

CIVIL AVIATION AUTHORITY 2022/23

STATEMENT OF PERFORMANCE EXPECTATIONS

Board statement

The Authority certifies that the information contained in this Statement of Performance Expectations (SPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2022 to 30 June 2023.

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

Signed on: 30 June 2022



Janice Fredric

Chair of the Civil Aviation Authority of New Zealand



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Introduction

This document sets out the outputs that the Civil Aviation Authority (the Authority) provides and the standards against which we will assess our performance in 2022/23. It is an integral part of our strategic framework, as described in the 2021 – 2026 Statement of Intent.

The Authority works to ensure the safety and security of New Zealand's civil aviation system through exercising leadership and influence, active regulatory stewardship, and professional regulatory practice. This supports our vision and purpose of a safe and secure aviation system – so that people are safe, and feel safe, when they fly. It also contributes to the Government's aim of a transport system that improves wellbeing and liveability.

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

2022/23 strategic and operational environment

We anticipate that the COVID-19 pandemic will continue to impact New Zealand's aviation sector and the Civil Aviation Authority in 2022/23. Changing levels of aviation activity and safety and security risk will test the aviation sector's resilience. The Authority will continue to take this into account as it engages with, and supports, participants to ensure that safety and security is maintained. Major regulatory projects- for example, the anticipated passage of the Civil Aviation Bill into primary legislation- will also require changes to the way we work. Our support for the wider government response to COVID-19 will continue in 2022/23, particularly through changes to border settings.

We aim to provide a safe, secure, and enabling environment for the New Zealand civil aviation sector, ensuring the system continues to modernise while maintaining safety. We do this by considering

the impact on individuals in the civil aviation system – from passengers to participants, communities, businesses and the environment. We work closely with industry stakeholders to identify and resolve issues affecting aviation safety and security, and the regulation underpinning the sector.

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

Expectations from the Minister of Transport

The Minister of Transport's Letter of Expectations for 2022 asks the Authority to focus on the following specific areas:

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

Our strategic framework

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

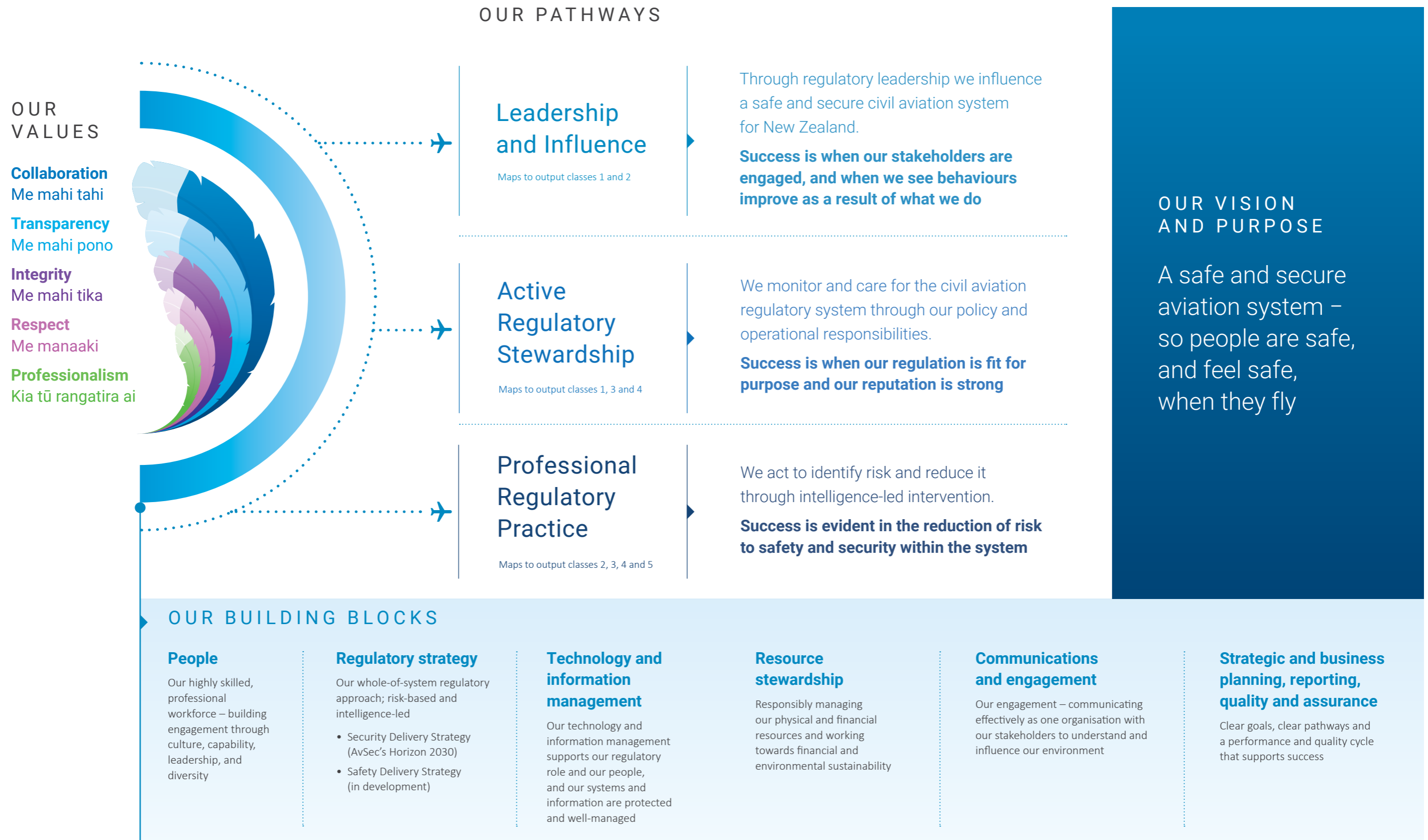
- our pathways to achieve our purpose and vision
- our organisational building blocks, the tools and resources we use to achieve our purpose and vision
- our outputs – the services we are funded to provide.

We carefully look at how we frame and measure the Authority's performance against the outputs. The outcome of this work is a set of performance measures for output classes 1 – 5 that are results-driven and aim to provide a good sense of overall performance, without being burdensome to read. Our performance measures are selected by reviewing historical information, identifying the critical outcomes we seek, and drawing out key measures for those outcomes.

Carbon Neutral Government Programme

Crown entities have been directed to report emissions and publish reduction plans from the 2022/23 financial year. The Authority is developing reduction plans and will report its emissions and reduction plans in its 2022/23 Annual Report.

