

CIVIL AVIATION AUTHORITY
**STATEMENT OF
PERFORMANCE
EXPECTATIONS**

2020-2021

Board Statement

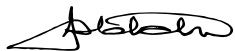
The Authority certifies that the information contained in this Statement of Performance Expectations (SPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2020 to 30 June 2021.

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

Signed on: 25 September 2020



Janice Fredric
Chair of the Authority



Jill Hatchwell
Chair of the Audit, Finance and Risk Committee

Extension to deliver the 2020/21 Statement of Performance Expectations of the Civil Aviation Authority (the Authority)

Following provision by the COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Bill, the Minister of Transport approved an extension of three months to deliver the Civil Aviation Authority's (the Authority's) 2020/21 Statement of Performance Expectations. The Minister granted the extended timeline for the following reasons:

- As a consequence of the effects of COVID-19, the Authority was unable to adequately assess material financial implications to provide the document on time
- The Authority required time to adequately assess how its future operations would be affected whilst managing safety and security risks, and
- The extension enabled the Authority to provide a better quality document than the Authority would be able to if the extension were not granted.

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Glossary

ADS-B (Automatic Dependent Surveillance-Broadcast)	ADS-B is an aircraft surveillance system. Aircraft receive accurate and precise location data from a satellite constellation and then broadcast this information through a transponder. This data can then be used by air traffic management services to maintain aircraft separation.
AIT body scanner	AIT stands for Advanced Imaging Technology. AIT body scanners are used at passenger screening points to detect prohibited items that may be concealed on the body under clothing.
Aviation document	A certificate or license that allows participation in the New Zealand civil aviation system.
Aviation Related Concerns (ARCs)	Any safety related concern regarding the civil aviation system that is reported to the Civil Aviation Authority (the Authority).
Certification activity	Activities that the Authority carries out relating to the issue and maintenance of aviation documents that allow participation in the New Zealand civil aviation system, maintaining certificate currency, and revoking current certificates. This includes organisations, individuals, service providers, aircraft, and products.
Chicago convention / International Civil Aviation Organization (ICAO)	The Convention on International Civil Aviation, also known as the Chicago Convention, established the International Civil Aviation Organization (ICAO), a specialised agency of the United Nations that is charged with coordinating and regulating international air travel. The Authority is delegated by the Minister of Transport to liaise with ICAO and ensure that New Zealand maintains consistency with international standards and recommended practices (SARPS), or, where needed, that New Zealand files a difference to those standards.
Licensing	The Authority issues licenses to people who wish to participate in the New Zealand civil aviation system.
Regulatory oversight/ effectiveness/ stewardship	The Authority manages the majority of the rules and regulations that apply to New Zealand civil aviation, including ensuring that the rules and regulations are fit for purpose.
Regulatory Oversight Review	The Authority has a number of systems and checks in place to ensure that we carry out our regulatory role effectively and correctly.
Security screening	<ul style="list-style-type: none"> • Aviation security screening identifies threats and manages associated risks at security designated airports. At security designated airports, we carry out screening of: • all passengers and their carry-on baggage on departing international flights and domestic flights over security screening size threshold • all hold baggage on departing international flights and domestic flights over the security screening size threshold • airport workers with access to security enhanced areas.
Surveillance and Investigation	We monitor people and organisations who are part of the New Zealand civil aviation system, carrying out audits, spot checks and investigations where necessary to make sure that health, safety and security standards are met, and risks are managed well.

SECTION 1



Performance Expectations for 2020/21

This document sets out the outputs that the Civil Aviation Authority (the Authority) provides and the standards against which we will assess our performance in 2020/21. It is an integral part of our strategic framework described in the 2019 – 2024 Statement of Intent. The 2019 – 2024 Statement of Intent is available online at www.aviation.govt.nz.

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 Government’s aim of a transport system that improves wellbeing and liveability.

2020/21 is a year of focused performance improvement for the Authority, whilst managing the uncertainties that the Covid-19 pandemic has created. A re-design of the regulatory and support services functions is being embedded, with a focus on improving delivery of our core functions. The aviation security service (Avsec) is embedding technology changes, whilst managing fluctuations in visitor numbers.

In 2019/2020 the Authority undertook structural change to its regulatory and support service functions. This change is focused on improving the Authority’s ability to be agile, in prioritising resources, managing workload pressures, and connecting more effectively across the sector.

The structural change, which will be embedded across 2020/21, will enable the Authority to better align its specialist capabilities with its core regulatory functions of entry control, oversight, regulatory investigation and response, and exit.

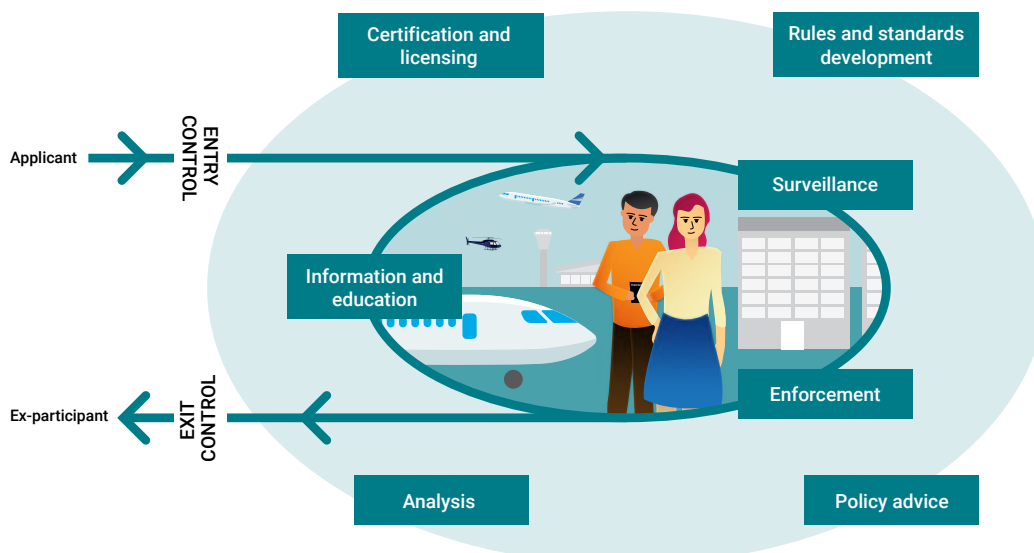
Changes to this document

As part of our commitment to openness and transparency, the Authority has introduced new areas of measurement:

Change programmes – categorised as ‘system-change’ (changes to how the aviation system operates) and ‘organisation-change’ (changes to how the Authority operates). A full description of each change programme is provided in the Statement of Intent 2019 – 2024; this document sets out what is intended to be delivered through these programmes in 2020/21.

Organisational health and capability – to ensure transparency in the key results we seek, we have included metrics that have historically been provided in the Annual Report.

New Zealand civil aviation system



Civil Aviation System Level Benefits Map

The Authority measures results that demonstrate our 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 aim to achieve a number of benefits to New Zealand through our work. Our interventions applied through our outputs are the focus of this Statement of Performance Expectations.



SYSTEM ASPECTS | OUR INTERVENTIONS | STRATEGIC FRAMEWORK INDICATORS OF OUR SUCCESS | BENEFITS

Our interventions relate to the following aspects of the civil aviation system.

ENTRY

Exercise of control over entry into the New Zealand civil aviation system

- Quality and timeliness of rules and standards
- Robust entry renewal and amendment certification tasks
- Licensing procedures carried out effectively and efficiently.

ON-GOING OPERATION

Exercise of control over sustained operation in the New Zealand civil aviation system

- Application of a risk-based approach to safety and security system oversight
- Effective communications to the aviation community and stakeholders
- Ensure participants are operating within their legal obligations through effective inspection and monitoring
- Appropriate response to unsafe practice
- Effective occurrence investigation
- Effective monitoring / audit / inspection activities.

EXIT

Exercise of control over exit from the New Zealand civil aviation system

- Informed decision making through intelligence and analysis.

