performance?

Output 2.1: Outreach

Output measures	2019 estimated actual	2020 budgeted standard
Quantity: We will deliver targeted education courses, workshops or seminars to participants nation-wide.	Amended measure	12 delivered
Quality: The percentage of participants that rate our educational courses, workshops or seminars as a 3 or higher in their overall rating. ²	Amended measure	85%
Quantity (demand driven): We will deliver targeted safety awareness campaigns to participants and/or the general public, based on Authority priorities.	Amended measure	5
Quality: The Percentage of safety awareness campaigns that meet or exceed their agreed success criteria. ³	New measure	85%
Quantity: The total number of research reports we will publish on the Authority's website.	Amended measure	4
Quantity: The number of participants our Aviation Safety Advisors will visit this year.	New measure	500

Cost to deliver Output Class 2: Outreach	2019 estimated actual \$000	2020 budget \$000
Levies	5,555	5,739
Fees and charges	–	–
Other Revenue	102	87
Total Output Revenue	5,656	5,826
Total Output Expenditure	(5,690)	(5,836)
Net surplus/(deficit)	(34)	(10)

² Based on a total score from a post-seminar assessment completed by participants.

³ Based on a combination of web and social media analytics and completion of communications objectives.

Output Class 3: Certification and Licensing

What we do under this output class:

- Exercise 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
- Exercise control over the exit from New Zealand’s civil aviation system through the suspension and revocation of documents.

If we are successful we will influence the following System Level Benefits described in our 2019-2024 Statement of Intent:

System Level Benefits



Positive economic impact

Indicator:

Low and decreasing social cost of air accidents and incidents.



Safe and secure people

Indicator:

Increased confidence in the safety and security of the civil aviation system.



Improved resilience and security

Indicator:

Low and decreasing risk profiles in aviation document holders.

Our performance will be measured against the following output:

Output	What is intended to be achieved	The rationale for our intervention
3.1 Certification and Licensing	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.	<ul style="list-style-type: none"> • Exercise of control over entry into the New Zealand civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products (refer section 7 of the Civil Aviation Act 1990) • Exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions and documents where such action is necessary in the interests of safety and security • People and organisations within the system maintain the requisite knowledge, skill and attributes required.

How will we measure our performance?

Certification and Licensing

Output measures	2019 estimated actual	2020 budgeted standard
<p>Quantity and quality (demand driven activity): We will conduct licensing of personnel, certification of organisations', aircraft and service providers within prescribed certification standards.</p> <p>Certification activities (demand driven volumes for contextual information):</p> <ul style="list-style-type: none"> • Organisation • Aircraft • Service provider. <p>Licensing procedures</p>	<p>100%</p> <p>1,100</p> <p>930</p> <p>50</p> <p>6,000</p>	<p>100%</p> <p>1,200-1,600</p> <p>930-1,130</p> <p>35-45</p> <p>5,000-7,000</p>
<p>Organisational focus: 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 Policy⁴).</p>	Achieved	Achieved

Cost to deliver Output Class 3: Certification and Licensing	2019 estimated actual \$000	2020 budget \$000
Levies	17,863	18,686
Fees and charges	6,941	6,843
Other Revenue	455	395
Total Output Revenue	25,259	25,924
Total Output Expenditure	(25,496)	(26,437)
Net surplus/(deficit)	(237)	(513)

⁴ 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.

Output Class 4: Surveillance and Investigation

What we do under this output class:

- Monitor the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the respective Acts;
- Conduct inspections, audits and investigations under the Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms Act;
- Assess safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- Take appropriate action in the public interest to enforce the provisions of the Act and Rules and to address safety risk.

If we are successful we will influence the following System Level Benefits described in our 2019-2024 Statement of Intent:

System Level Benefits



Safe and secure people

Indicator:

Increased confidence in the safety and security of the civil aviation system.



Positive economic impact

Indicator:

Low and decreasing social cost of air accidents and incidents.



Improved resilience and security

Indicator:

Low and decreasing risk profiles in aviation document holders.

Our performance will be measured against the following output:

Output	What is intended to be achieved	The rationale for our intervention
4.1 Surveillance and investigation	This category is intended to achieve continued assurance that the civil aviation system in New Zealand is safe and secure.	<ul style="list-style-type: none"> • New Zealand must have continued assurance that the civil aviation system is well managed and poses minimal safety and security risk • Operators conduct operations in full compliance with the Civil Aviation Act, Health and Safety at Work Act and the Hazardous Substances and New Organisms Act • Participants are managing their aviation risks with the appropriate Regulatory oversight.

How will we measure our performance?

Surveillance and Investigation

Output measures	2019 estimated actual	2020 budgeted standard
Organisational focus: 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 ⁵).	Achieved	Achieved

⁵ 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.

*Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms Act		
Quantity and quality:		
• Number of scheduled activities (audits and outreach)	New measure	24
• Number of non-scheduled activities (assessments, investigations)	New measure	30-50
• Number of aviation-specific good practice guides and guidance material developed and maintained.	2-5	2-5
Timeliness:		
• Percentage of all health and safety and hazardous substances and new organisms Act work types ⁶ completed ⁷ within 180 days	New measure	60%
• Percentage of all health and safety and hazardous substances and new organisms Act work types ⁶ completed ⁷ within 12 months.	New measure	100%
Civil Aviation Act 1990	2019 estimated actual	2020 budgeted standard
Quantity:		
Number of audits, inspections and spot checks.	500	500-600
Number of safety and regulatory investigations:		
• Safety Investigations (demand driven) ⁸	300	300-390
• Number of Themes and Systems Safety Investigations conducted ⁹	2	2
• Enforcement Investigations (demand driven)	30	20-40
• Aviation Related Concerns (ARC) Investigations	300	300-360
• Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).	4-7	5-10
Quality and timeliness:		
• Percentage of Aviation Related Concerns ¹⁰ closed within six months of receipt	80%	80%
• Percentage of Aviation Related Concerns closed within 12 months of receipt	100%	100%
• Percentage of a representative sample of closed Aviation Related Concerns that comply with the Authority's related policy and procedures (<i>representative sample = 20% or circa 70/annum</i>)	New measure	90%
• 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%

Cost to deliver Output Class 4: Surveillance and Investigation	2019 estimated actual \$000	2020 budget \$000
Crown Funding (Vote Transport: Health and Safety in employment)	1,703	1,676
Levies	10,014	10,546
Fees and charges	138	138
Other Revenue	216	188
Total Output Revenue	12,071	12,548
Total Output Expenditure	(12,144)	(12,586)
Net surplus/(deficit)	(73)	(39)

6 All work types includes assessment and audits as well as investigations.

7 A completed work type is when the recommendations/findings are made.

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

9 Themes and Systems Safety Investigations review safety information (including occurrences) with the aim of identifying any themes and/or system influences, which may lead to system safety issues.

10 Aviation Related Concern (ARC) – the report of an aviation safety or security concern, that may include complains, or allegations of suspected breaches of civil aviation legislation.

Output Class 5: Security Service Delivery

What we do under this output class:

- Screen all passengers and their carry-on baggage on departing international flights and domestic flights over security screening size threshold at security designated airports
- Screen all hold baggage on departing international flights and domestic flights over security screening size threshold at security designated airports
- Screen airport workers with access to security enhanced areas at security designated airports
- Manage the issue of airport identity cards
- Conduct perimeter patrols at security designated airports and navigation facilities, and
- Maintain 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.

If we are successful we will influence the following System Level Benefits described in our 2019-2024 Statement of Intent:

System Level Benefits



Safe and secure people

Indicator:

Increased confidence in the safety and security of the civil aviation system.



Improved resilience and security

Indicator:

No airside or in-flight security incidents that compromise safety.

Our performance will be measured against the following outputs:

Output	What is intended to be achieved	The rationale for our intervention
5.1 Screening activity	This category is intended to achieve keeping passengers and people on the ground safe from a security threat.	Aviation security screening identifies threats and manages associated risks at security designated airports.
5.2 Audit Performance; Access Control; Maritime Security Services	This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.	

How will we measure our performance?

Output 5.1: Screening Activity

Output measures	2019 estimated actual	2020 budgeted standard
Quality and timeliness: <ul style="list-style-type: none"> Proportion of passengers screened against optimum screening lane throughput of 270 people per hour Passenger wait times through security screening at international and domestic airport screening points Staff are efficiently deployed to meet screening fluctuations Compliance with aviation security regulation requirements as required under Civil Aviation Rule Part 140. 	<p>New measure</p> <p>New measure</p> <p>Amended measure</p> <p>New measure</p>	<p>>60%</p> <p>95% processed within 10 minutes of entering security queue</p> <p><12%</p> <p>100%</p>
Quantity: <ul style="list-style-type: none"> No unjustified flight delays resulting from security screening activities No airside access by unauthorised or unscreened personnel as a result of failure by the Aviation Security Service Number of prohibited items or dangerous goods discovered post-screening points (due to screening failure). 	<p>New measure</p> <p>New measure</p> <p>Amended measure</p>	<p>Nil</p> <p>Nil</p> <p><3.4 items per million screened</p>

Output 5.2: Audit Performance; Access Control; Maritime Security Services

Output measures	2019 estimated actual	2020 budgeted standard
Quality: <ul style="list-style-type: none"> Audit Performance: Percentage of any audit findings cleared within the specified timeframes Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit Access Control: Number of corrective action requests pertaining to access control issued by the Regulator *Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support Customer Complaints: Percentage of customer complaints responded to within 5 working days. 	<p>100%</p> <p>Nil</p> <p>Nil</p> <p>Nil</p> <p>New measure</p>	<p>100%</p> <p>Nil</p> <p>Nil</p> <p>Nil</p> <p>100%</p>

Cost to deliver Output Class 5: Security Service Delivery	2019 estimated actual \$000	2020 budget \$000
Contracted services ¹¹	3,507	2,589
Levies	–	140,985
Passenger security charges	99,036	–
Crown funding – Maritime Security Service	145	145
Other Revenue	1,241	727
Total Output Revenue	103,929	144,446
Total Output Expenditure	(112,362)	(137,265)
Net surplus/(deficit)	(8,433)	7,181

¹¹ Third party contracted services include cargo screening and aircraft guards.