Our strategic framework and how we position ourselves to deliver



Building blocks

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

People

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

To do this, during 2022/23 we will:

- partner with business groups from across the Authority to identify longer-term workforce needs, and deliver timely HR services
- embed the gains from the Te Kākano (culture development) programme to ensure the Authority's long-term future as a respectful, inclusive and safe place to work
- deliver on the actions set out in our Health, Safety and Wellbeing Strategy; our Leadership Strategy; and our Diversity and Inclusion Strategy.

Regulatory strategy and supporting strategies

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

Our regulatory strategy sets out how we will conduct our regulatory activity, our priorities, and how we will stay true to our values. This will be supported by two delivery strategies – security delivery (AvSec's Horizon 2030) and safety delivery. To do this, during 2022/23 we will:

- continue to engage internally and externally on the Regulatory Safety and Security Strategy
- develop a safety delivery strategy that will describe our five-year regulatory capability plan to evolve into an intelligence-led and risk-based regulator.

Technology and information management

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

To do this, during 2022/23 we will:

- update the digital platform that we use to support our regulatory work (we are implementing safety oversight management software – known as EMPIC)
- deliver on our digital services, information and technology strategies
- support the Authority with the appropriate tools and information to enable the performance of our duties.

Resource stewardship

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

To do this, during 2022/23 we will:

- initiate a review of funding options to consider ongoing funding of Authority functions
- maintain effective financial stewardship within the requirements of the relevant Acts and standards¹
- maintain effective property and resource stewardship through implementation of our property strategy.

Communications and engagement

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

Our people and participants know what their roles are in ensuring a safe and secure aviation system, and how to access what they need. To do this, during 2022/23 we will:

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

Strategy and business planning, quality systems and assurance

We establish clear goals and pathways to deliver and carry these through with a performance and quality cycle that supports success.

Having the tools to ensure we focus on the right things, make the right decisions and use our resources to best effect. To achieve this, during 2022/23 we will:

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

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

2022/23 Statement of Performance Expectations

How we are funded to deliver

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

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

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

The Authority has three primary sources of revenue:

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

Crown funding of our output class activities

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

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

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

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

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

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

Vote Transport appropriation 'Maritime Port Security'

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

Additional funding through Vote Transport

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

Output Class 1: Policy and regulatory strategy

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

Why this is important

Continuous improvement is foundational to the safety and security of the civil aviation regulatory system. We must take an active role in regulatory stewardship; leading and influencing so that participants, government, and other stakeholders can make informed decisions.

What we want to achieve

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

What we do to deliver on this output

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

Key policy and international initiatives in 2022/23

Despite the current difficulties with travelling internationally, we continue to engage with our international counterparts and the International Civil Aviation Organization (ICAO) to meet New Zealand's obligations as a participant in a global aviation system. International engagement moved towards attendance at online summits, meetings, and conferences, and to remote support of our Pacific Island partners. Face-to-face engagements are beginning to recommence and we anticipate this increasing as international travel becomes possible again.

We will continue to work with the Ministry of Transport on the Civil Aviation Bill as it moves through the legislative process and support its implementation.

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

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

How we will measure our performance

This output class contains the following six categories:

1.1 International relations and International Civil Aviation Organization obligations

1.2 Ministerial servicing – civil aviation

1.3 Policy advice – civil aviation

1.4 System level design and intervention

1.5 Rules and standards development

1.6 Pacific support

OUTPUT MEASURE		2021/22 ESTIMATED PERFORMANCE	2022/23 PERFORMANCE TARGET
1.1.1	*We will ensure New Zealand's obligations as a signatory state to the Chicago Convention are met, where appropriate for New Zealand: <ul style="list-style-type: none"> Maintained alignment with existing Standards and Recommended Practices (SARPs) Alignment with new SARPS Filing of Differences within required timeframes. 	Maintained Achieved 100%	Maintained Achieved 100%
1.2.1	*Our reports, correspondence and parliamentary questions will be acceptable to the Minister (assessed through a biannual survey).	Met expectations	Meet or exceed expectations
1.3.1	*The policy advice we provide to Ministers, government departments and agencies meets the Authority's internal guidelines for quality policy advice.	100%	100%
1.4.1	We assess all emerging issues that impact the aviation regulatory system according to our issue assessment procedures.	100%	100%
1.5.1	The rules and standards programme is delivered as agreed with the Minister of Transport.	100%	100%
1.6.1	Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade (MFAT).	100%	100%

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
Cost to deliver Output Class 1: Policy and regulatory strategy		
Crown funding (Vote Transport – Policy Advice)	1,778	1,779
Crown – Protection of Core Functions	994	893
Ministry Contract Revenue (rules development and Pacific)	1,475	1,603
Levies	1,826	2,632
Fees and charges	-	-
Other revenue	-	-
Total output revenue	6,073	6,907
Total output expenses	(6,073)	(7,014)
Net surplus/(deficit)	-	(107)

Output Class 2: Outreach

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

Why this is important

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

What we want to achieve

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

What we do to deliver on this output

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

How we will measure our performance

OUTPUT MEASURE		2021/22 ESTIMATED PERFORMANCE	2022/23 PERFORMANCE TARGET
2.1.1	We build safety awareness through: <ul style="list-style-type: none"> our face-to-face, phone, online or other remote contact with participants by the Aviation Safety Advisors education courses, workshops or seminars to participants nationwide safety reports published on the Authority's website targeted safety campaigns in response to specific areas of concern or new issues that arise. 	1,200 ² 3 4 4	500 individual participants 12 delivered 4 published 5 campaigns
2.1.2	Our education courses, workshops, or seminars are rated by participants as a 3 or higher.	97%	85%
2.1.3	Our targeted safety campaigns meet or exceed their agreed success criteria.	100%	85%
2.1.4	We will implement the Authority's new stakeholder framework and approach.	New measure	Achieved

Cost to deliver Output Class 2: Outreach	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
Crown – Protection of core functions ³	1,035	656
Levies	730	1,363
Other revenue	12	3
Total output revenue	1,777	2,021
Total output expenditure	(1,777)	(2,053)
Net surplus/(deficit)	-	(32)

