



Statement of Performance Expectations

Contents

Section 1 Statement of Performance Expectations

Statement of Performance Expectations.....	3
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Section 2 Prospective Financial Statements

Prospective Financial Indicators.....	16
Prospective statement of comprehensive revenue and expense	17
Prospective statement of changes in equity	18
Prospective statement of financial position	19
Prospective statement of cash flows	20

Section 3 Notes to the Prospective Financial Statements

Statement of significant underlying assumptions	22
Statement of accounting policies	24

Section 4 Additional Prospective Financial Information

Prospective statement of comprehensive revenue and expense	31
Prospective statement of changes in equity	32
Prospective statement of financial position	33
Prospective statement of cash flows	35
Prospective Reconciliation of Equity: Aviation Safety & Regulatory Function.....	37
Prospective Reconciliation of Equity: Aviation Security Service	38
Prospective capital expenditure	39

Board Statement

The Authority certifies that the information contained in this Statement of Performance Expectations (SoPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2015 to 30 June 2016.

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

Signed on: 22 May 2015



Nigel Gould
Chairman of the Authority



Peter Griffiths
Deputy Chairman

Section 1

Statement of Performance Expectations

The Civil Aviation Authority (the Authority) is responsible to the Minister of Transport and governed by a five member board appointed by the Minister to represent the public interest in civil aviation (refer to the 2014-18 Statement of Intent for further information on the nature and scope of the Authority).

The Statement of Performance Expectations sets out the outputs (goods and services) the Authority is funded to


provide and the standards against which we will assess our service delivery performance. It is divided into the following five output classes:

1. Policy and regulatory strategy;
2. Outreach;
3. Certification and licensing;
4. Surveillance and investigation; and
5. Security service delivery.



Please refer to the 2014–18 Statement of Intent for full diagram

Our Outputs and Performance Expectations




Output Class 1

Policy & Regulatory Strategy

What we do
Under this output class the Authority:

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



1.1 International Relations and International Civil Aviation Organization Obligations

The Authority administers 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.

<p>What is intended to be achieved</p>	This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport.
<p>How does this contribute to our impacts?¹</p>	Our positive reputation for safety and security reflected through ICAO ratings, technical agreements and international compliance directly contributes to our impact of <i>New Zealand has a positive international reputation for air safety and security</i> . This contributes to reducing trade and market barriers.

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quality:		
International engagement is undertaken that meets the objectives of the Civil Aviation Authority International Engagement Strategy.	95% of objectives met	95% of objectives met
International Civil Aviation Organization (ICAO) compliance:		
Timeliness:		
Respond to incoming ICAO State letters by due date as set by ICAO.	100%	100%
Maintain the currency of the Electronic Filing of Differences (eFOD) in accordance with ICAO timeframe.	100%	100%
Facilitate the planned safety audit of New Zealand by ICAO for the 2015-2016 financial year resulting in New Zealand maintaining a top half ranking of OECD countries as assessed by ICAO.	n/a The ICAO audit was last conducted in 2006 under the comprehensive systems approach audit process	The ICAO safety audit result maintains New Zealand's top half of the OECD ranking.
Quality:		
Significant Safety Concerns (SSC) raised by ICAO.	nil	nil
ICAO coordinated validation mission (ICVM) carried out as a result of an SSC.	nil	nil

¹ The impacts of the Civil Aviation Authority described in the 2014-18 Statement of Intent are presented in italics.



1.2 Ministerial Servicing – Civil Aviation

What is intended to be achieved

This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.

How does this contribute to our impacts?

The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all four impacts described in our strategic framework.

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quality: Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.	Met or exceeded expectations <i>(95% meet standard)</i>	Met or exceeded expectations <i>(95% meet standard)</i>
Quality and Timeliness: Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	100%	100%



1.3 Policy Advice – Civil Aviation

What is intended to be achieved

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

How does this contribute to our impacts?

Through robust analysis and decision making, this output directly contributes to our impacts of *A safe airspace environment is maintained for all aviation activities and aviation participants act safely and actively manage risks.*

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quality: Percentage of policy papers that meet the standards set out in the Authority’s policy development procedures, i.e., quality and timeliness of deliverables <i>(assessed by annual independent audit)</i>	100%	95%
Timeliness: All policy projects prioritised for delivery by the Issue Review Panel are delivered against objectives and timeframes specified in the respective project plans. These include: <ul style="list-style-type: none"> • policy projects arising from the New Southern Sky Programme; • review of engineer licencing; • fatigue management; • personnel competency in small-medium air transport operations; and • objectives and requirements for emergency location of aircraft. 	new measure	100%



1.4 System Level Design and Intervention

What is intended to be achieved

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

How does this contribute to our impacts?