SECTION 2



Prospective financial statements

PROSPECTIVE FINANCIAL INDICATORS

For the years ended 30 June

	2019 ESTIMATED ACTUAL \$'000	2020 BUDGET \$'000
REGULATORY FUNCTION		
Revenue	48,977	49,293
Output Expense	49,321	49,854
Net surplus/(deficit)	(344)	(561)
Bank and Investment balances	8,888	5,663
Net assets	10,307	9,746
Capital Expenditure	1,116	3,475
SECURITY SERVICE FUNCTION		
Revenue	103,929	144,446
Output Expense	112,362	137,265
Net surplus/(deficit)	(8,433)	7,181
Bank and Investment balances	10,361	22,001
Net assets	19,714	26,895
Capital Expenditure	8,617	22,535
CIVIL AVIATION AUTHORITY¹²		
Revenue	152,779	193,612
Output Expense	161,556	186,992
Net surplus/(deficit)	(8,777)	6,620
Bank and Investment balances	19,249	27,664
Net assets	30,021	36,641
Capital Expenditure	9,733	26,010

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

¹² 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 ended 30 June

	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
REVENUE		
Levies revenue	35,360	177,321*
Passenger security charges	99,036	–
Revenue from other services	10,581	9,550
Crown funding revenue	3,873	3,851
Ministry contract revenue	2,022	1,600
Interest and other revenue	1,907	1,290
Total revenue	152,779	193,612
EXPENSE		
Personnel costs	126,427	146,384
Other costs of services	30,537	32,877
Audit fees for financial statements	133	130
Finance cost	156	1,088
Depreciation and amortisation expense	4,156	6,364
Authority member costs	147	149
Total expense	161,556	186,992
Net Surplus/Deficit	(8,777)	6,620
Total other comprehensive revenue and expense	–	–
Total comprehensive revenue and expense	(8,777)	6,620

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

* The Triennial Funding Review was completed and is planned to be implemented from 1 July 2019. This changed the passenger security charge to a passenger security levy, extended the levy to transit passengers, and increased the rates. For more information please refer to page 29.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

For the years ended 30 June

	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
EQUITY		
OPENING BALANCE OF EQUITY AT 1 JULY		
General funds	24,987	25,043
Property, plant and equipment revaluation reserve	746	-
Passenger security charges and other fees and charges reserves	13,065	4,978
Total opening balance of equity at 1 July	38,798	30,021
Total comprehensive revenue and expense	(8,777)	6,620
Transfers to/(from) passenger security charges and other fees and charges reserves	(8,087)	7,129
Transfers to/(from) general funds	8,087	(7,129)
Total changes in equity during the year	(8,777)	6,620
CLOSING BALANCE OF EQUITY AT 30 JUNE		
General funds	25,043	24,534
Property, plant and equipment revaluation reserve	-	-
Passenger security charges and other fees and charges reserves	4,978	12,107
Total closing balance of equity at 30 June	30,021	36,641

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

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June

	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
CURRENT ASSETS		
Cash and cash equivalents	3,099	3,764
Debtors and other receivables	15,774	16,827
Services work in progress	208	208
Investments – term deposits	16,150	23,900
Total Current Assets	35,231	44,699
NON-CURRENT ASSETS		
Property, plant and equipment	20,759	37,417
Intangible assets	1,644	4,630
Total Non-Current Assets	22,403	42,047
Total Assets	57,634	86,746
CURRENT LIABILITIES		
Creditors and other payables	6,346	7,042
Employee entitlements	13,030	13,935
Provisions	145	145
Total Current Liabilities	19,521	21,122
NON-CURRENT LIABILITIES		
Employee entitlements	7,593	7,593
Provisions	499	390
Borrowings	–	21,000
Total Non-Current Liabilities	8,092	28,983
Total Liabilities	27,613	50,105
NET ASSETS	30,021	36,641
EQUITY		
General funds	25,043	24,534
Property, plant and equipment revaluation reserve	–	–
Passenger security charges and other fees and charges reserves	4,978	12,107
Total Equity	30,021	36,641