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

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

Output Class 3: Certification and licensing

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

Why this is important

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

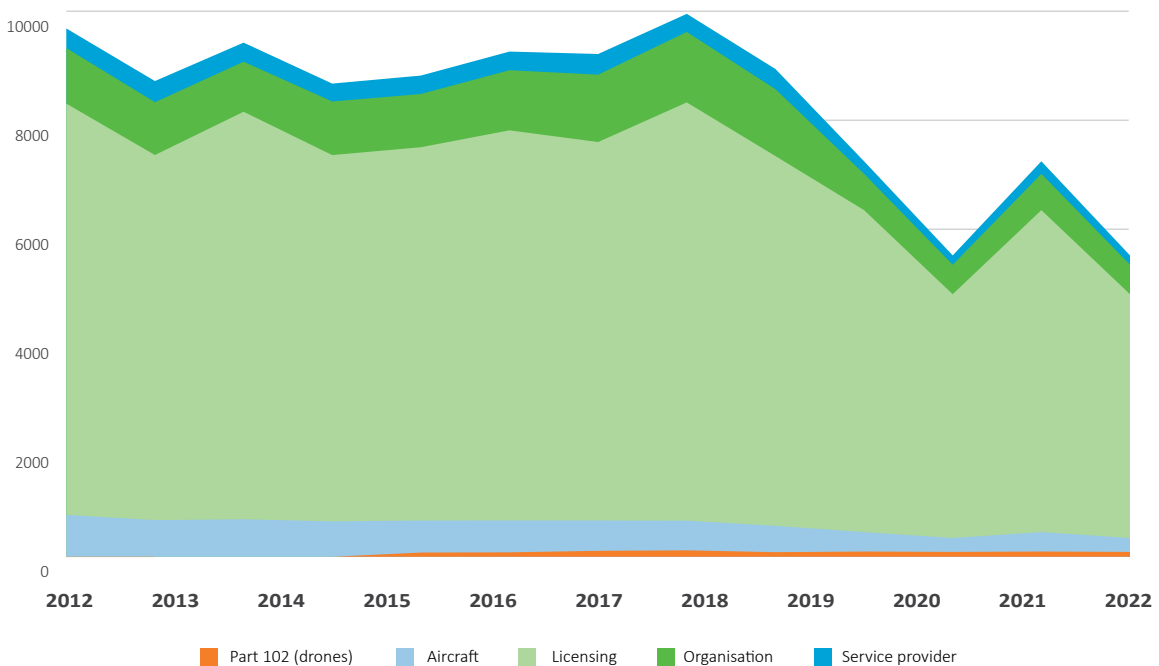
What we want to achieve

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

What we do to deliver on this output

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

Certification and licensing activity (work requests) 2012–2022



How we will measure our performance

OUTPUT MEASURE		2021/22 ESTIMATED PERFORMANCE	PERFORMANCE TARGET
3.1.1	All certificates or licences that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.*	New measure	Achieved
3.1.2	Applications to the ADS-B transponders rebate scheme that meet eligibility criteria are administered within required standards.	100%	100%
3.1.3	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> All improvements identified through PDCAs⁴ are subject to appropriate action. 	New measure	100% of improvements identified are subject to appropriate action.

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

Cost to deliver Output Class 3: Certification and licensing	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
Crown funding (Vote Transport – New technologies and ADS-B)	2,415	4,788
Crown – Protection of Core Functions	17,197	12,297
Levies	6,742	13,365
Fees and charges	4,773	5,154
Other revenue	215	45
Total output revenue	31,342	35,649
Total output expenses	(31,342)	(36,202)
Net surplus/(deficit)	-	(553)

4 Plan-Do-Check-Act process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours. PDCAs are considered to be valuable assessments even if improvement opportunities are not identified.

Output Class 4: Monitoring, inspection and investigation

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

Why this is important

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

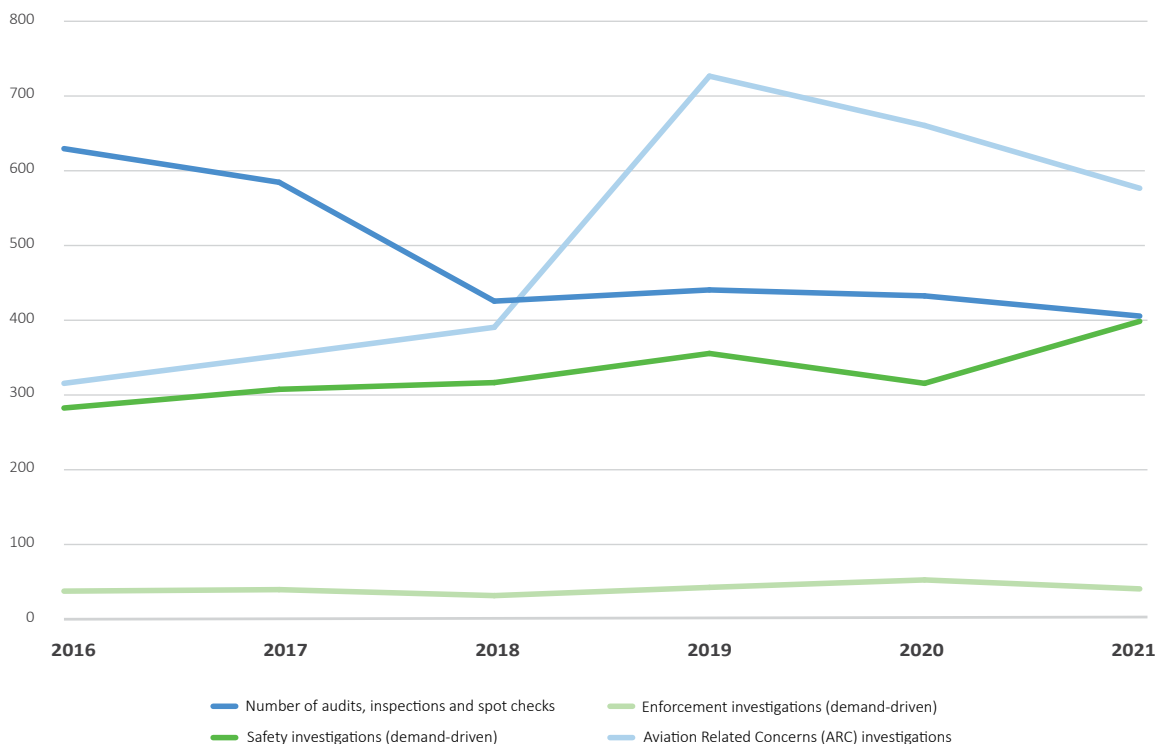
What we want to achieve

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

What we do to deliver on this output

- we monitor adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the Civil Aviation Act 1990, the Health and Safety at Work Act 2015 and the Hazardous Substances and New Organisms Act 1996
- we assess safety data and information to identify safety and security risks in order to inform and influence the management of risk
- we take appropriate action in the public interest to enforce the provisions of the Acts and Rules, and to address safety risk.