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

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quality and Timeliness: Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross-government.	Six monthly reports provided to Authority	Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies
Quality: All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.	100%	100%
Complete an analysis of the civil aviation regulatory framework following the changes to the Civil Aviation Act and the move to a risk based approach to regulation (subject to progress of the Act review).	new measure	Analysis completed by 30 June 2016



1.5 Rules and Standards Development

What is intended to be achieved

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

How does this contribute to our impacts?

A robust and fit for purpose regulatory structure directly contributes to *A safe airspace environment is maintained for all aviation activities and Aviation participants act safely and actively manage risks.*

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quantity: Number of rules under development agreed between the Authority and the Ministry of Transport.	7	6–10
Number of rules completed agreed between the Authority and the Ministry of Transport.	6	3–5
Quality and Timeliness: Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook).	100%	100%



1.6 Pacific Support

What is intended to be achieved

This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.

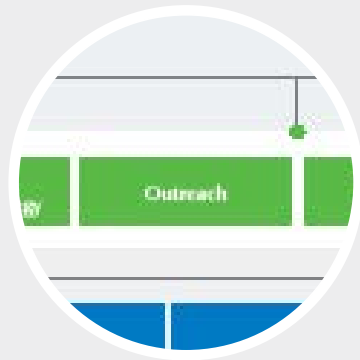
How does this contribute to our impacts?

New Zealand has a positive international reputation for air safety and security is demonstrated through our role as a regional leader and safety promoter to the Pacific States.

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Timeliness:		
Action plan for each state developed and delivered according to the timetable agreed with each State.	Delivered according to timetable	Delivered according to timetable
Quality:		
Improvement in aviation safety and security outcomes in the Pacific as evidenced by an increased level of compliance with the ICAO eight critical elements of oversight system for safety and security (<i>particularly resolution of safety concerns</i>). ²	Improved level of compliance with ICAO eight critical elements	Improved level of compliance with ICAO eight critical elements
New systems and processes established and used as a result of training.	Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided	Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided
Increased industry satisfaction and willingness to engage in the Pacific.	Survey results reflect industry satisfaction and willingness to engage in the Pacific	Survey results reflect industry satisfaction and willingness to engage in the Pacific

Cost to deliver output class 1: Policy & Regulatory Strategy	2015 Estimated Actual \$000	2016 Budget \$000
Crown Funding (Vote Transport: Policy Advice)	1,780	1,780
Ministry Contract Revenue (rules development & Pacific)	1,383	1,374
Levies	1,026	1,612
Fees and charges	36	-
Other Revenue	-	-
Total Output Revenue	4,225	4,766
Total Output Expenditure	(4,225)	(4,766)
NET SURPLUS/(DEFICIT)	0	0

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



Output Class 2 Outreach

What we do

Under this output class the Authority:

- Fosters and promotes safety and security across the civil aviation sector;
- Fosters and promotes health and safety in employment within the bounds of the Authority delegation; and
- Raises public awareness on transport of dangerous goods by air.

What is intended to be achieved

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

How does this contribute to our impacts?

People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes on risk identification and management. This directly contributes to *Aviation participants act safely and actively manage risks.*

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Reports and Publications		
Quantity: Number of standard publications released including safety summary reports, aviation safety reports, Vector magazines and other targeted publications.	12–18 publications	12–18 publications
Timeliness: Percentage of reports and publications that are produced in accordance with the Authority's procedures ³ .	100%	100%
Education		
Quantity: Number of educational units (seminars, workshops and courses) delivered to 30 June 2016.	20–30	20–30
Quality: Percentage of educational units that are: <ul style="list-style-type: none"> • delivered in accordance with the schedule published on the Civil Aviation Authority website; and • rated by participants as a 3 or higher⁴ in their overall rating of the seminar and the benefit provided. 	100%	100%

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

⁴ Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar?
 How would you rate the seminar overall?

Cost to deliver output class 2: Outreach	2015 Estimated Actual \$000	2016 Budget \$000
Levies	4,570	4,451
Fees and Charges	-	-
Other Revenue	147	43
Total Output Revenue	4,717	4,494
Total Output Expenditure	(4,619)	(4,528)
NET SURPLUS/(DEFICIT)	98	(34)



Output Class 3 Certification & Licensing

What we do

Under this output class the Authority:

- Exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; and
- Exercises control over the exit from New Zealand's civil aviation system through the suspension and revocation of documents.