CIVIL AVIATION SECURITY

Ensure threats are identified and associated risks are managed and international standards for security are met

- Effective screening activities.

OUTPUTS

OUTPUT CLASS

OUTPUT

Output Class 1: Policy & Regulatory Strategy

International Relations and International Civil Aviation Organization Obligations

Ministerial Servicing

Policy Advice

System Level Design and Intervention

Rules and Standards Development

Pacific Support

Output Class 2: Outreach

Output Class 3: Certification & Licensing

Output Class 4: Surveillance & Investigation

Output Class 5: Security Service Delivery

Screening Activity

Audit Performance; Access Control; Maritime Security Services

CHANGE PROGRAMMES

- New Southern Sky
- Horizon 2030
- Safety Management Systems
- Culture Change: Te Kākano.

STRATEGIC FRAMEWORK INDICATORS OF OUR SUCCESS

IMPACTS

Feeling safe – air travellers in New Zealand feel ‘extremely’ or ‘very’ safe and secure*

Being safe – low and decreasing numbers of deaths and serious injuries in the civil aviation system.

OBJECTIVES

A vibrant aviation system

- Reduced emissions/greenhouse gases through number of low emission aircraft certified into service
- Low and decreasing social cost of air accidents and incidents
- Minimised aviation-related barriers to trade, commerce and the movement of people
- Achievement of Output Class 1: Policy and Regulatory Strategy
- Delivery of Regulatory Craft Programme objectives (refer 2019-2024 Statement of Intent)
- Delivery of New Southern Sky programme (refer 2019-2024 Statement of Intent).

Improved sector safety performance

- Low and decreasing number of accidents
- Low and decreasing risk profiles in aviation document holders
- Safety and security focus area work programme delivered
- Achievement of Output Class 2: Outreach
- Achievement of Output Class 3: Certification and Licensing
- Achievement of Output Class 4: Surveillance and Investigation
- Delivery of Safety Management System implementation programme objectives.

Effective and efficient security services

- No airside or in-flight security incidents that compromise safety
- Achievement of Output Class 5: Security Service Delivery
- Delivery of Avsec Horizon 2030 strategic plan.



SAFE AND SECURE PEOPLE

Through decreasing number of accidents, deaths and injuries in the sector, as well as increasing confidence in the safety and security of the system.



MINIMISED ENVIRONMENTAL IMPACT

Through reduced greenhouse gas emissions.



POSITIVE ECONOMIC IMPACT

Through minimising the aviation related barriers for movement of people and goods, and lower social cost of air accidents and incidents.



IMPROVED RESILIENCE AND SECURITY

Through reduction of risk due to adoption of safety management systems (SMS) throughout the sector, and few or zero security incidents in the aviation sector.

CONTRIBUTION TO OVERALL TRANSPORT OUTCOMES



* Measured through a biennial Colmar Brunton survey

Changes in our environment

Changes to the regulatory environment

Amendments to the Civil Aviation Act 1990

A draft Bill to amend the Civil Aviation Act 1990 is currently under development and is likely to be introduced to Parliament in 2020/21. The Bill presents an opportunity to fully revise our primary legislation to deliver a modern and future proofed legal framework for the next 30 or more years. The Bill includes a number of provisions that would have an impact on aviation safety and security.

A key change proposed in the Bill is a change to Avsec's institutional arrangements, removing the requirement for Avsec to hold an aviation document. This will remove the Director's independent statutory role as the regulator of Avsec, thereby removing an inherent conflict of interest. The proposal will specify that Avsec, in the absence of an aviation document, is required to meet the requirements and standards commensurate with those provided in Civil Aviation Rules. This will ensure Avsec continues to operate to current high standards. The Bill also clarifies many of Avsec's existing powers, and provides future proofing in some areas, such as providing for alternative airport terminal configurations.

Other key changes proposed in the Bill include:

- new provisions relating to drug and alcohol management,
- the protection of safety information, which will contribute to embedding 'Just Culture' principles into our regulatory framework,
- new offences and penalties, such as a new airspace offence which will enhance our regulation of unmanned aircraft and support the new ADS-B requirements, as well as enhanced intervention powers relating to unmanned aircraft,
- the introduction of Transport Instruments into our regulatory framework to provide more flexibility and agility, and
- the introduction of national security considerations into civil aviation regulation.

Unmanned aerial vehicles (drones)

The Authority is supporting the Ministry of Transport to review and update New Zealand's drone regulations. This work is focused on a short- to medium-term work programme to address current and emerging issues. Formal public consultation on a suite of proposed options is likely to occur during 2020/21, pending Ministerial and Cabinet approval.

The Authority is also supporting the Ministry of Business, Innovation and Employment's advanced aviation testing and trialling programme. This programme of work will also help inform the regulatory environment for the integration of drones into the aviation and transport system.

Regulatory effectiveness and stewardship

The Regulatory Craft Programme (the RCP) is a change programme that focuses on improving the people, guidance, and technology that supports the Authority's work as a regulator, improving our regulatory effectiveness. During 2020/21 the Authority intends to close this work as a formal change programme, transitioning the remaining programme deliverables to become the responsibility of specific business units, as part of their work programme. (More information on this transition is on page 13).

One of the deliverables of the RCP that remains to be completed is the review of the Authority's regulatory philosophy. This review is intended to be completed in 2020/21.

Pricing review

The Authority's regulatory activities are funded from fees, levies and charges with the majority of coming from commercial operators and the travelling public. During 2019/20 the Authority carried out a pricing review to ensure that the Authority's fee, levy and charge rates are set at appropriate levels to allow the Authority to carry out the full scope of its regulatory work from 2020/21 to 2022/23. At the time of this document's publication, the review has been put on hold due to Covid-19 measures. It is unknown when this will be resumed. The outcome of this review may influence the capacity of the Authority to carry out its regulatory duties.

Safety and Security Focus Areas

As an integral part of our strategic framework (refer page 7), we identify safety and security areas within the civil aviation system that require particular focus. These focus areas address particular safety and security issues and improve the performance of specific parts of the aviation system, driving the work of the Authority on a day-to-day basis.

Recognising the dynamic nature of the civil aviation system, these focus areas are reviewed regularly. As we influence the behaviours of those inside the aviation system, and those who use the system, the issues (focus areas) that cause us concern will change, which drives the need for regular review. The current Safety and Security Focus Area work programme is published on the Authority's website, www.aviation.govt.nz.

The focus areas are currently categorised into three levels of risk:

- 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.



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).

Impact of Covid-19 pandemic




At the time of preparing this Statement of Performance Expectations, the Covid-19 pandemic is having a major impact on aviation in New Zealand. The impact of the pandemic on our outputs is significant. Reduced volumes of international and domestic travellers will impact heavily on tourism and recreational aviation, and therefore affects all parts of the Authority's business.

Our financial position is significantly impacted by the effects of the pandemic. The Authority continues to review its cost base to ensure that it maintains its essential roles, without placing additional burden on the aviation sector. The Government has provided funding to protect core services where third party revenue has been significantly impacted by Covid-19. To cover the performance expectations against this funding, two new non-financial performance measures have been introduced (see page 15). Our financial statements are set out in Section 2 (pages 29 – 50)

The **regulatory function** is required to maintain the safety of the civil aviation system, whilst enabling operators to stay in business by supporting certification under different rule parts, and by focusing on urgent policy amendments to ensure the continuing function of the civil aviation system within the appropriate rules.

The **Aviation Security Service (Avsec)** continues to maintain security screening but with a much reduced demand. Avsec staff have been redeployed to support the Government's response to Covid-19, for example, supporting isolation and quarantine hotels and data management activities.

Despite the changing circumstances, our non-financial performance measures remain based on our estimates of a 'usual' year, to maintain our year-on-year benchmark. This will enable us to report the true impact of this situation on the civil aviation system. **We will not meet some of these measures**, especially those that are dependent on demand. Overall outputs that we will not meet are explained in the below table. Measures that are at risk or will not be delivered are denoted with a  symbol throughout this document.