Monitoring, Inspections and Investigations Carried Out 2016-2021



How we will measure our performance

OUTPUT MEASURE		2021/22 ESTIMATED PERFORMANCE	2022/23 PERFORMANCE TARGET
4.1.1	We will complete health and safety assessments, investigations and audits within: <ul style="list-style-type: none"> • 180 days • 12 months 	74% 100%	70% 100%
4.1.2	We will monitor adherence to the Civil Aviation Act 1990 through the conduct of: <ul style="list-style-type: none"> • Oversight activities⁵, e.g. audits, inspections, spot checks and system testing or performance reviews⁶ • Safety and security regulatory investigations⁷ • 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)⁸ 	300 200 40 480 2	400–500 300–390 20–40 500–600 2–3
4.1.3	Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our regulatory model.	100%	100% of those assessed comply
4.1.4	We will complete investigations of Aviation Related Concerns within: <ul style="list-style-type: none"> • 180 days of receipt • 12 months of receipt.* 	91% 100%	80% 100%
4.1.5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material and/or videos.	6	2–5
4.1.6	Support delivered to the Airspace Integration Trials programme as agreed with the Ministry of Business, Innovation and Employment.	New measure	100% of agreed support as included in the terms of reference with the Ministry of Business, Innovation and Employment.
4.1.7	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through PDCA's are subject to appropriate action. 	New measure	100% of improvements identified are subject to appropriate action.

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

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

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

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

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

Cost to deliver Output Class 4: Monitoring, inspection and investigation	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
Crown funding (Vote Transport – Health and Safety in Employment)	1,201	1,201
Crown – Protection of Core Functions	6,193	3,955
Levies	4,567	8,527
Fees and charges	26	28
Other revenue	83	17
Total output revenue	12,069	13,728
Total output expenses	(12,069)	(13,941)
Net surplus/(deficit)	-	(213)

Output Class 5: Security service delivery

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

Why this is important

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

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

What we want to achieve

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

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

What we do to deliver on this output

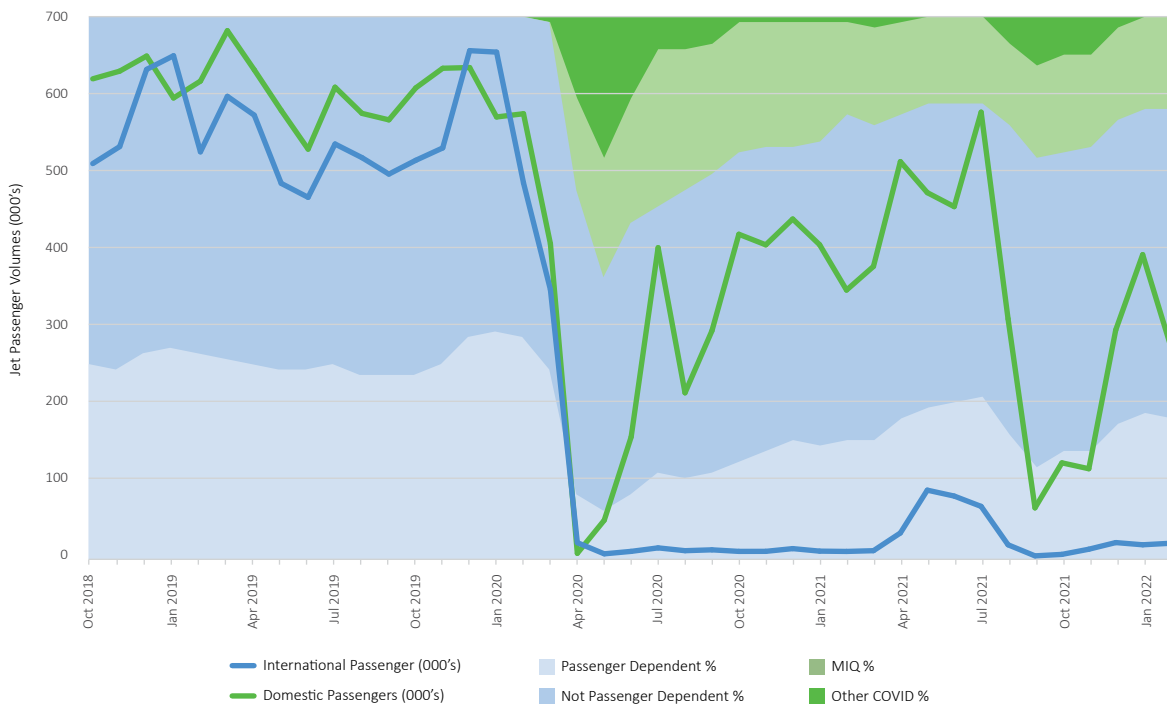
- we carry out aviation security screening to keep passengers, crew and other personnel safe
- we provide security capability to strengthen New Zealand’s national security, law enforcement activities and the border system
- we contribute to the All of Government COVID-19 Response and Recovery initiatives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

How we will measure our performance

This output class contains the following two categories:

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

AvSec – Rostered Frontline Duty Hours vs Jet Passenger Volumes



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

OUTPUT MEASURE		2021/22 ESTIMATED PERFORMANCE	2022/23 PERFORMANCE TARGET
5.1.1	Acceptance by international regulators ⁹ of AvSec equipment and practices as used within the New Zealand aviation security system.	100%	100%
5.1.2	Technologies deployed meet accepted international standards, as directed and agreed by the Director of Civil Aviation.	100%	100%
5.1.3	Meet obligations to investigate, trial, and stay informed on new technologies and practices. ¹⁰	100%	100% of initiatives aligned to strategy
5.1.4	Match of forecast screening capacity to actual passenger demand.	>80%	Less than 10% under capacity and less than 10% over capacity
5.1.5	Number of complaints upheld ¹¹ against the Aviation Security Service per 50,000 screened.	<2%	<2 per 50,000 passengers
5.2.1	Major audit findings reported by the Civil Aviation Authority and internal Aviation Security Service quality audits responded to within required timeframes.	100%	100%
5.2.2	Security monitoring of restricted areas against regulated standards. ¹²	100%	100% of requirements met
5.2.3	Government requests for security assistance ¹³ responded to.	100%	100% of requirements met
5.2.4	Capacity to respond to requests from Maritime NZ for security assistance.	50	50 qualified staff