What is intended to be achieved

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

How does this contribute to our impacts?

The robust assessment and certification of participants in the civil aviation system ensures *A safe airspace environment is maintained for all aviation activities.*

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quantity:		
Number of certifications carried out <i>(demand driven volumes provided for contextual information):</i>		
• Organisation	1,000 – 1,200	1,200 – 1,600
• Aircraft	800 – 950	930 – 1,130
• Service providers	50 – 80	35 – 45
Number of licensing procedures carried out	5,000 – 7,000	5,000 – 7,000
Quality and Effectiveness:		
Percentage of certifications and licensing procedures that follow Authority procedural requirements <i>(based on a quarterly assessment of progress against the Statement of Performance Expectation performance measures⁵).</i>	100%	100%

5 Quarterly Assessment of Progress Against Statement of Performance Expectations Performance Measures Procedure

Cost to deliver output class 3: Certification and Licensing	2015 Estimated Actual \$000	2016 Budget \$000
Levies	11,527	12,511
Fees and Charges	6,582	6,722
Other Revenue	582	188
Total Output Revenue	18,691	19,421
Total Output Expenditure	(18,303)	(19,404)
NET SURPLUS/(DEFICIT)	388	17



Output Class 4 Surveillance & Investigation

What we do

Under this output class the Authority:

- Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- Conducts inspections, audits and investigations under the Health and Safety in Employment Act 1992;
- Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- Takes appropriate regulatory intervention under the Civil Aviation Act 1990 to hold participants to account where necessary.

What is intended to be achieved

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

How does this contribute to our impacts?

People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence.

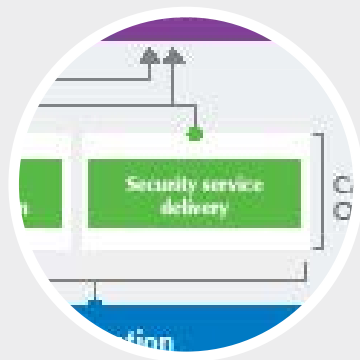
How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quantity:		
Number of audits and inspections.	630-750	630-750
Number of health and safety in employment audits, inspections and investigations.	15-25	35-55
Number of safety and regulatory investigations:		
Safety Investigations (<i>demand driven</i>):	500-650	300-390 ⁶
Percentage of occurrences investigated or reviewed <i>(These percentages are based on the historical averages of the occurrences investigated. The aim of the safety Investigation team is to investigate all critical and major occurrences and a number of minor occurrences where it is determined a benefit would be derived from the investigation. Occurrences are defined as:</i>	>30% classified as Minor >43% classified as Major >27% classified as Critical	>50% classified as Minor >35% classified as Major >15% classified as Critical
Critical An occurrence or deficiency that caused, or on its own had the potential to cause, loss of life or limb.		
Major An occurrence or deficiency involving a major system that caused, or had the potential to cause, significant problems to the function or effectiveness of that system.		
Minor An isolated occurrence or deficiency not indicative of a significant system problem.		
Enforcement Investigations.	50-80	50-80
Aviation Related Concerns (ARC) Investigations.	320-400	400-460
Section 15A of the Civil Aviation Act 1990 Investigations <i>(Power of Director to investigate holder of aviation document).</i>	0-5	5-10

⁶ The significant reduction in budgeted safety investigations between 2014/15 and 2015/16 is reflective of the introduction of a new methodology by which some investigations are being conducted. Historically investigations have been Event based, which is the investigation of an aviation occurrence once it has happened. For 2015/16 the Authority is moving a third of its Safety Investigators to a Systemic and Thematic (S&T) based investigation project team. The benefit of the S&T methodology will allow the CAA to put interventions in place to prevent potential occurrences before they happen, thereby increasing the integrity of safety within the aviation system. Trialling of the new S&T methodology is in its infancy, but the CAA believes it will add significant benefit once the methodology is proven and in place full-time.