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

PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ended 30 June

	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES. CASH WAS PROVIDED FROM:		
Receipts from levies	34,508	165,694
Receipts from Passenger security charges and other services	109,128	20,262
Receipts from Crown funding and Ministry contracts	5,895	5,451
Interest received	1,004	984
Receipts from other revenue	1,362	820
Total	151,897	193,211
CASH WAS APPLIED TO:		
Payments to employees	(119,852)	(139,068)
Payments to suppliers	(37,971)	(40,926)
Interest paid	-	-
Goods and Services Tax (net)	(204)	208
Total	(158,027)	(179,786)
Net Cash Flows from Operating Activities	(6,130)	13,425
CASH FLOWS FROM INVESTING ACTIVITIES. CASH WAS PROVIDED FROM:		
Maturity of investments	14,935	18,300
Sale of property, plant and equipment	88	-
Total	15,023	18,300
CASH WAS APPLIED TO:		
Placement of investments	(1,200)	(26,050)
Purchase of property, plant and equipment	(8,269)	(22,451)
Purchase of intangible assets	(1,464)	(3,559)
Total	(10,933)	(52,060)
Net Cash Flows from Investing Activities	4,090	(33,760)
CASH FLOWS FROM FINANCING ACTIVITIES. CASH WAS PROVIDED FROM:		
Proceeds from external borrowings	-	21,000
Total	-	21,000
CASH WAS APPLIED TO:		
Repayment of capital to the Crown	-	-
Repayment of external borrowings	-	-
Total	-	-
Net Cash Flows from Financing Activities	-	21,000
Net increase/(decrease) in cash and cash equivalents	(2,040)	665
Opening Cash And Cash Equivalents At 1 July	5,139	3,099
Closing Cash And Cash Equivalents At 30 June	3,099	3,764

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

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the Authority to maintain separate accounting records for each of the Regulatory Function and the Security Service Function of the Authority.

There are a number of significant decisions made in the 2018/19 financial year and earlier that have had a significant impact on these prospective financial statements:

For the Regulatory Function this includes:

- Business System Replacement – a decision was taken in principle to invest \$18.8 million for a multi-year investment in the replacement of its core regulatory business system - the Aviation Safety Management Systems (ASMS). This provision comprises \$16.4 million of capital expenditure and \$2.4 million of operational expenditure, of which \$2.2 million of capital and \$0.2 million of operational expenditure is budgeted in the 2019/20 financial year
- Additional investment in frontline regulatory capabilities, with additional roles budgeted in the Helicopter and Agricultural Operations Unit and in the Special Flight Operations and Recreational Aviation Unit
- Ongoing budgetary provisions have been made to support key safety and capability initiatives such as the New Southern Sky Programme, Safety Management System certifications and the Regulatory Craft Programme.

For the Security Service Function this includes:

- Significant ongoing investment in continuous improvement activity, required by the Director of Civil Aviation in response to changes in the wider international security environment, that have required an increase in both staff numbers and technologies. The capital programme related to this activity will be funded through a new Crown Loan facility approved by Cabinet
- Triennial Funding Review – a three-yearly review of the Security Service Function's passenger security charges and fees has been completed with a planned implementation date of 1 July 2019, pending final approval of new regulations by Cabinet. This introduced a number of changes, including:
 - A change from a passenger security charge to a passenger security levy on airlines as a more appropriate way of charging for the Security Service Function's services as a 'club good', and to enable funds to be used to fund a range of security activities
 - To charge airlines the International Passenger Security Levy for international transit passengers to provide equity and transparency in respect of the costs of screening international transit passengers
 - An increase in the current international charge of \$8.70 to a levy of \$11.98 and an increase in the current domestic charge of \$5.05 to a levy of \$6.23 (all GST exclusive) to adequately fund Avsec as a result of these increases to its staffing and the operational costs from increased technologies.

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

Projected passenger numbers

Forecasting revenue from 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.

PASSENGER NUMBERS	2018/19	2019/20
Safety levies: Domestic	13,971,411	14,355,627
Security charges/levies: Domestic	7,688,005	7,899,426
Safety levy: International	6,918,159	7,091,113
Security charges/levies: International (includes transit passengers from 1 July 2019)	6,918,159	7,660,370

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

REVENUE	2018/19	2019/20
Domestic Passenger Safety levy charges ¹⁹	\$222,730	\$228,924
Domestic Passenger Security charges/levies	\$388,398	\$492,134
International Passenger Safety levy charges	\$110,691	\$113,458
International Passenger Security charges/levies	\$601,880	\$917,712

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

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

- Volumes of passengers departing on international flights are predicted to increase by 2.5% over the 2018/19 estimated actual to 7.1 million in 2019/20, primarily reflecting ongoing volume increases in Auckland and strong percentage growth in Queenstown
- The Security Service Function's screened domestic passenger volumes are forecast to increase by 2.75% over the 2018/19 estimated actual to 7.9 million in 2019/20. This is reflective of ongoing 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 2.75% over the 2018/19 estimated actual to 14.4 million in 2019/20
- Transit passenger volumes have been modelled using data published by Auckland International Airport Limited.