Cost to deliver Output Class 5: Aviation Security Service Delivery	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
Contracted services	-	-
Passenger levies	28,896	86,379
Crown funding – Managed isolation and quarantine	-	-
Crown funding – Maritime Security Service	145	145
Crown – Protection of Core Functions	107,631	83,548
Other revenue	1,749	2,159
Total output revenue	138,421	172,231
Total output expenses	(143,307)	(177,920)
Net surplus/(deficit)	(4,886)	(5,689)

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

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

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

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

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

Changes to output measures

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

REF	OUTPUT MEASURE	2021/22 PERFORMANCE TARGET	CHANGED OUTPUT MEASURE 2022/23	CHANGED 2022/23 PERFORMANCE TARGET
1.4.2	We will develop and release a regulatory strategy.	By 30 June 2022	Deleted	Deleted
Reason for change: The Regulatory Strategy was released in 2021/22, measure and target no longer required.				
2.1.1	We build safety awareness through: <ul style="list-style-type: none"> our face-to-face Aviation Safety Advisor visits to participants. 	500 individual participants	We build safety awareness through: <ul style="list-style-type: none"> our face-to-face, phone, online or other remote contact with participants by the Aviation Safety Advisers. 	No change
Reason for change: Many of the interactions with participants are now via phone or online, in addition to face-to-face.				
2.1.4	We will implement an action plan to support our Stakeholder Engagement Strategy.	By 30 June 2022	We will implement the Authority's new stakeholder framework and approach.	Achieved
Reason for change: The action plan is now in place and the programme has moved on to the implementation of the stakeholder framework and approach.				
3.1.1	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.	Measure in development during 2021/22	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.	Achieved
Reason for change: Measure 3.1.1 was included in the 2021/22 Statement of Performance Expectations, but not used. The measure will be used in 2022/23 and will replace 3.1.2, 3.1.3, and 3.1.4. The use of a single measure to replace the existing measure will allow for more comprehensive coverage of the systems that make up the certification and licensing output.				
3.1.2	Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving a complete application.	100%	Deleted	Deleted
Reason for change: Replaced by 3.1.1.				

REF	OUTPUT MEASURE	2021/22 PERFORMANCE TARGET	CHANGED OUTPUT MEASURE 2022/23	CHANGED 2022/23 PERFORMANCE TARGET
3.1.3	Timeliness: All personnel licensing activities will be completed within ten working days of receiving a compliant application.	100%	Deleted	Deleted
Reason for change: Replaced by 3.1.1.				
3.1.4	Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards.	100% of the time	Deleted	Deleted
Reason for change: Replaced by 3.1.1.				
3.1.6	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> Of PDCAs that identified an improvement opportunity, 75% resulted in improvement actions. 	75% of PDCAs result in improvement actions	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> All improvements identified through PDCAs are subject to appropriate action. <p>This measure is re-numbered 3.1.3 in the 2022/23 Statement of Performance Expectations.</p>	100% of improvements identified are subject to appropriate action
Reason for change: Improved representation of process improvement decision making.				
4.1.1	We will complete health and safety assessments, investigations and audits within: <ul style="list-style-type: none"> 180 days 	60%	No change	70%
Reason for change: The revised target of 70% gives a more accurate representation of capacity and capability.				
4.1.2	We will monitor adherence to the Civil Aviation Act 1990 through the conduct of: <ul style="list-style-type: none"> Oversight activities, e.g. Audits, inspections, spot checks and system performance reviews Safety Investigations Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document). 	400-500 300-390 2-5	We will monitor adherence to the Civil Aviation Act 1990 through the conduct of: <ul style="list-style-type: none"> Oversight activities, e.g. Audits, inspections, spot checks and system testing or performance reviews Safety and security regulatory Investigations No change. 	No change No change 2-3
Reason for change: <ul style="list-style-type: none"> Oversight activities – the inclusion of 'testing' improves the representation of the activities performed. Safety Investigations – inclusion of 'safety regulatory' improves representation of activities performed. Section 15A of the Civil Aviation Act 1990 investigations – the revised target of 2-3 gives a more accurate representation of demand. 				

REF	OUTPUT MEASURE	2021/22 PERFORMANCE TARGET	CHANGED OUTPUT MEASURE 2022/23	CHANGED 2022/23 PERFORMANCE TARGET
4.1.5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material.	2-5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material and/or videos.	No change
Reason for change: Videos are now an important communications channel for this activity.				
4.1.6	Support the Ministry of Business, Innovation and Employment on Airspace Integration Trials through provision of regulatory advice as requested: <ul style="list-style-type: none"> • trials per year (demand driven) • trials resulting in formal certification decisions under Part 102. 	4-5 trials 23 formal certification decisions	Support delivered to the Airspace Integration Trials programme as agreed with the Ministry of Business, Innovation and Employment.	100% of agreed support as included in the terms of reference with the Ministry of Business, Innovation and Employment.
Reason for change: New measure and target provide a more accurate representation of the service CAA provides.				
4.1.7	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • Of PDCAs that identified an improvement opportunity, 75% resulted in improvement actions. 	75% of PDCAs result in improvement actions	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through PDCAs are subject to appropriate action. 	100% of improvements identified are subject to appropriate action.
Reason for change: Improved representation of process improvement decision making.				
5.1.3	Meet obligations to investigate, trial, and stay informed on new technologies and practices.	Number or initiatives aligned to strategy	No change	100% of initiatives are aligned to strategy.
Reason for change: Change to the target provides a clearer representation of the level of alignment with strategy sought.				
5.1.4	Match of forecast screening capacity to actual passenger demand.	>80%	No change	Less than 10% under capacity and less than 10% over capacity.
Reason for change: Change to target will provide more explicit information about our scheduling accuracy by measuring capacity that is under and over passenger demand.				

REF	OUTPUT MEASURE	2021/22 PERFORMANCE TARGET	CHANGED OUTPUT MEASURE 2022/23	CHANGED 2022/23 PERFORMANCE TARGET
5.1.5	Percentage of complaints upheld against the Aviation Security Service.	>2%	Number of complaints upheld against the Aviation Security Service per 50,000 screened.	<2 per 50,000 passengers
Reason for change: The new measure and target are more easily explained and understood.				
5.1.6	Dangerous goods are relinquished or removed from passengers of their luggage as a result of pre flight security screening.	Number of items removed	Deleted	Deleted
Reason for change: Factors beyond the Aviation Security Service's control can have a large impact on the result of the previous volume measure.				
5.2.2	Security monitoring of restricted air-side areas against regulation standards.	100% of requirements met	Security monitoring of restricted areas against regulation standards.	No change
Reason for change: Allows for widening of the scope of monitoring to beyond air-side, to more accurately reflect the activities undertaken.				
5.2.5	Provide agreed staffing to support All-Of-Government Managed Isolation and Quarantine facilities.	155 FTEs (full time equivalent)	Deleted	Deleted
Reason for change: No longer applicable with scale back of Managed Isolation and Quarantine from March 2022 onward as a result of Government border changes.				