Number of hours spent on targeted safety analysis reporting by sector:		
Airline sector	800	800
Helicopter and agricultural	1,000	1,000
Other	1,200	1,200
Timeliness:		
Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes <i>(based on a quarterly assessment of progress against Statement of Performance Expectations performance measures⁷)</i> .	100%	100%
Quality and Effectiveness:		
Percentage of inspections, investigations, and health and safety in employment audits that follow policy and procedural requirements <i>(based on a quarterly assessment of progress against Statement of Performance Expectations performance measures⁷)</i> .	100%	100%
Percentage of Aviation Related Concerns (ARC) that follow policy and procedural requirements <i>(based on a quarterly assessment of progress against Statement of Performance Expectations performance measures⁷)</i> .	new measure	100%
Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines:		
Percentage of safety investigations that are assessed, both internally (by quality assurance processes) and externally (by a third party), as meeting the Safety and Investigations Unit Business Plan time scales and are based on defensible and justifiable reasons aligned with the Authority's strategic framework and Regulatory Operating Model <i>(based on a quarterly assessment of progress against Statement of Performance Expectations performance measures⁷)</i> .	100%	100%
Percentage of regulatory investigations that are independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model <i>(based on a quarterly assessment of progress against Statement of Performance Expectations performance measures⁷)</i> .	100%	100%

Cost to deliver output class 4: Surveillance and Investigation	2015 Estimated Actual \$000	2016 Budget \$000
Crown Funding (Vote Transport: Health and safety in employment)	440	440
Levies	8,427	8,061
Fees and Charges	1,839	2,224
Other Revenue	344	382
Total Output Revenue	11,050	11,107
Total Output Expenditure	(10,820)	(10,895)
NET SURPLUS/(DEFICIT)	230	212

7 Quarterly assessment of progress tested against Statement of Performance Expectations Performance Measures Procedure.



Output Class 5 Security Service Delivery

What we do

Under this output class the Authority:

- Screens all passengers and their carry-on baggage at security designated airports⁸;
- Screens all hold baggage on departing international flights;
- Screens airport workers with access to enhanced security areas at international airports;
- Manages the issue of airport identity cards;
- Conducts perimeter patrols at security designated aerodromes and navigation facilities; and
- Maintains preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.



5.1 Screening Activity

What is intended to be achieved

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

How does this contribute to our impacts?

People have confidence in the safety and security of air transport that threats and risks don't materialise, or are resolved as quickly and unobtrusively as possible. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Timeliness:		
Number of flight delays attributable to screening activities (due to security system failure). <i>(A nil target for security impacts to the timely departure of aircraft is maintained to highlight these incidents as they occur and to reflect the commitment by the Aviation Security Service to the maintenance of a secure environment for passengers).</i>	4	Nil
Average passenger wait times at international departure screening points	≤ 3 mins	≤ 3 mins
Average passenger wait times at domestic departure screening points	≤ 3 mins	≤ 3 mins
Quality:		
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure) ⁹	< 3.4 items per million screened	< 3.4 items per million screened
Number of verified dangerous goods discovered post screening points (due to security system failure) ⁹	< 3.4 items per million screened	< 3.4 items per million screened
Number of substantiated complaints against security officers involved in the screening function	No more than 1 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened

⁸ All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

⁹ Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

Quantity:

Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:

• Metro-domestic airports	>67.5%	>67.5%
• Metro international airports	>64.0%	>64.0%
• Regional domestic airports	>57.5%	>57.5%

Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus) ¹⁰	<12% rostering surplus	<12% rostering surplus
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5.2 Audit Performance; Access Control; Maritime Security Services

What is intended to be achieved

This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.

How does this contribute to our impacts?

High standards maintained in the delivery of security services directly contributes to our impact of *New Zealand has a positive international reputation for air safety and security.*

How Will We Assess Our Service Delivery Performance?	2015 Estimated Actual	2016 Budget
Quality:		
Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	100%	100%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit.	Nil	Nil
Access Control: Number of corrective action requests pertaining to access control issued by the Regulator.	Nil	Nil
Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	Nil	Nil

Cost to deliver output class 5: Security service delivery	2015 Estimated Actual \$000	2016 Budget \$000
Contracted services	4,660	4,416
Passenger security charges	76,309	77,498
Crown funding – Maritime Security Services	145	145
Other Revenue	1,080	1,044
Total Output Revenue	82,194	83,103
Total Output Expenditure	(76,660)	(79,132)
NET SURPLUS/(DEFICIT)	5,534	3,971

¹⁰ Rostering surplus is the percentage of time that operational staff are deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.