Some of our work programmes, including our change programmes, will also be impacted or delayed by the effects of the pandemic. These are also indicated throughout this document with the hazard symbol.

Output	Forecast Impact	Page
1. Policy & Regulatory Strategy	The curtailing of international travel will impact on our ability to influence on the international stage at forums. The community will be looking at new ways of conducting business once the impact of the pandemic has been understood globally and we do not yet know how this new way of operating will change our business.	16
2. Outreach	Travel may continue to be restricted in order to slow the spread of Covid-19; similarly, gatherings may continue to be restricted. This impacts on our ability to hold face to face workshops, seminars and educational programmes, as well as the one on one visits from Aviation Safety Advisers to participants. The Authority is investigating alternative ways to achieve this output.	19
3. Certification and Licensing	Certification and licensing activities are demand-driven. The Authority certifies, re-certifies and issues licenses to those seeking to become a participant, or wishing to remain a participant in the civil aviation system. We anticipate that demand will likely be static in comparison to previous years, and different in character. As participants adapt to the impacts of Covid-19 we anticipate some will seek to exit the sector, and others will seek change the nature of their businesses — particularly those that have been operating in tourist dependent parts of the sector.	21
4. Surveillance and Investigation	Audits, investigations, and outreach activities will respond to the level of aviation activity and risk assessment.	24
5. Security Service Delivery	At the time of preparing this document, international travel has been severely curtailed. The situation is expected to continue for some time. Screening standards at security designated airports are being maintained with an added security focus to specifically address associated risk in a Covid-19 impacted environment.	27

Change programmes

Five major system and organisational change programmes are operational across the Authority. These programmes are outside of ‘business as usual’ and require input from across the Authority and externally to transform aspects of the aviation system and/or the organisation. These programmes are discussed on pages 30 – 31 of the 2019 – 2024 Statement of Intent.

System change programmes

New Southern Sky (NSS)

The New Southern Sky (NSS) programme to modernise New Zealand’s airspace and air navigation system is being led by the Authority in partnership with the Ministry of Transport and Airways New Zealand. The NSS work programme extends to 2023; the Authority’s NSS programme team is funded to 30 June 2021. It is expected that the programme will be transitioned into business as usual from that point.

In 2020/21 the NSS programme team plans to:

- Complete the roll-out of Performance Based Navigation procedures to all controlled aerodromes
- Manage the Automatic Dependent Surveillance-Broadcast (ADS-B) grant scheme, enabling all qualifying applicants to take advantage of the grant
- Finalise requirements for a minimum operating network of ground based navigation aids so that a final configuration can be agreed in 2022
- Prepare for the introduction of a new ‘main trunk’ (Auckland Wellington-Christchurch) contingency secondary radar system in 2021/22
- Prepare for the introduction of a new ‘main trunk’ primary radar system in 2021/22
- Provide options for continued benefit assessment and communications, and a process for handing on ongoing work, post the NSS team closure.

Safety Management Systems (SMS)

Since February 2015, Civil Aviation Rule Part 100: Safety Management has required commercial operations to establish, implement and maintain a comprehensive and scalable safety management system (SMS). Group 1 operators (international operators and those providing support to international operations) were required to have an approved SMS in place by 1 February 2018, while Group 2 (all other operators) must have one in place by 1 February 2021.

In 2020/21 the CAA plans to:

- Certify the remaining Group 2 operators
- Deliver two training workshops to those in the sector who register interest.

System and organisational change programme

Avsec Horizon 2030

Avsec have developed a new strategic plan, Horizon 2030. This supersedes the previous Future 2022 and Beyond plan developed in 2015. Horizon 2030 identifies seven strategic priorities to guide Avsec’s work programme and activities over the next 10 years, these include:

- Covid-19 recovery
- intelligence led
- risk-based decision making
- innovation and technology
- efficiency and passenger facilitation
- collaboration
- a highly skilled, professional workforce.

In 2020/21, as part of the focus on these priorities, Avsec plans to:

- Continue to deliver our programme of screening point advancement and modernisation, including AIT body scanners
- Develop the plan, business case and procurement approach for introducing CT Cabin Baggage Screening
- Continue bulk goods screening point implementation
- Undertake a number of innovative technology trials and R&D of security and business solutions
- Continue implementation of the new AIC system and identity cards.

Organisational change programmes

Organisation Redesign

In 2019/2020 the Authority undertook structural change to its regulatory and support service functions. This change is focused on improving the Authority’s ability to be agile, in prioritising resources, managing workload pressures, and connecting more effectively across the sector.

The structural change, which will be embedded across 2020/21, will enable the Authority to better align its specialist capabilities with its core regulatory functions of entry control, oversight, regulatory investigation and response, and exit.

Culture Change: Te Kākano

The 2019/20 Ministerial Review into the culture of the Authority resulted in 31 recommendations for action. The Authority has committed to address all of these findings, and has established a work programme, titled Te Kākano, to deliver this. The intention is to build an organisation culture that is consistently safe, inclusive, and supportive for all staff. The changes we make internally will have a flow-on effect to improve our interactions with the aviation industry. Progress for Te Kākano will be reported through our Annual Report.

Regulatory Craft Programme (RCP)

The Regulatory Craft Programme referred to on page 10 is a change programme initiated in 2015/16 to improve our regulatory effectiveness through three streams: people, guidance and technology. Over the year ending June 2021 the Authority will:

- evaluate the success of the programme against the intended benefits;
- identify outstanding deliverables and evolve these into a work programme where regulatory performance can be improved; and
- establish a framework to evaluate and monitor the benefits of the RCP on an ongoing basis.

Organisation health and capability

2020/21 is a year of change for the Authority, responding to the challenges of Covid-19, whilst working to transform the organisational culture and embed the re-design of our regulatory and support service functions. We are committed to ensuring that our people remain healthy, safe, and engaged.

Organisation health and capability results

During 2020/21 our focus is on building an organisation that is a ‘good employer¹’, demonstrating progress across the following areas. Progress in each of these areas will be described in our Annual Report.

- Leadership, accountability and culture
- Recruitment, selection and induction
- Employee development, promotion and exit
- Flexibility and work design
- Remuneration, recognition and conditions
- Harassment and bullying protection
- Safe and healthy environment.

Results we seek

Strong and capable leadership to deliver a workplace where:			
equality and diversity are valued	people are engaged and capable	people have infrastructure and tools that are fit for purpose	people are healthy and safe

During 2020/21 we will establish a baseline staff engagement survey so that we can track engagement of our people and identify aspects of our organisation that need improvement.

Metrics we will report on

To demonstrate the size and structure of our workforce, we will track and report on:

- Headcount, and number of full-time-equivalent employees (FTEs)
- People turnover, and average length of service
- Role classification, and percentage of people in roles
- Age range of our people, and number within each range.

To demonstrate our commitment to developing the capability of our people, we will track and report on:

- Number of staff who attended training courses in the past year.

To demonstrate our commitment to building an equal, inclusive and diverse workplace, we will track and report on:

- Ethnicity of our people
- Gender pay gap, and gender representation in management.

Where possible, information will be provided broken down by function – regulatory/Avsec/support services, as well as aggregated up to the whole organisation.

¹ The attributes of a ‘good employer’ are set out by the Human Rights Commission.

Our Statements of Performance Expectations for 2020/21

The following pages explain the outputs (goods and services) that the Authority is funded to provide and the standards against which we will assess our performance. These are categorised into 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

Crown funding of our output class activities

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

Vote Transport multi-category appropriation ‘Policy Advice and Related Outputs’

This appropriation funds International Relations and International Civil Aviation Organization Obligations,

Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), and Hazardous Substances and New Organisms Act and Innovative Aviation Certificates (delivered within Output Class 4: Surveillance and Investigation). This multi-class appropriation is intended to achieve a safe and secure airspace environment through the implementation and maintenance of rules and regulations and the management of risk for all aviation activities.