Prospective Financial Statements

Prospective financial indicators

For the years ended 30 June

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
REGULATORY FUNCTION		
Revenue	51,261	58,305
Output expense	51,261	59,210
Net surplus/(deficit)	-	(905)
Bank and investment balances	2,806	1,578
Net assets	5,144	14,694
Capital expenditure	6,202	10,221
SECURITY SERVICE FUNCTION		
Revenue	138,421	172,231
Output expense	143,307	177,920
Net surplus/(deficit)	(4,886)	(5,689)
Bank and investment balances	8,699	5,723
Net assets	11,329	39,913
Capital expenditure	7,260	34,506
CIVIL AVIATION AUTHORITY		
Revenue	188,429	229,499
Output expense	193,315	236,093
Net surplus/(deficit)	(4,886)	(6,594)
Bank and investment balances	11,505	7,301
Net assets	16,473	54,607
Capital expenditure	13,462	44,727

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

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
REVENUE		
Levies revenue	41,959	111,465
Revenue from other services	5,873	6,575
Crown funding revenue	138,589	109,261
Ministry contract revenue	1,475	1,603
Interest and other revenue	533	595
Total revenue	188,429	229,499
EXPENSE		
Personnel costs	144,742	178,482
Other cost of services	42,526	50,675
Audit fees for financial statements	139	161
Finance costs	19	24
Depreciation and amortisation expense	5,740	6,594
Authority member costs	149	157
Total expense	193,315	236,093
Net surplus/(deficit)	(4,886)	(6,594)
Total other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(4,886)	(6,594)

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

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
EQUITY		
OPENING BALANCE OF EQUITY AT 1 JULY		
General funds	10,799	16,473
Specific reserves	-	-
Total opening balance of equity at 1 July	10,799	16,473
Total comprehensive revenue and expense	(4,886)	(6,594)
Transfer to/(from) specific reserves	-	-
Rounding adjustment	-	1
Capital contribution from Crown	10,560	44,727
Total changes in equity during the year	5,674	38,134
CLOSING BALANCE OF EQUITY AT 30 JUNE		
General funds	16,473	54,607
Specific reserves	-	-
Total closing balance of equity at 30 June	16,473	54,607

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

Prospective statement of financial position

As at 30 June

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
CURRENT ASSETS		
Cash and cash equivalents	11,505	7,301
Debtors and other receivables	8,270	14,655
Services work in progress	81	81
Investments-term deposits	-	-
Total current assets	19,856	22,037
NON-CURRENT ASSETS		
Property, plant and equipment	23,727	56,317
Intangible assets	6,817	12,360
Total non-current assets	30,544	68,677
Total assets	50,400	90,714
CURRENT LIABILITIES		
Creditors and other payables	8,044	9,049
Employee entitlements	16,092	17,296
Provisions	523	523
Total current liabilities	24,659	26,868
NON-CURRENT LIABILITIES		
Employee entitlements	8,989	8,989
Provisions	279	250
Total non-current liabilities	9,268	9,239
Total liabilities	33,927	36,107
Net assets	16,473	54,607
EQUITY		
General funds	16,473	54,607
Specific reserves	-	-
Total equity	16,473	54,607

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

Prospective statement of cash flows

For the years ended 30 June

	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES CASH WAS PROVIDED FROM:		
Receipts from levies	43,026	105,519
Receipts from other services	6,979	7,410
Receipts from Crown funding and Ministry contracts	140,064	110,864
Interest received	7	-
Receipts from other income	630	516
Total	190,706	224,309
CASH WAS APPLIED TO:		
Payments to employees	(137,299)	(170,015)
Payments to suppliers	(48,974)	(58,388)
Goods and services tax (net)	(25)	(189)
Total	(186,298)	(228,592)
Net cash flows from operating activities	4,408	(4,283)
CASH FLOWS FROM INVESTING ACTIVITIES CASH WAS PROVIDED FROM:		
Sale of assets	41	79
Total	41	79
CASH WAS APPLIED TO:		
Placement of investments	-	-
Purchase of property plant and equipment	(7,591)	(38,752)
Purchase of intangible assets	(5,871)	(5,975)
Total	(13,462)	(44,727)
Net cash flows from investing activities	(13,421)	(44,648)
CASH FLOWS FROM FINANCING ACTIVITIES CASH WAS PROVIDED FROM:		
Capital Injection from Crown	10,560	44,727
Total	10,560	44,727
Net Cash Flows from Financing Activities	10,560	44,727
Net increase/(decrease) in cash and cash equivalents	1,547	(4,204)
Opening Cash And Cash Equivalents as at 1 July	9,958	11,505
Closing Cash And Cash Equivalents as at 30 June	11,505	7,301

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

Notes to the prospective financial statements

Statement of significant underlying assumptions

COVID-19 continues to have a significant impact on the Authority and these prospective financial statements. As part of Budget 22, Cabinet approved continued access to Crown liquidity funding support, with a further \$109.29 million for the 2022/23 financial year through a multi-year appropriation “Protection of Transport Agency Core Functions”. This also includes a carry forward of amounts previously appropriated for the 2021/22 financial year.

The Authority’s capital expenditure budget for the 2022/23 financial year continues to be funded from a \$113.2 million capital multi-year appropriation approved in Budget 21 to fund the security service function’s screening equipment, replace the regulatory function’s regulatory technology platform, and other critical regulatory and aviation security infrastructure. This appropriation expires in June 2026.

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

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

- the combined prospective financial statements for 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.

Projected passenger numbers

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

For international passengers, the forecast assumes departing passenger volumes will progressively recover from 28% of pre-COVID levels from July 2022 to 67% by June 2023, in line with forecasting prepared by the Border Executive Board

Domestic volumes are assumed to be 85% of pre-COVID levels across the full financial year.