Section 2

Prospective Financial Statements

Prospective Financial Indicators

For the years ended 30 June

	2015 Estimated Actual \$000	2016 Budget \$000
Aviation Safety & Regulatory Services		
Revenue	38,684	39,788
Output Expenditure	37,968	39,593
Net surplus / (deficit)	716	195
Bank and Investment balances	8,368	8,719
Net assets	10,920	11,115
Capital Expenditure	594	679
Aviation Security Services		
Revenue	82,194	83,103
Output Expenditure	76,660	79,132
Net surplus / (deficit)	5,534	3,971
Bank and Investment balances	23,452	24,068
Net assets	25,760	29,731
Capital Expenditure	3,206	6,433
Civil Aviation Authority ¹		
Revenue	120,878	122,891
Output Expenditure	114,628	118,725
Net surplus / (deficit)	6,250	4,166
Bank and Investment balances	31,820	32,787
Net assets	36,680	40,846
Capital Expenditure	3,800	7,112

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

Note 1: Net of elimination related to CAA compliance audit of Avsec under part 140 and 141 of Civil Aviation Act 1990

Prospective Statement of Comprehensive Revenue and Expense

For the years ending 30 June

	2015 Estimated Actual \$000	2016 Budget \$000
Revenue		
Levies revenue	25,676	26,634
Passenger security charges	76,308	77,498
Revenue from other services	13,116	13,361
Crown funding revenue	2,365	2,365
Ministry contract revenue	1,528	1,519
Interest and other revenue	1,782	1,514
Gain/(loss) on assets	103	-
Total revenue	120,878	122,891
Expense		
Personnel costs	88,434	91,891
Other costs of services	21,692	22,517
Audit fees for financial statements	109	115
Finance costs	204	-
Depreciation and amortisation expense	4,041	4,054
Authority member costs	148	148
Total expenditure	114,628	118,725
NET SURPLUS / (DEFICIT)	6,250	4,166
Total other comprehensive revenue and expense	-	-
Total Comprehensive Revenue and Expense	6,250	4166

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

	2015 Estimated Actual \$000	2016 Budget \$000
Equity		
Opening balance of equity at 1 July		
General funds	20,633	21,749
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	9,051	14,185
Total opening balance of equity at 1 July	30,430	36,680
Total comprehensive revenue and expense	6,250	4,166
Transfers to / (from) passenger security charges and other fees and charges reserves	5,134	3,571
Transfers to / (from) general funds	(5,134)	(3,571)
Total changes in equity during the year	6,250	4,166
Closing balance of equity at 30 June		
General funds	21,749	22,344
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,185	17,756
Total closing balance of equity at 30 June	36,680	40,846

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

Prospective Statement of Financial Position

As at 30 June

	2015 Estimated Actual \$000	2016 Budget \$000
Current Assets		
Cash and cash equivalents	4,070	5,037
Debtors and other receivables	13,029	13,217
Services work in progress	41	41
Investments – term deposits	27,750	27,750
Total Current Assets	44,890	46,045
Non-Current Assets		
Property, plant and equipment	12,636	16,549
Intangible assets	1,975	1,119
Investment Property	250	250
Total Non-Current Assets	14,861	17,918
Total Assets	59,751	63,963
Current Liabilities		
Creditors and other payables	7,227	6,592
Employee entitlements	8,028	8,075
Total Current Liabilities	15,255	14,667
Non-Current Liabilities		
Employee entitlements	5,608	5,608
Provisions	2,208	2,842
Total Non-Current Liabilities	7,816	8,450
Total Liabilities	23,071	23,117
Net Assets	36,680	40,846
Equity		
General funds	21,749	22,344
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,185	17,756
Total Equity	36,680	40,846

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

Prospective Statement of Cash Flows

For the years ended 30 June

	2015 Estimated Actual \$000	2016 Budget \$000
Cash Flows From Operating Activities		
Cash was provided from:		
Receipts from levies	31,044	31,882
Receipts from Passenger security charges and other services	102,293	103,521
Receipts from Crown funding and Ministry contracts	3,979	3,995
Interest and other revenue	2,575	2,146
Total	139,891	141,544
Cash was applied to:		
Payments to employees	(83,897)	(87,906)
Payments to suppliers	(29,849)	(31,476)
Interest paid	(204)	-
Goods and Services Tax (net)	(13,832)	(14,083)
Total	(127,782)	(133,465)
Net Cash Flows from Operating Activities	12,109	8,079
Cash Flows From Investing Activities		
Cash was provided from:		
Maturity of investments	1,700	-
Sale of property, plant and equipment	-	-
Total	1,700	-
Cash was applied to:		
Placement of investments	(6,200)	-
Purchase of property, plant and equipment	(2,739)	(6,942)
Purchase of intangible assets	(1,060)	(170)
Total	(9,999)	(7,112)
Net Cash Flows from Investing Activities	(8,299)	(7,112)
Cash Flows From Financing Activities		
Cash was provided from:		
Capital contributions from the Crown	-	-
Proceeds from external borrowings	-	-
Total	-	-