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

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

Vote Transport appropriation ‘Maritime Port Security’

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.

In addition to the Output Classes on the following pages, two new non-financial authority wide performance measures have been introduced. These cover the performance expectations of the Crown against the funding provided to the Authority to protect core services where third party revenue has been significantly impacted by Covid-19.

Measure	2020/21 budgeted standard
Maintain appropriate capability for core functions	Achieved
Mitigate costs to the Crown- Implement the plan for mitigating costs and any variations as agreed with the Ministry of Transport	Achieved

Output Class 1: Policy & Regulatory Strategy

We administer the regulation for the civil aviation system in New Zealand, administer New Zealand’s international civil aviation obligations, and support the Minister of Transport and other parts of Government to make informed decisions on issues to do with the civil aviation system.

Specifically, we:

- 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.

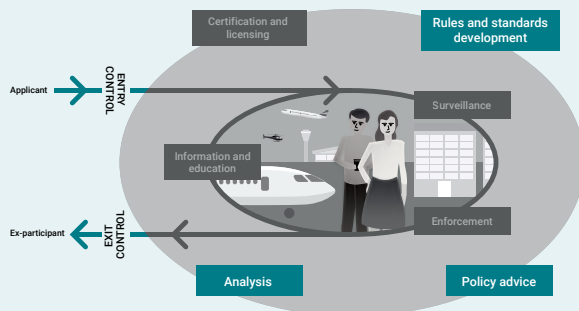
System Level Benefits



Safe and secure people

Indicator:

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




This output class has six categories, intended to achieve:

Output	What is intended to be achieved
1.1 International Relations and International Civil Aviation Organization Obligations ²	Administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.
1.2 Ministerial Servicing – Civil Aviation	The effective delivery of support to executive government and parliamentary processes.
1.3 Policy Advice – Civil Aviation	A high level of safety and security standards within the New Zealand civil aviation system.
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.
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.
1.6 Pacific Support	Provision of support for our Pacific region neighbours to improve regional aviation security.

² 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	2019/20 estimated actual	2020/21 budgeted standard
<p>Organisation focus: To meet our delegated obligations we will attend: the international annual Directors-General of Civil Aviation meeting; the Pacific Aviation Safety Office (PASO) Council meetings; and other international meetings/fora, as appropriate.</p>	New measure	 100%
<p>*Quality: We will ensure New Zealand’s obligations as a signatory State to the Chicago convention are met, where appropriate for New Zealand, through:</p> <ul style="list-style-type: none"> maintained alignment with existing Standards and Recommended Practices (SARPs) Alignment with new SARPS Filing of Differences³ 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>	<p>Maintained</p> <p>Achieved 100%</p>	<p>Maintained</p> <p>Achieved 100%</p>

Output 1.2: Ministerial Servicing – Civil Aviation

Output measures	2019/20 estimated actual	2020/21 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>	100%	100%

Output 1.3: Policy Advice – Civil Aviation

Output measures	2019/20 estimated actual	2020/21 budgeted standard
<p>*Quality: The policy advice we provide to Ministers, government departments and agencies will meet the Authority’s internal guidelines for quality policy advice.</p>	100%	100%
<p>Timeliness: All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies.⁴</p>	Achieved	100%

³ Filing of differences³ is where New Zealand formally notifies ICAO that we will not be adopting a Standard and Recommended Practice (SARP) for one of a few reasons: it may be that our unique national means of addressing the identified issue assures the same/better level of safety as in the SARP, or it could be that the issue justifies the level of regulatory oversight set out by the SARP. Regardless of the reason, we file a difference with ICAO.

⁴ This also includes variations to timeframes that are agreed between the parties.


Output 1.4: System Level Design and Intervention

Output measures	2019/20 estimated actual	2020/21 budgeted standard
Quality and timeliness: All new issue assessments ⁵ 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	2019/20 estimated actual	2020/21 budgeted standard
Quality and timeliness: Documentation provided to the Ministry of Transport 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	2019/20 estimated actual	2020/21 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).		
<ul style="list-style-type: none"> Meet quality and timeliness requirements in annual programme of work as agreed with MFAT 	100%	 100%
<ul style="list-style-type: none"> Evaluation Reports provided to the Pacific Security Coordination Committee meet the project objectives and deliverables. 	100%	100%

Cost to deliver Output Class 1: Policy & Regulatory Strategy	2019/20 estimated actual \$000	2020/21 budget \$000
Crown funding (Vote transport: Policy Advice)	1,272	1,780
Crown - protection of core functions	–	1,371
Ministry contract revenue (Rules development & Pacific)	1,529	2,470
Levies	2,034	930
Fees and charges	5	–
Other revenue	–	–
Total Output Revenue	4,840	6,551
Total Output Expenditure	(4,840)	(6,551)
Net surplus/(deficit)	–	–

⁵ An issue is any problem, or potential problem, in the aviation system that is raised with the Authority. The Authority uses a prescribed process to assess the issue and to make recommendations for the next steps – the 'issue assessment' process.

Output Class 2: Outreach

We engage with participants, organisations and other aviation sector stakeholders so we can better understand each other. We seek to improve aviation safety by raising awareness of good safety practices and behaviour. We inform about risks and how they can be addressed. We also raise awareness with the public about their responsibilities to keep the civil aviation system safe.

Specifically, we:

- 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).

System Level Benefits



Positive economic impact

Indicator:

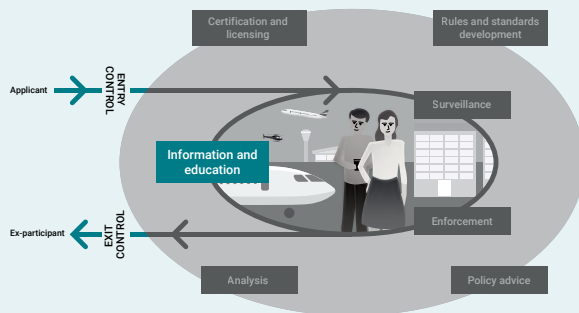
Low and decreasing social cost of air accidents and incidents.



Safe and secure people

Indicator:

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





This output class is intended to achieve:

Output	What is intended to be achieved
2.1 Outreach	Increased understanding and knowledge of aviation safety amongst participants and the public.

How will we measure our performance?

Output 2.1: Outreach

Output measures	2019/20 estimated actual		2020/21 budgeted standard
Quantity: We will proactively build safety awareness through: <ul style="list-style-type: none"> targeted education courses, workshops or seminars to participants nation-wide publishing research reports on the Authority’s website our face to face Aviation Safety Adviser visits to participants. 	13		12 delivered
	4		4
	1400		500 individual participants
Quantity (demand driven): We will build safety awareness in response to specific areas of concern, or new issues that arise, via: <ul style="list-style-type: none"> targeted safety awareness campaigns to participants and/or the general public.⁶ 	5		5 campaigns
Quality: We will measure the success of our outreach through: <ul style="list-style-type: none"> the percentage of participants that rate our education courses, workshops or seminars as a 3 or higher in their overall rating⁷ the percentage of safety awareness campaigns that meet or exceed their agreed success criteria.⁸ 	97%		85%
	85%		85%

Cost to deliver Output Class 2: Outreach	2019/20 estimated actual \$000	2020/21 budget \$000
Crown – protection of core functions	–	2,396
Levies	4,427	1,627
Fees and charges	–	–
Other revenue	76	24
Total Output Revenue	4,503	4,048
Total Output Expenditure	(5,515)	(4,081)
Net surplus/(deficit)	(1,012)	(33)

6 Campaigns are delivered in response to particular areas of concern. We budget for 5 campaigns per year, but delivery is in response to need.

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

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

Output Class 3: Certification and Licensing

We make sure that people and organisations maintain the skills, knowledge, and attributes for safe participation in the New Zealand civil aviation system. We control who can participate by managing entry into the system (through certification and licensing), and exiting those who do not meet the required standards.