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

PASSENGER NUMBERS	2021/22	2022/23
Safety levies: Domestic	7,056,543	11,789,409
Security levies: Domestic	3,581,266	6,571,275
Safety levies: International	454,296	3,279,557
Security levies: International (includes international transit)	468,948	3,293,142

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

REVENUE	2021/22	2022/23
Domestic passenger safety levies	\$1,126,220	\$1,880,529
Domestic passenger security levies	\$2,299,173	\$4,317,328
International passenger safety levies	\$72,687	\$524,729
International passenger security levies	\$490,406	\$4,320,602

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 2022/23 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 Crown liquidity funding mentioned earlier, revenue appropriated by the Crown includes \$0.7 million of additional funding to allow for technical capability to be recruited into the Authority to provide technical advice to support the integration of unmanned aircraft/drones into controlled airspace, and \$0.2 million of additional funding to administer the Automatic Dependent Surveillance- Broadcast Transponders Rebate Scheme and \$3.9m of Crown funding for the grants.

Expenditure

The 2022/23 budget has been set at a level that will enable the Regulatory Function to deliver its core functions and meet expectations around being intelligence led and able to address issues arising from new aviation technologies. It also includes funding to deliver a number of projects, including preparing for the expected implementation of the new Civil Aviation Bill (subject to final approval by Parliament of the current draft bill) and to undertake a comprehensive Funding Review in accordance with decisions made by Cabinet.

Operating surpluses/deficits

The \$0.9 million projected deficit in 2022/23 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 38 will arise as the Crown liquidity funding appropriation does not fund depreciation and amortisation (a non-cash expenditure) that would otherwise re-establish a capital asset replacement reserve.

Security service function**Passenger security levies**

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

The 2022/23 budget has been set based on a rate of \$6.57 (GST exclusive) for domestic passengers and \$13.12 (GST exclusive) for international passengers (including transit passengers).

Contracted services revenue

The Security Service Function receives revenue from security services work provided to third parties. Revenue from these services is assumed to be an increase in 2022/23 from that received in 2021/22 due to the progressive increase in aviation activity.

Expenditure

The 2022/23 budget has been set at a level that will enable the Security Service function to respond to the projected recovery of passenger volumes. This has resulted in a need to recruit a number of vacant positions that were envisaged in its 2019 Triennial Funding Review, but which have been held vacant in recent years as a cost saving measure during the peak of the COVID-19 pandemic. It also includes the Security Service function's share of costs noted above for preparing for the expected implementation of a new Civil Aviation Act, and costs associated with carrying out a Funding Review.

Operating surpluses/deficits

The \$5.7 million projected deficit in 2022/23 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 38 will arise as the Crown liquidity funding cannot be used to fund depreciation and amortisation (a non-cash expenditure) that would otherwise re-establish a capital asset replacement reserve.

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 COVID-19 pandemic continues to have a major impact, both on aviation in New Zealand and the operations of the Authority. Levies from departing passengers normally account for approximately 90% of the Authority's revenue. The imposition of these travel restrictions has therefore had a severe impact on the Authority's funding, and this is expected to continue but with a diminishing impact.

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

The prospective financial statements will not be further updated 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 evaluation of certain items of property, plant and equipment, and the measurement of any derivative financial instruments at fair value.

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

Presentation currency and rounding

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

Changes in accounting policies

There have been no changes in accounting policies.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

- regulated levies on airlines based on departing international passenger volumes and domestic sectors travelled by passengers;
- fees and charges for 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.

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

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

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

Impairment of financial assets

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

Other financial liabilities

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

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

Leases

Operating leases

The Authority leases office premises and office equipment.

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

Cash and cash equivalents

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

Services work in progress

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

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

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

The minimum cost value for a purchase to be classified as a property, plant and equipment asset is \$2,500.

Disposals

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

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

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

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

Impairment of property, plant and equipment and intangibles

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

Non-cash-generating assets

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

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

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

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 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 ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
REVENUE						
Levies revenue	13,864	25,887	28,896	86,379	41,959	111,465
Revenue from other services	4,799	5,182	1,526	1,629	5,873	6,575
Crown funding revenue	30,813	25,568	107,776	83,693	138,589	109,261
Ministry contract revenue	1,475	1,603	-	-	1,475	1,603
Interest and other revenue	310	65	223	530	533	595
Total revenue	51,261	58,305	138,421	172,231	188,429	229,499
EXPENSE						
Personnel costs	34,361	40,878	110,381	137,604	153,246	191,919
Other cost of services	15,758	17,109	28,021	34,603	34,022	37,238
Audit fees for financial statements	139	161	-	-	139	161
Finance costs	-	-	19	24	19	24
Depreciation and amortisation expense	854	905	4,886	5,689	5,740	6,594
Authority member costs	149	157	-	-	149	157
Total expenses	51,261	59,210	143,307	177,920	193,315	236,093
Net surplus/(deficit)	-	(905)	(4,886)	(5,689)	(4,886)	(6,594)
Total comprehensive revenue and expense	-	(905)	(4,886)	(5,689)	(4,886)	(6,594)

Note that the Total Authority Revenue and Expense includes inter-entity eliminations between the Regulatory and Security Service functions of \$1.552m (Budget \$1.318m).

Prospective statement of changes in equity

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
EQUITY						
Opening Balance of Equity at 1 July						
General funds	1,964	6,696	8,835	9,777	10,799	16,473
Property, plant and equipment revaluation reserve	-	-	-	-	-	-
Passenger security charges and other fees and charges reserves	-	-	-	-	-	-
Total opening balance of equity at 1 July	1,964	6,696	8,835	9,777	10,799	16,473
Total comprehensive revenue and expense	-	(905)	(4,886)	(5,689)	(4,886)	(6,594)
Transfer to passenger security charges and other fees and charges reserves	-	-	-	-	-	-
Rounding adjustment	-	-	-	1	-	1
Capital contribution from Crown	4,732	10,221	5,828	34,506	10,560	44,727
Total changes in equity during the year	4,732	9,316	942	28,818	5,674	38,134
CLOSING BALANCE OF TAXPAYERS' EQUITY AT 30 JUNE						
General funds	6,696	16,012	9,777	38,595	16,473	54,607
Property, plant and equipment revaluation reserve	-	-	-	-	-	-
Passenger security charges and other fees and charges reserves	-	-	-	-	-	-
Total closing balance of taxpayers' equity at 30 June	6,696	16,012	9,777	38,595	16,473	54,607