	2015 Estimated Actual \$000	2016 Budget \$000
Cash was applied to:		
Repayment of external borrowings	(2,940)	-
Total	(2,940)	-
Net Cash Flows from Financing Activities	(2,940)	-
Net increase/(decrease) in cash and cash equivalents	870	967
Opening cash and cash equivalents at 1 July	3,200	4,070
Closing cash and cash equivalents at 30 June	4,070	5,037

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

Section 3

Notes to the Prospective Financial Statements

Statement of significant underlying assumptions

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

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

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

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

- Regulatory Triennial Funding Review – this will be subject to a public consultation process with Cabinet expected to make decisions prior to the end of the 2015/16 financial year, with any changes to pricing and the implementation date being unknown.
- Aviation Security Service Pricing Review – the Authority is currently assessing the pricing of the

passenger security charges due to favourable reserve levels. If the Board was to recommend to the Minister of Transport changes to pricing, decisions may occur in the 2015/16 financial year with the implementation date being unknown.

- Domestic Aviation Security Risk Assessment – the Government raised New Zealand’s terrorist threat level from very low to low in October 2014. No provision has been made should the government decide to change the level of security services provided by the Authority.
- Business System Replacement – the redesign and investment in replacing the Authority’s business systems is progressing. No provision has been made by the Regulatory Function or the Aviation Security Service for the investment or operating costs associated with the replacement of the key business systems. Any investment decision would rely on Board approval of business proposals and/or decisions from the Regulatory Triennial Funding Review.

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

Passenger volumes

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

Passenger Numbers	2014/15 Estimated Actual '000	2015/16 Budget '000
Safety levies: Domestic	10,969	11,353
Security charges: Domestic	6,414	6,639
Safety levy and Security charges: International	5,293	5,389

Figure 1 Projected Passenger Numbers

A 1% movement in domestic and international passenger volumes would have an estimated impact on projected revenues of:

Revenue	2014/15 Estimated Actual \$000	2015/16 Budget \$000
Domestic Passenger Safety levy charges	180	186
Domestic Passenger Security charges	210	211
International Passenger Safety levy charges	68	70
International Passenger Security charges	542	563

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

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

- Volumes of passengers departing on international flights are predicted to increase by 1.8% over the 2014/15 estimated actual to 5.4 million in 2015/16, reflecting strong volumes in 2014/15 from the Cricket World Cup and continued growth in Queenstown and Auckland and some recovery in Christchurch.
- Aviation Security screened domestic passenger volumes are forecast to increase by 0.9% over the 2014/15 estimated actual of 6.6 million in 2015/16. This is reflective of strong growth in Auckland, Christchurch and Queenstown.
- The total number of passengers departing on domestic flights is forecast to increase by 3.5% over the 2014/15 estimated actual to 11.4 million in 2015/16.

Other assumptions for the 2015/16 Statement of Performance Expectations are:

- No new large airline will enter or exit the New Zealand market.
- There will be no additional airports requiring the introduction of passenger security screening services. With the cessation of international services from Rotorua airport from 25 April 2015, ongoing passenger security screening operations will be provided at Auckland, Wellington, Christchurch, Dunedin and Queenstown.

Aviation Safety and Regulatory Function

Levy revenue

Revenue from safety levies are collected on the total number of passengers departing on domestic and international flights and have been estimated based on the projections in Figure 1.

The 2015/16 budget has been set based on the Civil Aviation (Safety) Levies Order 2002 using the current regulated international and domestic passenger safety levy of \$1.30 and \$1.71 respectively (GST exclusive).

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.

Personnel costs

The 2015/16 budget has been prepared on an Aviation Safety and Regulatory Function staff establishment of 241 full-time equivalent positions.

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

Operating surpluses/deficits

It is intended that the projected surplus in 2014/15 and 2015/16 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 31 will contribute to accumulated reserves.

Equity

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

Aviation Security Service

Passenger security charges

Passenger security charges have been estimated based on the projections of security screened domestic and international passenger volumes stated in Figure 1.

The 2015/16 budget has been set using the regulated passenger security charges set in April 2014 that followed a review of passenger charges approved by Cabinet. Effective 1 April 2015, this review reduced the domestic security charge from \$3.32 (GST exclusive) per sector travelled for domestic passengers to \$3.23 (GST exclusive) and from 1 April 2016 will reduce the charge further to \$3.17 (GST exclusive). The review held the international security charge constant at \$10.42 (GST exclusive).