Specifically, we:

- 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.

System Level Benefits



Positive economic impact

Indicator:

Low and decreasing social cost of air accidents and incidents.



Safe and secure people

Indicator:

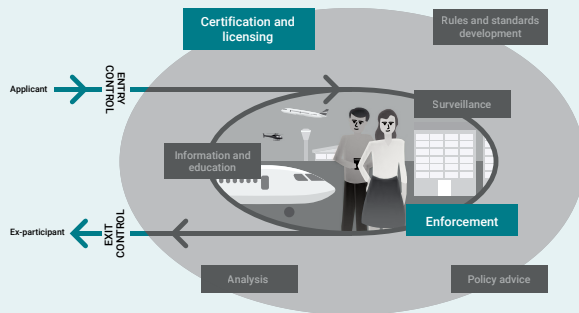
Increased confidence in the safety and security of the civil aviation system.



Improved resilience and security

Indicator:

Low and decreasing risk profiles in aviation document holders.







This output class is intended to achieve:

Output	What is intended to be achieved
3.1 Certification and Licensing	Robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

How will we measure our performance?

Output 3.1 Certification and Licensing

Output measures	2019/20 estimated actual	2020/21 budgeted standard
Quality: We will license personnel, and certify organisations', aircraft and service providers within our prescribed certification standards.	100% of the time	100% of the time
Timeliness: <ul style="list-style-type: none"> Organisational Certification: After receiving a Rule compliant application and conducting any necessary site visits and interviews, an organisational certificate will be issued within ten working days of receiving satisfactory responses to any questions or findings arising from the certification process. Product Certification: All target dates met for Regulator-assigned tasks, mutually agreed within the Project Specific Certification Plan. Personnel Licensing: All personnel licensing activities will be completed within ten working days of receiving a compliant application. 	New measure	100%
Quantity and quality (demand-driven – budgeted standard is based on prior year activity, and no adjustments have been made for Covid-19 impacts): We will undertake certification activities, and license entry and ongoing participation in the New Zealand civil aviation system*:		
<ul style="list-style-type: none"> Organisation certification activities Aircraft certification activities Service provider certification activities Licensing procedures 	1,494 677 103 5,911	   
Quality: Our suspension and revocation activities will be conducted in accordance with our established processes (based on a representative sample of 10% of total activities).	New measure	100%
Quality: Our internal assessment of regulatory oversight ⁹ demonstrates continuous improvement in how we administer regulatory activity through the conduct of ¹⁰ <ul style="list-style-type: none"> 60 PDCA Reviews 2 Internal Audits on regulatory effectiveness 2 Intervention Effectiveness Reviews. 	Not achieved	Achieved
Quality: Applications to the ADS-B transponders rebate scheme that meet eligibility criteria are administered within required standards. ¹¹	New measure	100%

* This output class measures quality, quantity and timeliness for certification of organisations, aircraft, products and service providers, for example air transport, foreign operators, agriculture, training, airfields, engineering/support, and Remotely Piloted Aerial Systems (drones). The Authority is developing baselines to report timeliness of certification activities which will inform new measures for the 2021/22 Statement of Performance Expectations.

9 Our Regulatory Oversight Review carries out three types of assessment – Plan, Do, Check, Act (PDCA) Reviews, Internal Audit (Regulatory Effectiveness), and Intervention Effectiveness. One, all, or a combination of the three types are carried out each quarter to assess progress.

10 The 64 assessments referenced in this measure are the total to be conducted across Output Class 3 (Certification and Licensing) and Output Class 4 (Surveillance and Investigation) dependent on activity levels.

11 Information on eligibility criteria and required standards is available at www.aviation.govt.nz

Cost to deliver Output Class 3: Certification and Licensing	2019/20 estimated actual \$000	2020/21 budget \$000
Crown funding (Vote transport: New technologies and ADSB)	757	900
Crown - protection of core functions	–	11,579
Ministry contract revenue (Rules development & Pacific)	757	–
Levies	13,730	7,031
Fees and charges	6,668	6,535
Other revenue	378	166
Total Output Revenue	22,290	26,211
Total Output Expenditure	(27,298)	(28,101)
Net surplus/(deficit)	(5,007)	(1,890)

Output Class 4: Surveillance and Investigation

We monitor people and organisations who participate in the New Zealand aviation system (carrying out audits, spot checks and investigations where necessary) to ensure that health, safety and security standards are met and risks are managed well.

Specifically, we:

- 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.

System Level Benefits



Safe and secure people

Indicator:

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



Positive economic impact

Indicator:

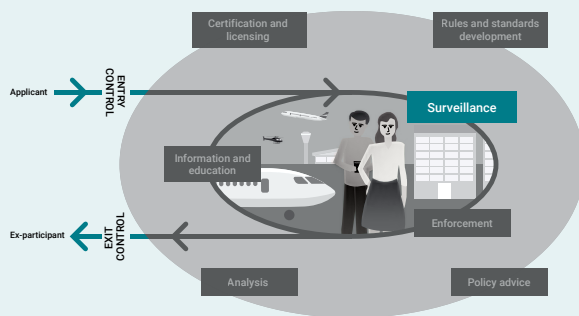
Low and decreasing social cost of air accidents and incidents.



Improved resilience and security

Indicator:

Low and decreasing risk profiles in aviation document holders.











This output class is intended to achieve:

Output	What is intended to be achieved
4.1 Surveillance and investigation	Continued assurance that the civil aviation system in New Zealand is safe and secure

How will we measure our performance?

Output 4.1: Surveillance and Investigation

Output measures	2019/20 estimated actual		2020 /21 budgeted standard
<p>Quality: Our internal assessment of regulatory oversight¹¹ demonstrates continuous improvement in how we administer regulatory activity through the conduct of¹²</p> <ul style="list-style-type: none"> • 60 PDCA Reviews • 2 Internal Audits on regulatory effectiveness • 2 Intervention Effectiveness Reviews. 	Not achieved		Achieved
<p>Organisational focus: Technical capability is recruited into the Authority that provides technical advice to support the integration of unmanned aircraft/drones into controlled airspace.</p>	New measure		Unmanned aircraft/drones technical capability recruited
Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms Act 1996			
<p>Quantity: We will monitor adherence to the relevant Acts through the conduct of:</p> <ul style="list-style-type: none"> • Scheduled audits and outreach activities • Non-scheduled assessments and investigations. 	33		24
	35		30-50
<p>Quantity: We will develop and maintain aviation-specific good practice guides and guidance material.</p>	2		2-5
<p>Timeliness: We will complete¹³ assessments, investigations and audits (work types¹⁴) within:</p> <ul style="list-style-type: none"> • 180 days of receipt • 12 months of receipt. 	68%		60%
	100%		100%
Civil Aviation Act 1990			
<p>Quantity: We will monitor adherence to the Act through the conduct of:</p> <ul style="list-style-type: none"> • Oversight activities, e.g. Audits, inspections, spot checks and system performance reviews¹⁵ • Themes and Systems Safety Investigations¹⁶ • Safety Investigations¹⁷ • Enforcement Investigations • Aviation Related Concerns (ARC) Investigations • Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document). 	434		500-600
	2		2-4
	300		300-390
	54		20-40
	662		500-600
	3		5-10

11 Our Regulatory Oversight Review carries out three types of assessment – Plan, Do, Check, Act (PDCA) Reviews, Internal Audit (Regulatory Effectiveness), and Intervention Effectiveness. One, all, or a combination of the three types are carried out each quarter to assess progress.

12 The 64 assessments referenced in this measure are the total to be conducted across Output Class 3 (Certification and Licensing) and Output Class 4 (Surveillance and Investigation) dependent on activity levels.

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

14 All work types include assessments and audits as well as investigations.

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

16 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.