Other significant assumptions for the 2019/20 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, with the exception of the commencement of screening at Invercargill airport from August 2019 related to the trial of a jet service between Invercargill and Auckland. Security screening operations will also be provided at Auckland, Wellington, Christchurch, Dunedin and Queenstown airports.

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 39.

The 2019/20 budget has been set based on the Civil Aviation (Safety) Levies Order 2002 using the current regulated safety levy of \$1.60 for both international and domestic passenger (GST exclusive). Airlines operating domestically under Australia-New Zealand Aviation (ANZA) privileges pay a domestic passenger levy of \$1.57 (GST exclusive).

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

Fees and charges revenue

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

Crown funding revenue

Revenue appropriated by the Crown includes \$0.8 million per year (for two years from 1 July 2018) to enable the Regulatory Function to discharge its additional responsibilities that arise from the Hazardous Substances and New Organisms (HSNO) Amendments Act 2015, and to deliver additional certification work of innovative unmanned aerial vehicles to support the introduction of new transport technologies.

Personnel costs

The 2019/20 budget has been prepared on a Regulatory Function staff establishment of 279.5 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 2019/20 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 39 will be incurred to fund both capability projects and the Regulatory Function's ongoing investment in the New Southern Sky Program, and will reduce accumulated reserves.

Reserves

The Authority's Reserves and Funding policy defines minimum and maximum levels of working capital cash reserves to manage short term operational requirements and to provide an initial response if operational activity had to change. For the Regulatory Function, this range is 75% of 6 to 9 weeks of standard operating expenditure. The Regulatory Function's reserves are projected to remain in compliance with this policy for the 2019/20 financial year.

Security Service function

Passenger security levies

Passenger security levies have been estimated based on the projections of security screened domestic and international passenger volumes stated in the tables on page 30.

The 2019/20 budget has been set based on a rate of \$6.23 (GST exclusive) for domestic passengers and \$11.98 (GST exclusive) for international passengers (including transit passengers). Changes to the existing rates prescribed by the Civil Aviation Charges Regulations (No 2) 1991 are expected to be approved by Cabinet prior to 1 July 2019.

Contracted services revenue

The Security Service Function receives revenue from security services work provided to third parties. Revenue from these services is assumed to be lower in 2019/20 with that received in 2018/19, largely reflecting the cessation of gatehouse screening contracts and the exiting of a number of other third party contracts.

Personnel costs

The 2019/20 budget has been prepared on a Security Service Function average establishment of 1,275 full-time equivalent positions.

Operating surpluses/deficits

It is intended that the projected surplus in the 2019/20 financial year shown in the Prospective Statement of Comprehensive Revenue and Expense on page 39 will increase accumulated reserves.

Reserves

For the Security Service Function, the range of its working capital cash reserves under the Authority's Reserves and Funding policy is 6 to 9 weeks of standard operating expenditure. The Security Service Function's reserves are projected to start being restored back towards the minimum level of this range during the 2019/20 financial year due to changes in pricing arising from the Triennial Funding Review.

Statement of accounting policies

Reporting entity

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

To fulfil these statutory responsibilities, the Authority comprises the Aviation Safety and Regulatory Function of the Authority and the Aviation Security Service.

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

Basis of preparation

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

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

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

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

Measurement basis

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

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

Presentation currency and rounding

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

Changes in accounting policies

There have been no changes in accounting policies, apart from increasing the threshold for capitalising the purchase of assets to \$2,500 from \$2,000.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

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

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

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

Goods and services tax

All items in the prospective financial statements are presented exclusive of Goods and Services Tax (GST), except receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable, it is recognised as part of the related asset or expense.

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

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

Income tax

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

Payment of any surplus to the Crown

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

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

Financial instruments in this category comprise those either held for trading or designated at fair value through profit or loss at inception. Under New Zealand equivalents to International Public Sector Accounting Standards, those derivatives not designated as hedge accounting instruments are classified as held for trading instruments irrespective of the purpose for which they have been entered into. The Authority enters into forward exchange contract derivatives from time to time solely to mitigate currency risks associated with its operational activities.

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

Foreign currency transactions

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

Other financial assets

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

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

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

Impairment of financial assets

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

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

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

Leases**Operating leases**

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

Cash and cash equivalents

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

Services work in progress

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

The Authority's services work in progress is measured at the lower of the costs incurred to date for the specific work

being undertaken, and net realisable value. The estimated net realisable value is based on the contracted service price.