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

Contracted services revenue

The Aviation Security Service receives revenue from security services work provided to third parties. The revenue level is assumed to be consistent with 2014/15 activity levels. Current contracted recovery rates have been utilised in the setting of revenue.

Personnel costs

The 2015/16 budget has been prepared on an Aviation Security service average establishment of 717 full-time equivalent positions. This assumes that gatehouse security services will continue to be provided to airports, rather than cease as was assumed for 2014/15.

Staff turnover is expected to increase as economic conditions remain robust.

Operating surpluses/deficits

It is intended that the projected surplus in 2014/15 and 2015/16 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 31 will contribute to accumulated reserves.

Equity

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

The purpose of the reserve is to manage the risk of external shocks and provide for required business-as-usual

working capital to deal with seasonal and business cycle fluctuations in passenger volumes.

Statement of accounting policies

Reporting entity

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

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

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

Basis of preparation

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

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

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

The prospective financial statements contain information that may not be appropriate for purposes other than those described in the Board Statement on page 2.

Measurement basis

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

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

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

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

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

programmes.

Goods and services tax

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

Net GST receivable or payable at balance date is included in receivables or payables in the Prospective Statement of Financial Position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

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

Income tax

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

Payment of any surplus to the Crown

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

Derivative financial instruments and foreign currency transactions

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

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

Forward exchange contract derivatives are recognised in the Prospective Statement of Financial Position at their fair

value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which they arise.

Foreign currency transactions

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

Other financial assets

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

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

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

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

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

Impairment of financial assets

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

Leases

Operating leases

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

Cash and cash equivalents

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

Service's work in progress

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

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

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Accounting for revaluations

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

Comprehensive Revenue and Expense will be recognised first in the Prospective Statement of Comprehensive Revenue Expense up to the amount previously expensed, and then credited to the revaluation reserve for the asset class.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The minimum cost value for a purchase to be classified as a property, plant and equipment asset is \$2,000.

Disposals

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

Subsequent costs

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

Depreciation

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

Buildings (including components)	10 – 24 years	10% – 4%
Leasehold improvements	Remaining life of lease	
Furniture and fittings	10 years	10%
Plant and equipment	5 – 10 years	20% – 10%
Office equipment	5 years	20%
Motor vehicles	4 – 5 years	25% – 20%
Computer equipment	3 – 4 years	33% – 25%

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each period is recognised in the Prospective Statement of Comprehensive Revenue and Expense.

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

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

Impairment of property, plant and equipment and intangibles

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

Non-cash generating assets

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

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

restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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

Investment property

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

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

Gains or losses arising from a change in fair value of investment property are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date, or if the borrowings are expected to be settled within 12 months of the balance date.

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

The Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Post-employment entitlements

Superannuation schemes: Obligations for the Authority's contributions to KiwiSaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined-contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expense.

Provisions

The Authority recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified in to the following components:

- General Funds
- Property plant and equipment revaluation reserve
- Passenger security charges and other fees and charges reserves
- Passenger safety reserves

Property revaluation reserve

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

Passenger security reserve

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

Passenger safety reserve

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

Output costing**Criteria for direct and indirect costs**

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

Indirect costs for the Aviation Safety and Regulatory Function, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Indirect personnel, property, occupancy and certain other indirect costs for the Aviation Security Service are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.


Criteria for apportioning Support Services costs

The delivery of shared support services for both the Aviation Safety and Regulatory Function and the Aviation Security Service was established from 7 November 2011. The costs arising in each shared services group (Business Development and Services, and Legal Services) are apportioned to the two operational arms by applying an allocation methodology which reflects the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both Aviation Safety and Regulatory Function and Aviation Security Service bear an equitable share of the costs of providing shared services.