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

Output measures	2019/20 estimated actual	2020 /21 budgeted standard
Timeliness: We will close Aviation Related Concerns ¹⁸ within: <ul style="list-style-type: none"> • 180 days of receipt • 12 months of receipt. 	80%	80%
	98%	100%
Quality: <ul style="list-style-type: none"> • Closed Aviation Related Concerns comply with the Authority's related policy and procedures • Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our Regulatory Operating Model. 	63%	90%
	100%	100%

Cost to deliver Output Class 4: Surveillance and Investigation	2019/20 estimated actual \$000	2020/21 budget \$000
Crown funding (Vote transport: Health and Safety in employment)	1,694	1,201
Crown - protection of core functions	–	5,131
Levies	6,312	4,297
Fees and charges	117	109
Other revenue	144	70
Total Output Revenue	8,267	10,809
Total Output Expenditure	(10,357)	(11,886)
Net surplus/(deficit)	(2,090)	(1,077)

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

Output Class 5: Security Service Delivery

Aviation security screening identifies threats and manages associated risks at security designated airports.

At security designated airports, we carry out screening of:

- all passengers and their carry-on baggage on departing international flights and domestic flights over security screening size threshold
- all hold baggage on departing international flights and domestic flights over security screening size threshold
- airport workers with access to security enhanced areas
- bulk goods entering sterile areas and cargo traveling on international passenger flights.

We also:

- conduct perimeter patrols and access control checks at security designated airports and navigation facilities
- support other government agencies (e.g. New Zealand Police, Department of Corrections, Ministry of Foreign Affairs and Trade) with security services (e.g. bomb threats, venue and route clearances, etc.)
- operate the Airport Identity Card system for all designated airports in New Zealand
- undertake Behavioural Detection at Auckland and Christchurch International Airports
- 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.

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:


Low and decreasing risk profiles in aviation document holders.

This output class has two categories, intended to achieve:

Output	What is intended to be achieved
5.1 Screening activity	Keeping passengers and people on the ground safe from a security threat
5.2 Audit Performance; Access Control; Maritime Security Services	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	2019/20 estimated actual	2020/21 budgeted standard
Quality and timeliness: <ul style="list-style-type: none"> Proportion of passengers and their permitted carry-on items 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 fluctuations¹⁹ Compliance with aviation security regulation requirements as required under Civil Aviation Rule Part 140. 	<p>69%</p> <p>98%</p> <p>8%</p> <p>100%</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 not recovered before reaching an aircraft. 	<p>Nil</p> <p>Nil</p> <p>3.45 items per million screened</p>	<p>Nil</p> <p>Nil</p> <p><3.0 items per million screened</p>

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

Output measures	2019/20 estimated actual	2020/21 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>94%</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	2019/20 estimated actual \$000	2020/21 budget \$000
Contracted services ²⁰	1,862	2,780
Levies	99,847	28,776
Crown funding- Maritime Security Service	145	145
Crown - protection of core functions	13,000	95,947
Other revenue	647	139
Total Output Revenue	115,501	127,787
Total Output Expenditure	(128,618)	(127,787)
Output surplus/(deficit)	(13,117)	-

¹⁹ To determine efficient deployment we calculate the 'rostering surplus' – this is the percentage of time that operational staff are deemed to be unproductive due to fluctuating peaks in demand. When our rostering system indicates <12% rostering surplus, this is a good indication that all staff are assigned to a duty and are linked to a flight schedule.

²⁰ Third party contracted services include cargo screening and aircraft guards.

SECTION 2



Prospective financial statements

PROSPECTIVE FINANCIAL INDICATORS

For the years ended 30 June

	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
REGULATORY FUNCTION		
Revenue	39,900	47,619
Output expense	48,009	50,619
Net surplus/(deficit)	(8,109)	(3,000)
Bank and investment balances	5,966	1,459
Net assets	3,485	485
Capital expenditure	612	672
SECURITY SERVICE FUNCTION		
Revenue	115,501	127,787
Output expense	128,618	127,787
Net surplus/(deficit)	(13,117)	–
Bank and investment balances	7,564	4,495
Net assets	7,718	7,718
Capital expenditure	8,911	6,873
CIVIL AVIATION AUTHORITY		
Revenue	155,050	175,028
Output expense	176,276	178,028
Net surplus/(deficit)	(21,226)	(3,000)
Bank and investment balances	13,530	5,954
Net assets	11,203	8,203
Capital expenditure	9,523	7,545

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

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the years ended 30 June

	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
REVENUE		
Levies revenue	126,350	42,662
Revenue from other services	8,639	9,412
Crown funding revenue	17,625	120,450
Ministry contract revenue	1,529	2,470
Interest and other revenue	907	34
Total revenue	155,050	175,028
EXPENSE		
Personnel costs	141,289	137,970
Other costs of services	30,152	33,943
Audit fees for financial statements	130	133
Finance cost	115	96
Depreciation and amortisation expense	4,465	5,737
Authority member costs	125	149
Total expense	176,276	178,028
Net Surplus/Deficit	(21,226)	(3,000)
Total other comprehensive revenue and expense	–	–
Total comprehensive revenue and expense	(21,226)	(3,000)

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

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

For the years ended 30 June

	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
EQUITY		
OPENING BALANCE OF EQUITY AT 1 JULY		
General funds	26,330	11,203
Property, plant and equipment revaluation reserve	–	–
Passenger security levies and other fees and charges reserves	6,099	–
Total opening balance of equity at 1 July	32,429	11,203
Total comprehensive revenue and expense	(21,226)	(3,000)
Capital contribution from Crown	–	–
Total changes in equity during the year	(21,226)	(3,000)
CLOSING BALANCE OF EQUITY AT 30 JUNE		
General funds	11,203	8,203
Property, plant and equipment revaluation reserve	–	–
Passenger security levies and other fees and charges reserves	–	–
Total closing balance of equity at 30 June	11,203	8,203

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

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June

	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
CURRENT ASSETS		
Cash and cash equivalents	13,530	5,954
Debtors and other receivables	8,278	7,462
Services work in progress	36	36
Investments – term deposits	–	–
Total Current Assets	21,844	13,452
NON-CURRENT ASSETS		
Property, plant and equipment	20,824	22,396
Intangible assets	1,791	2,027
Total Non-Current Assets	22,615	24,423
Total Assets	44,459	41,875
CURRENT LIABILITIES		
Creditors and other payables	7,312	3,199
Employee entitlements	15,257	16,434
Provisions	648	115
Borrowings	–	–
Total Current Liabilities	23,217	19,748
NON-CURRENT LIABILITIES		
Employee entitlements	9,679	9,679
Provisions	360	245
Borrowings	–	–
Total Non-Current Liabilities	10,039	9,924
Total Liabilities	33,256	33,672
NET ASSETS	11,203	8,203
EQUITY		
General funds	11,203	8,203
Passenger security levies and other fees and charges reserves	–	–
Total Equity	11,203	8,203

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

PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ended 30 June

	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES. CASH WAS PROVIDED FROM:		
Receipts from levies	133,018	43,091
Receipts from other services	10,430	10,279
Receipts from Crown funding and Ministry contracts	19,154	122,920
Interest received	741	–
Receipts from other revenue	542	34
Total	163,885	176,324
CASH WAS APPLIED TO:		
Payments to employees	(131,164)	(131,288)
Payments to suppliers	(42,046)	(45,007)
Interest paid	–	–
Goods and Services Tax (net)	1,179	(60)
Total	(172,031)	(176,355)
Net Cash Flows from Operating Activities	(8,146)	(31)
CASH FLOWS FROM INVESTING ACTIVITIES. CASH WAS PROVIDED FROM:		
Sale of property, plant and equipment	82	–
Maturity of investments	65,733	–
Total	65,815	–
CASH WAS APPLIED TO:		
Placement of investments	(44,000)	–
Purchase of property, plant and equipment	(8,280)	(6,780)
Purchase of intangible assets	(1,243)	(765)
Total	(53,523)	(7,545)
Net Cash Flows from Investing Activities	12,292	(7,545)
CASH FLOWS FROM FINANCING ACTIVITIES. CASH WAS PROVIDED FROM:		
Proceeds from external borrowings	–	–
Total	–	–
CASH WAS APPLIED TO:		
Repayment of capital to the Crown	–	–
Repayment of external borrowings	–	–
Total	–	–
Net Cash Flows from Financing Activities	–	–
Net increase/(decrease) in cash and cash equivalents	4,146	(7,576)
Opening Cash And Cash Equivalents At 1 July	9,384	13,530
Closing Cash And Cash Equivalents At 30 June	13,530	5,954

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

Notes to the prospective financial statements

Statement of significant underlying assumptions

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

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

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

COVID-19 has had a significant impact on these prospective financial statements. As part of Budget 2020, Cabinet approved a \$196.4 million appropriation to protect the Authority's core functions, with the Crown effectively purchasing core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19. However, prior to being able to access this appropriation, the Authority was first required to use its reserves to maintain payment of employees and suppliers, which means its cash and equity reserves are now significantly depleted compared to the minimums prescribed in its Reserves and Funding policy.