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

Cost allocation

Criteria for direct and indirect costs

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

Indirect costs for the 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

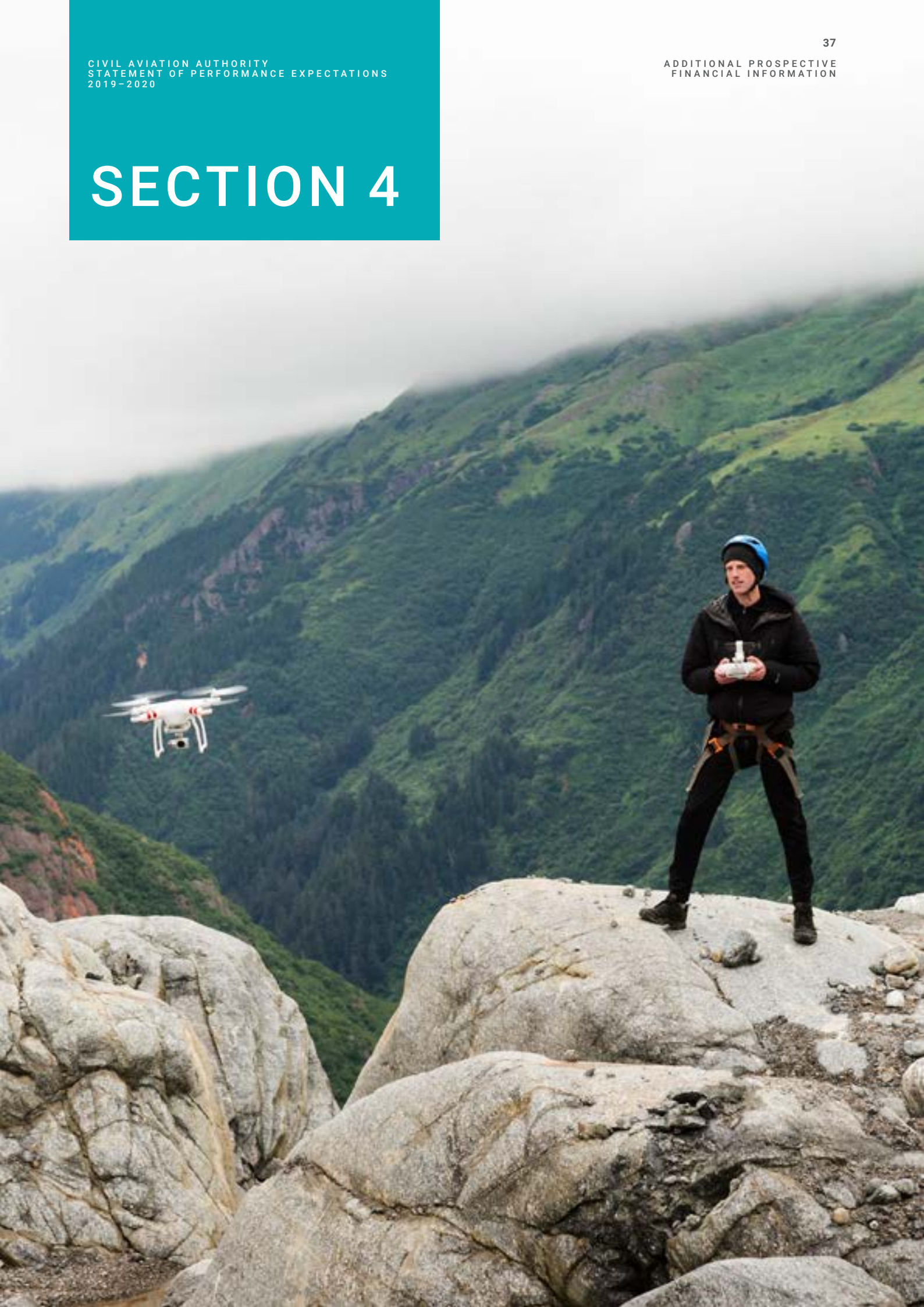
The delivery of shared support services for both the Aviation Safety and Regulatory Function and the Aviation Security Service was established from 7 November 2011. The costs arising in each shared services group (Business Development and Services, and Legal Services) are apportioned to the two operational 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 judgements

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	
	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
REVENUE						
Levies revenue	35,360	36,336	–	140,985	35,360	177,321
Passenger security charges	–	–	99,036	–	99,036	–
Revenue from other services	7,094	6,981	3,507	2,589	10,581	9,550
Crown funding revenue	3,728	3,706	145	145	3,873	3,851
Ministry contract revenue	2,022	1,600	–	–	2,022	1,600
Interest and other revenue	773	670	1,241	727	1,907	1,290
Total	48,977	49,293	103,929	144,446	152,779	193,612
EXPENSE						
Personnel costs	38,906	40,633	87,521	105,751	126,427	146,384
Other costs of services	9,525	8,207	21,139	24,797	30,537	32,877
Audit fees for financial statements	133	130	–	–	133	130
Finance costs	7	8	149	1,080	156	1,088
Depreciation and amortisation expense	603	727	3,553	5,637	4,156	6,364
Authority member costs	147	149	–	–	147	149
Total Expenses	49,321	49,854	112,362	137,265	161,556	186,992
Net Surplus/(Deficit)	(344)	(561)	(8,433)	7,181	(8,777)	6,620
Total other comprehensive revenue and expense	–	–	–	–	–	–
Total comprehensive revenue and expense	(344)	(561)	(8,433)	7,181	(8,777)	6,620