Prospective statement of financial position

As at 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
CURRENT ASSETS						
Cash and cash equivalents	2,806	1,578	8,699	5,723	11,505	7,301
Debtors and other receivables	3,281	4,557	6,540	11,416	8,270	14,655
Services Work in Progress	81	81	-	-	81	81
Total current assets	6,168	6,216	15,239	17,139	19,856	22,037
NON-CURRENT ASSETS						
Property, plant and equipment	1,476	5,083	22,251	51,234	23,727	56,317
Intangible assets	6,045	11,754	772	606	6,817	12,360
Total non-current assets	7,521	16,837	23,023	51,840	30,544	68,677
Total assets	13,689	23,053	38,262	68,979	50,400	90,714
CURRENT LIABILITIES						
Creditors and other payables	3,233	3,164	6,362	7,203	8,044	9,049
Employees entitlements	2,946	3,063	13,146	14,233	16,092	17,296
Provisions	250	250	273	273	523	523
Total current liabilities	6,429	6,477	19,781	21,709	24,659	26,868
NON-CURRENT LIABILITIES						
Employees entitlements	314	314	8,675	8,675	8,989	8,989
Provisions	250	250	29	-	279	250
Total non-current liabilities	564	564	8,704	8,675	9,268	9,239
Total liabilities	6,993	7,041	28,485	30,384	33,927	36,107
Net assets	6,696	16,012	9,777	38,595	16,473	54,607
EQUITY						
General funds	6,696	16,012	9,777	38,595	16,473	54,607
Total equity	6,696	16,012	9,777	38,595	16,473	54,607

Note that Total Authority Assets and Liabilities include inter-entity eliminations between the Regulatory and Security Service functions of \$1.551m (Budget \$1.318m).

Prospective statement of cash flows

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000	2021/22 ESTIMATED ACTUAL \$000	2022/23 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Receipts from Levies	13,516	24,062	30,311	82,258	43,026	105,519
Receipts from passenger security charges and other services	5,535	5,899	1,444	1,511	6,979	7,410
Receipts from Crown funding and Ministry contracts	32,288	27,171	107,776	83,693	140,064	110,864
Interest received	2	-	5	-	7	-
Receipts from other income	308	65	774	687	630	516
Total	51,649	57,197	140,310	168,149	190,706	224,309
CASH WAS APPLIED TO:						
Payments to employees	(32,146)	(38,738)	(105,153)	(131,277)	(145,803)	(183,452)
Payments to suppliers	(18,062)	(19,665)	(32,165)	(39,760)	(40,470)	(44,951)
Goods and services tax (net)	103	(22)	(128)	(167)	(25)	(189)
Total	(50,105)	(58,425)	(137,446)	(171,204)	(186,298)	(228,592)
Net cash flows from operating activities	1,544	(1,228)	2,864	(3,055)	4,408	(4,283)
CASH FLOWS FROM INVESTING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Sale of assets	41	-	-	79	41	79
Total	41	-	-	79	41	79
CASH WAS APPLIED TO:						
Purchase of property plant and equipment	(905)	(4,086)	(6,915)	(34,396)	(7,820)	(38,482)
Purchase of intangible assets	(5,297)	(6,135)	(345)	(110)	(5,642)	(6,245)
Total	(6,202)	(10,221)	(7,260)	(34,506)	(13,462)	(44,727)
Net cash flows from investing activities	(6,161)	(10,221)	(7,260)	(34,427)	(13,421)	(44,648)
CASH FLOWS FROM FINANCING ACTIVITIES						
CASH WAS PROVIDED FROM:						
Capital injection from Crown	4,732	10,221	5,828	34,506	10,560	44,727
Total	4,732	10,221	5,828	34,506	10,560	44,727
Net cash flows from financing activities	4,732	10,221	5,828	34,506	10,560	44,727
Net increase/decrease in cash and cash equivalents	115	(1,228)	1,432	(2,976)	1,547	(4,204)
Opening cash and cash equivalents at 1 July	2,691	2,806	7,267	8,699	9,958	11,505
Closing cash and cash equivalents at 30 June	2,806	1,578	8,699	5,723	11,505	7,301

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)
2023 BUDGET \$'000				
Revenue	1,678	3,505	9,371	43,751
Expenditure	(6,628)	(9,134)	(10,221)	(33,226)
Net surplus / (deficit)	(4,950)	(5,629)	(850)	10,525
Opening balance at 1 July	-	-	-	6,696
Transfer (from)/to other reserves	4,950	5,629	850	(11,430)
Capital contributions from the Crown	-	-	-	10,221
Closing balance at 30 June	-	-	-	16,012
2022 ESTIMATED ACTUAL \$'000				
Revenue	1,726	3,073	6,869	39,593
Expenditure	(5,738)	(7,908)	(8,849)	(28,766)
Net surplus / (deficit)	(4,012)	(4,835)	(1,980)	10,827
Opening balance at 1 July	-	-	-	1,964
Transfer (from)/to other reserves	4,012	4,835	1,980	(10,827)
Capital contributions from the Crown	-	-	-	4,732
Closing balance at 30 June	-	-	-	6,696

Prospective reconciliation of equity: Security Service function

For the years ending 30 June

	PASSENGER SECURITY RESERVES	OTHER FEES/ RESERVES	TOTAL SPECIFIC RESERVES	MANAGED ISOLATION & QUARANTINE FUNDS	GENERAL FUNDS
2023 BUDGET \$000					
Revenue	86,379	2,304	88,683	-	83,548
Expenditure	(175,616)	(2,304)	(177,920)	-	-
Net surplus / (deficit)	(89,237)	-	(89,237)	-	83,548
Opening balance at 1 July	-	-	-	-	9,777
Transfer (from)/to specific reserves	89,237	-	89,237	-	(89,237)
Capital contributions from the Crown	-	-	-	-	34,506
Closing balance at 30 June	-	-	-	-	38,595
2022 ESTIMATED ACTUAL \$000					
Revenue	28,896	1,894	30,790	16,460	91,171
Expenditure	(124,953)	(1,894)	(126,847)	(16,460)	-
Net surplus / (deficit)	(96,057)	-	(96,057)	-	91,171
Opening balance at 1 July	-	-	-	-	8,835
Transfer (from)/to specific reserves	96,057	-	96,057	-	(96,057)
Capital contributions from the Crown	-	-	-	-	5,828
Closing balance at 30 June	-	-	-	-	9,777

Prospective capital expenditure

For the years ending 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION	
	2022 ESTIMATED ACTUAL \$000	2023 BUDGET \$000	2022 ESTIMATED ACTUAL \$000	2023 BUDGET \$000
PROPOSED CAPITAL EXPENDITURE				
Computer hardware	320	1,166	194	349
Computer software	5,526	5,865	345	110
Plant & equipment	40	19	5,939	33,439
Furniture & fittings	316	745	55	67
Motor vehicles	-	-	102	-
Leasehold improvements	-	2,426	625	541
Total	6,202	10,221	7,260	34,506



Aviation Security Service

Kaiwhakamaru Rererangi

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