As a further consequence of the financial impact of COVID-19, the Authority is not currently able to progress with a number of planned investments that were expected to be funded by a combination of Crown Loan facilities (repayable over a period of ten years) and its reserves. Therefore these investments and liabilities are not included within these financial projections as the ability to proceed with these will now be subject to future Cabinet decision making.

For the Regulatory Function this included a major business system replacement. A decision was taken in principle in 2018 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 investment comprised \$16.4 million of capital expenditure and \$2.4 million of operational expenditure, over 3.5 years.

For the Security Service Function this included significant and ongoing investment in continuous improvement activity, required by the Director of Civil Aviation in response to changes in the wider international security environment. These investments would have required an increase in both staff numbers and technologies.

Any further Crown support beyond the 2020/21 financial year is subject to future decision making by Cabinet. However, for the purposes of preparing these prospective financial statements consistent with the requirement of Section 51 of the Crown Entities Act (that the Authority acts as a successful going concern), it is assumed a minimum level of further Crown support would be provided that addresses any ongoing revenue challenges arising from COVID-19 beyond June 2021 and ensures this going concern requirement can continue to be met.

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

Projected passenger numbers

Forecasting revenue from passenger safety and security levies based on domestic and international passenger volumes remains challenging, particularly in a COVID-19 environment and with significant uncertainties as to when current border restrictions might ease.

For international passengers, it has been assumed that the current very low volumes of departing passengers (approximately just 3% of pre-COVID numbers) will continue for the whole of the 2020/21 financial year. However, should these volumes increase during the year, any consequent increase in levy income would see an equivalent reduction in the amount of Crown funding required from the COVID-19 related appropriation.

Domestic volumes are assumed to be just 40% of pre-COVID levels for the first 6 months of the financial year, increasing to 65% in the second half of the financial year. Again, any variances to these assumptions would see an equivalent change in the amount of Crown funding required in order to maintain the Authority's solvency.

PASSENGER NUMBERS	2019/20	2020/21
Safety levies: Domestic	10,416,241	7,325,181
Security levies: Domestic	5,693,389	4,038,202
Safety levies: International	5,046,020	205,781
Security levies: International (includes international transit)	5,373,689	219,366

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

REVENUE	2019/20	2020/21
Domestic Passenger Safety levies	\$1,661,736	\$1,168,090
Domestic Passenger Security levies	\$3,546,982	\$2,592,524
International Passenger Safety levies	\$807,363	\$32,925
International Passenger Security levies	\$6,437,681	\$276,187

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

Regulatory function

Levy revenue

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

The 2020/21 budget has been set based on the Civil Aviation (Safety) Levies Order 2002 using the current regulated safety levy of \$1.60 for both international and domestic passenger (GST exclusive). Airlines operating domestically under Australia-New Zealand Aviation (ANZA) privileges pay a domestic passenger levy of \$1.57 (GST exclusive).

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

Fees and charges revenue

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

Crown funding revenue

In addition to the Covid-19 relief fund mentioned earlier, revenue appropriated by the Crown includes \$0.7 million of new funding to allow for technical capability to be recruited into the Authority to provide technical advice to support the integration of unmanned aircraft/drones into controlled airspace, and \$0.2 million of additional funding to administer the Automatic Dependent Surveillance- Broadcast Transponders Rebate Scheme.

Personnel costs

The 2020/21 budget has been prepared on a Regulatory Function staff establishment of 295.8 full-time equivalent positions.

Operating surpluses/deficits

The \$3 million projected deficit in 2020/21 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 31 will be incurred as the Regulatory Function continues to draw down on its remaining reserves to manage the impacts of COVID-19 on its third party revenues, prior to being in a position to access the additional Crown funding that has been appropriated to manage the impacts of COVID-19.

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 36.

The 2020/21 budget has been set based on a rate of \$6.42 (GST exclusive) for domestic passengers and \$12.59 (GST exclusive) for international passengers (including transit passengers).

Contracted services revenue

The Security Service Function receives revenue from security services work provided to third parties. Revenue from these services is assumed to be consistent in 2020/21 with that received in 2019/20.

Personnel costs

The 2020/21 budget has been prepared on a Security Service Function average establishment of 1,125 full-time equivalent positions.

Operating surpluses/deficits

The Security Service Function has already started to access its COVID-19 related Crown funding in the final quarter of the 2019/20 financial year (after fully depleting its pre-COVID reserves). As a result, in the 2020/21 financial year, it will continue to access funding from the Crown to cover its operating expenditure that cannot be funded through its reduced third party revenues. This Crown funding will include an amount up to the budgeted level of depreciation, to fund the replacement of existing assets used in the delivery of core services.

Statement of accounting policies

Reporting entity

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

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

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

Basis of preparation

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

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

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

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

Measurement basis

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

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

Presentation currency and rounding

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

Changes in accounting policies

There have been no changes in accounting policies.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

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

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

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

Goods and services tax

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

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

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

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

Income tax

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

Payment of any surplus to the Crown

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

Derivative financial instruments and foreign currency transactions

Financial instruments measured at fair value through profit or loss – comprising forward exchange contract derivatives

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

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

Foreign currency transactions

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

Other financial assets

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

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

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

Impairment of financial assets

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

Other financial liabilities

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

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

Leases

Operating leases

The Authority leases office premises and office equipment.

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

Cash and cash equivalents

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

Services work in progress

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

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

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

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.

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 judgments

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

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

Additional prospective financial information

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
REVENUE						
Levies revenue	26,503	13,886	99,847	28,776	126,350	42,662
Revenue from other services	6,789	6,644	1,862	2,780	8,639	9,412
Crown funding revenue	4,480	24,358	13,145	96,092	17,625	120,450
Ministry contract revenue	1,529	2,470	–	–	1,529	2,470
Interest and other revenue	599	261	647	139	907	34
Total	39,900	47,619	115,501	127,787	155,050	175,028
EXPENSE						
Personnel costs	40,778	42,228	100,511	95,742	141,289	137,970
Other costs of services	6,306	7,436	24,197	26,885	30,152	33,943
Audit fees for financial statements	130	133	–	–	130	133
Finance costs	5	–	110	96	115	96
Depreciation and amortisation expense	665	673	3,800	5,064	4,465	5,737
Authority member costs	125	149	–	–	125	149
Total Expenses	48,009	50,619	128,618	127,787	176,276	178,028
Net Surplus/(Deficit)	(8,109)	(3,000)	(13,117)	–	(21,226)	(3,000)
Total other comprehensive revenue and expense	–	–	–	–	–	–
Total comprehensive revenue and expense	(8,109)	(3,000)	(13,117)	–	(21,226)	(3,000)