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	
	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
EQUITY						
OPENING BALANCE OF EQUITY AT 1 JULY						
General funds	10,651	10,307	14,336	14,736	24,987	25,043
Property, plant and equipment revaluation reserve	–	–	746	–	746	–
Passenger security charges and other fees and charges reserves	–	–	13,065	4,978	13,065	4,978
Total opening balance of equity at 1 July	10,651	10,307	28,147	19,714	38,798	30,021
Total comprehensive revenue and expense	(344)	(561)	(8,433)	7,181	(8,777)	6,620
Transfers to/(from) passenger security charges and other fees and charges reserves	–	–	(8,087)	7,129	(8,087)	7,129
Transfers to/(from) general funds	–	–	8,087	(7,129)	8,087	(7,129)
Capital Contribution from Crown	–	–	–	–	–	–
Total changes in equity during the year	(344)	(561)	(8,433)	7,181	(8,777)	6,620
CLOSING BALANCE OF TAXPAYERS' EQUITY AT 30 JUNE						
General funds	10,307	9,746	14,736	14,788	25,043	24,534
Property, plant and equipment revaluation reserve	–	–	–	–	–	–
Passenger security charges and other fees and charges reserves	–	–	4,978	12,107	4,978	12,107
Total closing balance of taxpayers' equity at 30 June	10,307	9,746	19,714	26,895	30,021	36,641

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	
	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
CURRENT ASSETS						
Cash and cash equivalents	188	263	2,911	3,501	3,099	3,764
Debtors and other receivables	5,034	4,945	11,827	12,969	15,774	16,827
Services work in progress	208	208	–	–	208	208
Investments – term deposits	8,700	5,400	7,450	18,500	16,150	23,900
Total Current Assets	14,130	10,816	22,188	34,970	35,231	44,699
NON-CURRENT ASSETS						
Property, plant and equipment	1,820	1,971	18,939	35,446	20,759	37,417
Intangible assets	674	3,270	970	1,360	1,644	4,630
Investment Property	–	–	–	–	–	–
Total Non-Current Assets	2,494	5,241	19,909	36,806	22,403	42,047
Total Assets	16,624	16,057	42,097	71,776	57,634	86,746
CURRENT LIABILITIES						
Creditors and other payables	3,329	3,195	4,104	4,934	6,346	7,042
Employee entitlements	2,512	2,640	10,518	11,295	13,030	13,935
Provisions	–	–	145	145	145	145
Borrowings	–	–	–	–	–	–
Total Current Liabilities	5,841	5,835	14,767	16,374	19,521	21,122
NON-CURRENT LIABILITIES						
Employee entitlements	390	390	7,203	7,203	7,593	7,593
Provisions	86	86	413	304	499	390
Borrowings	–	–	–	21,000	–	21,000
Total Non-Current Liabilities	476	476	7,616	28,507	8,092	28,983
Total Liabilities	6,317	6,311	22,383	44,881	27,613	50,105
Net Assets	10,307	9,746	19,714	26,895	30,021	36,641
EQUITY						
General funds	10,307	9,746	14,736	14,788	25,043	24,534
Property, plant and equipment revaluation reserve	–	–	–	–	–	–
Passenger security charges and other fees and charges reserves	–	–	4,978	12,107	4,978	12,107
Total Equity	10,307	9,746	19,714	26,895	30,021	36,641

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	
	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Receipts from levies	34,508	35,718	–	129,996	34,508	165,694
Receipts from Passenger security charges and other services	7,961	7,678	101,187	12,584	109,128	20,262
Receipts from Crown funding and Ministry contracts	5,750	5,306	145	145	5,895	5,451
Interest received	345	360	659	624	1,004	984
Receipts from other revenue	427	310	1,042	617	1,362	820
Total	48,991	49,372	103,033	143,966	151,897	193,211
CASH WAS APPLIED TO:						
Payments to employees	(35,838)	(37,729)	(84,014)	(101,339)	(119,852)	(139,068)
Payments to suppliers	(13,543)	(11,384)	(24,555)	(29,669)	(37,971)	(40,926)
Interest paid	–	–	–	–	–	–
Payments of capital charge to the Crown	–	–	–	–	–	–
Goods and Services Tax (net)	15	(9)	(219)	217	(204)	208
Total	(49,366)	(49,122)	(108,788)	(130,791)	(158,027)	(179,786)
Net cash flows from operating activities	(375)	250	(5,755)	13,175	(6,130)	13,425
CASH FLOWS FROM INVESTING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Sale of assets	18	–	70	–	88	–
Maturity of investments	2,000	5,300	12,935	13,000	14,935	18,300
Total	2,018	5,300	13,005	13,000	15,023	18,300
CASH WAS APPLIED TO:						
Placement of investments	(1,200)	(2,000)	–	(24,050)	(1,200)	(26,050)
Purchase of property plant and equipment	(520)	(730)	(7,749)	(21,721)	(8,269)	(22,451)
Purchase of intangible assets	(596)	(2,745)	(868)	(814)	(1,464)	(3,559)
Total	(2,316)	(5,475)	(8,617)	(46,585)	(10,933)	(52,060)
Net cash flows from investing activities	(298)	(175)	4,388	(33,585)	4,090	(33,760)

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

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000	2019 ESTIMATED ACTUAL \$000	2020 BUDGET \$000
CASH FLOWS FROM FINANCING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Proceeds from external borrowings	–	–	–	21,000	–	21,000
Capital Injection from Crown	–	–	–	–	–	–
Total	–	–	–	21,000	–	21,000
CASH WAS APPLIED TO:						
Repayment of external borrowings	–	–	–	–	–	–
Total	–	–	–	–	–	–
Net Cash Flows from Financing Activities	–	–	–	21,000	–	21,000
Net increase/decrease in cash and cash equivalents	(673)	75	(1,367)	590	(2,040)	665
Opening cash and cash equivalents at 1 July	861	188	4,278	2,911	5,139	3,099
Closing cash & cash equivalents at 30 June	188	263	2,911	3,501	3,099	3,764

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

	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MoT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
2020 BUDGET \$000				
Revenue	1,839	5,142	5,306	37,006
Expenditure	(4,221)	(11,162)	(6,709)	(27,762)
Net surplus/(deficit)	(2,382)	(6,020)	(1,403)	9,244
Opening balance at 1 July	–	–	–	10,307
Transfer (from) to other reserves	2,382	6,020	1,403	(9,806)
Closing balance at 30 June	–	–	–	9,746
2019 ESTIMATED ACTUAL \$000				
Revenue	1,996	5,097	5,750	36,133
Expenditure	(4,129)	(10,744)	(7,607)	(26,841)
Net surplus/(deficit)	(2,133)	(5,647)	(1,857)	9,292
Opening balance at 1 July	–	–	–	10,651
Transfer (from) to other reserves	2,133	5,647	1,857	(9,637)
Closing balance at 30 June	–	–	–	10,307

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

PROSPECTIVE RECONCILIATION OF EQUITY: SECURITY SERVICE FUNCTION

For the years ended 30 June

	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
2020 BUDGET \$000							
Revenue	91,771	49,214	140,985	2,646	143,631	–	–
Expenditure	(88,449)	(45,355)	(133,804)	(2,646)	(136,450)	–	–
Net surplus/(deficit)	3,322	3,859	7,181	–	7,181	–	–
Opening balance at 1 July	3,839	752	4,591	387	4,978	–	14,736
Transfer (from) to other reserves	(41)	(11)	(52)	–	(52)	–	52
Closing balance at 30 June	7,120	4,600	11,720	387	12,107	–	14,788
2019 ESTIMATED ACTUAL \$000							
Revenue	60,203	38,833	99,036	3,556	102,592	–	–
Expenditure	(68,841)	(38,628)	(107,469)	(3,556)	(111,025)	–	–
Net surplus/(deficit)	(8,638)	205	(8,433)	–	(8,433)	–	–
Opening balance at 1 July	12,235	442	12,677	387	13,064	746	14,336
Transfer (from) to other reserves	242	105	347	–	347	(746)	400
Capital Contributions from the Crown	–	–	–	–	–	–	–
Closing balance at 30 June	3,839	752	4,591	387	4,978	–	14,736

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

PROSPECTIVE CAPITAL EXPENDITURE

For the years ended 30 June

	REGULATORY FUNCTION \$000		SECURITY SERVICE FUNCTION \$000	
	2019 ESTIMATED ACTUAL	2020 BUDGET	2019 ESTIMATED ACTUAL	2020 BUDGET
EQUITY				
OPENING BALANCE OF EQUITY AT 1 JULY				
Computer hardware	344	85	–	192
Computer software	596	2,745	868	814
Plant & equipment	16	–	6,134	18,945*
Office Equipment	15	30	–	–
Furniture & fittings	30	480	243	276
Motor vehicles	45	135	851	948
Leasehold Improvements	70	–	521	1,360
Total	1,116	3,475	8,617	22,535

* The large increase in capital expenditure is due to the Director of Civil Aviation responding to changes in the international security environment.



Aviation Security Service
— *Kaiwhakamaru Rererangi* —

Civil Aviation Authority of New Zealand
Asteron Centre, 55 Featherston Street, 6011
PO Box 3555, Wellington, 6140, New Zealand