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	
	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
EQUITY						
OPENING BALANCE OF EQUITY AT 1 JULY						
General funds	11,594	3,485	14,736	7,718	26,330	11,203
Property, plant and equipment revaluation reserve	–	–	–	–	–	–
Passenger security levies and other fees and charges reserves	–	–	6,099	–	6,099	–
Total opening balance of equity at 1 July	11,594	3,485	20,835	7,718	32,429	11,203
Total comprehensive revenue and expense	(8,109)	(3,000)	(13,117)	–	(21,226)	(3,000)
Capital Contribution from Crown	–	–	–	–	–	–
Total changes in equity during the year	(8,109)	(3,000)	(13,117)	–	(21,226)	(3,000)
CLOSING BALANCE OF TAXPAYERS' EQUITY AT 30 JUNE						
General funds	3,485	485	7,718	7,718	11,203	8,203
Property, plant and equipment revaluation reserve	–	–	–	–	–	–
Passenger security levies and other fees and charges reserves	–	–	–	–	–	–
Total closing balance of taxpayers' equity at 30 June	3,485	485	7,718	7,718	11,203	8,203

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	
	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
CURRENT ASSETS						
Cash and cash equivalents	5,966	1,459	7,564	4,495	13,530	5,954
Debtors and other receivables	2,686	3,236	5,621	4,255	8,278	7,462
Services work in progress	36	36	–	–	36	36
Investments – term deposits	–	–	–	–	–	–
Total Current Assets	8,688	4,731	13,185	8,750	21,844	13,452
NON-CURRENT ASSETS						
Property, plant and equipment	1,148	1,091	19,676	21,305	20,824	22,396
Intangible assets	895	950	896	1,077	1,791	2,027
Total Non-Current Assets	2,043	2,041	20,572	22,382	22,615	24,423
Total Assets	10,731	6,772	33,757	35,132	44,459	41,875
CURRENT LIABILITIES						
Creditors and other payables	3,253	2,517	4,088	711	7,312	3,199
Employee entitlements	2,993	3,298	12,264	13,136	15,257	16,434
Provisions	528	–	120	115	648	115
Borrowings	–	–	–	–	–	–
Total Current Liabilities	6,774	5,815	16,472	13,962	23,217	19,748
NON-CURRENT LIABILITIES						
Employee entitlements	378	378	9,301	9,301	9,679	9,679
Provisions	94	94	266	151	360	245
Borrowings	–	–	–	–	–	–
Total Non-Current Liabilities	472	472	9,567	9,452	10,039	9,924
Total Liabilities	7,246	6,287	26,039	27,414	33,256	33,672
Net Assets	3,485	485	7,718	7,718	11,203	8,203
EQUITY						
General funds	3,485	485	7,718	7,718	11,203	8,203
Passenger security levies and other fees and charges reserves	–	–	–	–	–	–
Total Equity	3,485	485	7,718	7,718	11,203	8,203

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	
	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Receipts from levies	27,497	12,892	105,521	30,199	133,018	43,091
Receipts from other services	8,579	7,161	1,863	3,130	10,430	10,279
Receipts from Crown funding and Ministry contracts	6,009	26,828	13,145	96,092	19,154	122,920
Interest received	238	–	503	–	741	–
Receipts from other income	314	260	632	139	542	34
Total	42,637	47,141	121,664	129,560	163,885	176,324
CASH WAS APPLIED TO:						
Payments to employees	(37,792)	(40,254)	(93,372)	(91,034)	(131,164)	(131,288)
Payments to suppliers	(9,893)	(10,968)	(32,569)	(34,416)	(42,046)	(45,007)
Interest paid	–	–	–	–	–	–
Goods and Services Tax (net)	(131)	246	1,310	(306)	1,179	(60)
Total	(47,816)	(50,976)	(124,631)	(125,756)	(172,031)	(176,355)
Net cash flows from operating activities	(5,179)	(3,835)	(2,967)	3,804	(8,146)	(31)
CASH FLOWS FROM INVESTING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Sale of property, plant and equipment	46	–	36	–	82	–
Maturity of investments	23,104	–	42,629	–	65,733	–
Total	23,150	–	42,665	–	65,815	–
CASH WAS APPLIED TO:						
Placement of investments	(13,000)	–	(31,000)	–	(44,000)	–
Purchase of property plant and equipment	(215)	(427)	(8,065)	(6,353)	(8,280)	(6,780)
Purchase of intangible assets	(397)	(245)	(846)	(520)	(1,243)	(765)
Total	(13,612)	(672)	(39,911)	(6,873)	(53,523)	(7,545)
Net cash flows from investing activities	9,538	(672)	2,754	(6,873)	12,292	(7,545)

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

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000	2020 ESTIMATED ACTUAL \$000	2021 BUDGET \$000
CASH FLOWS FROM FINANCING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Proceeds from external borrowings	–	–	–	–	–	–
Capital Injection from Crown	–	–	–	–	–	–
Total	–	–	–	–	–	–
CASH WAS APPLIED TO:						
Repayment of external borrowings	–	–	–	–	–	–
Total	–	–	–	–	–	–
Net Cash Flows from Financing Activities	–	–	–	–	–	–
Net increase/decrease in cash and cash equivalents	4,359	(4,507)	(213)	(3,069)	4,146	(7,576)
Opening cash and cash equivalents at 1 July	1,607	5,966	7,777	7,564	9,384	13,530
Closing cash & cash equivalents at 30 June	5,966	1,459	7,564	4,495	13,530	5,954

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)
2021 BUDGET \$000				
Revenue	1,866	4,778	5,423	35,552
Expenditure	(4,616)	(11,486)	(7,650)	(26,867)
Net surplus/(deficit)	(2,750)	(6,708)	(2,227)	8,685
Opening balance at 1 July	–	–	–	3,485
Transfer (from) to other reserves	2,750	6,708	2,227	(11,685)
Closing balance at 30 June	–	–	–	485
2020 ESTIMATED ACTUAL \$000				
Revenue	1,936	4,852	6,009	27,103
Expenditure	(4,364)	(11,207)	(7,058)	(25,380)
Net surplus/(deficit)	(2,428)	(6,355)	(1,049)	1,723
Opening balance at 1 July	–	–	–	11,594
Transfer (from) to other reserves	2,428	6,355	1,049	(9,832)
Closing balance at 30 June	–	–	–	3,485

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 RESERVES	DOMESTIC PASSENGER SECURITY RESERVES	TOTAL PASSENGER SECURITY RESERVES	OTHER FEES/ RESERVES	TOTAL SPECIFIC RESERVES	GENERAL FUNDS
2021 BUDGET \$000						
Revenue	24,944	74,834	99,778	2,912	102,690	25,097
Expenditure	(24,944)	(74,834)	(99,778)	(2,912)	(102,690)	(25,097)
Net surplus/(deficit)	–	–	–	–	–	–
Opening balance at 1 July	–	–	–	–	–	7,718
Transfer (from) to other reserves	–	–	–	–	–	–
Closing balance at 30 June	–	–	–	–	–	7,718
2020 ESTIMATED ACTUAL \$000						
Revenue	70,903	41,943	112,846	2,655	115,501	–
Expenditure	(83,082)	(42,608)	(125,690)	(2,928)	(128,618)	–
Net surplus/(deficit)	(12,179)	(665)	(12,844)	(273)	(13,117)	–
Opening balance at 1 July	5,161	665	5,826	273	6,099	14,736
Transfer (from) to other reserves	7018	–	7018	–	7018	(7018)
Capital contributions from the Crown	–	–	–	–	–	–
Closing balance at 30 June	–	–	–	–	–	7,718

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	
	2020 ESTIMATED ACTUAL	2021 BUDGET	2020 ESTIMATED ACTUAL	2021 BUDGET
PROPOSED CAPITAL EXPENDITURE				
Computer hardware	106	292	16	–
Computer software	396	245	846	520
Plant & equipment	–	–	6,884	5,647
Office Equipment	11	15	–	–
Furniture & fittings	31	30	24	–
Motor vehicles	59	90	430	426
Leasehold Improvements	9	–	711	280
Total	612	672	8,911	6,873



Aviation Security Service
— *Kaiwhakamaru Rererangi* —

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