Critical accounting estimates, assumptions and judgments

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

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



Section 4

Additional Prospective Financial Information

Prospective Statement of Comprehensive Revenue and Expense

For the years ended 30 June

	Aviation Safety & Regulatory Function		Aviation Security Service		Civil Aviation Authority	
	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000
Revenue						
Levies revenue	25,676	26,634	-	-	25,676	26,634
Passenger security charges	-	-	76,309	77,498	76,309	77,498
Revenue from other services	8,457	8,946	4,658	4,415	13,115	13,361
Crown funding revenue	2,220	2,220	145	145	2,365	2,365
Ministry contract revenue	1,383	1,374	145	145	1,528	1,519
Interest and other revenue	948	614	834	900	1,782	1,514
Gain/(loss) on assets	-	-	103	-	103	-
Total Revenue	38,684	39,788	82,194	83,103	120,878	122,891
Expense						
Personnel costs	29,297	31,185	59,137	60,706	88,434	91,891
Other costs of services	7,330	7,185	14,362	15,332	21,692	22,517
Audit fees for financial statements	109	115	-	-	109	115
Finance costs	204	-	-	-	204	-
Depreciation and amortisation expense	880	960	3,161	3,094	4,041	4,054
Authority member costs	148	148	-	-	148	148
Total Expenditure	37,968	39,593	76,660	79,132	114,628	118,725
NET SURPLUS / (DEFICIT)	716	195	5,534	3,971	6,250	4,166
Total other comprehensive revenue and expense	-	-	-	-	-	-
Total comprehensive revenue and expense	716	195	5,534	3,971	6,250	4,166

Note 1: The consolidation is net of the elimination of the cost of CAA compliance audit of Avsec under part 140 and 141 of the Civil Aviation Act 1990. The accompanying statement of accounting policies forms part of these prospective financial statements.

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

	Aviation Safety & Regulatory Function			Aviation Security Service			Civil Aviation Authority		
	2015 Estimated Actual \$000	2016 Budget \$000	2016 Budget \$000	2015 Estimated Actual \$000	2016 Budget \$000	2016 Budget \$000	2015 Estimated Actual \$000	2016 Budget \$000	2016 Budget \$000
Equity									
Opening Balance of Equity at 1 July									
General funds	10,204	10,920	10,920	10,429	10,829	10,829	20,633	21,749	21,749
Property, plant and equipment revaluation reserve	-	-	-	746	746	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	9,051	14,185	14,185	9,051	14,185	14,185
Total opening balance of equity at 1 July	10,204	10,920	10,920	20,226	25,760	25,760	30,430	36,680	36,680
Total comprehensive revenue and expense	716	195	195	5,534	3,971	3,971	6,250	4,166	4,166
Transfers to passenger security charges and other fees and charges reserves	-	-	-	5,134	3,571	3,571	5,134	3,571	3,571
Transfers from general funds	-	-	-	(5,134)	(3,571)	(3,571)	(5,134)	(3,571)	(3,571)
Total changes in equity during the year	716	195	195	5,534	3,971	3,971	6,250	4,166	4,166
Closing balance of taxpayers' equity at 30 June									
General funds	10,920	11,115	11,115	10,829	11,229	11,229	21,749	22,344	22,344
Property, plant and equipment revaluation reserve	-	-	-	746	746	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	14,185	17,756	17,756	14,185	17,756	17,756
Total closing balance of taxpayers' equity at 30 June	10,920	11,115	11,115	25,760	29,731	29,731	36,680	40,846	40,846

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

Prospective Statement of Financial Position

As at 30 June

	Aviation Safety & Regulatory Function		Aviation Security Service		Civil Aviation Authority	
	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000
Current Assets						
Cash and cash equivalents	1,818	2,169	2,252	2,868	4,070	5,037
Debtors and other receivables	4,557	4,711	8,472	8,506	13,029	13,217
Services work in progress	41	41	-	-	41	41
Investments – term deposits	6,550	6,550	21,200	21,200	27,750	27,750
Total Current Assets	12,966	13,471	31,924	32,574	44,890	46,045
Non-Current Assets						
Property, plant and equipment	3,189	3,188	9,447	13,361	12,636	16,549
Intangible assets	581	301	1,394	818	1,975	1,119
Investment Property	-	-	250	250	250	250
Total Non-Current Assets	3,770	3,489	11,091	14,429	14,861	17,918
Total Assets	16,736	16,960	43,015	47,003	59,751	63,963
Current Liabilities						
Creditors and other payables	3,097	3,124	4,130	3,468	7,227	6,592
Employee entitlements	2,285	2,287	5,743	5,788	8,028	8,075
Total Current Liabilities	5,382	5,411	9,873	9,256	15,255	14,667

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	Aviation Safety & Regulatory Function		Aviation Security Service			Civil Aviation Authority	
	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000	
Non-Current Liabilities							
Employee entitlements	360	360	5,248	5,248	5,608	5,608	
Provisions	74	74	2,134	2,768	2,208	2,842	
Total Non-Current Liabilities	434	434	7,382	8,016	7,816	8,450	
Total Liabilities	5,816	5,845	17,255	17,272	23,071	23,117	
Net Assets	10,920	11,115	25,760	29,731	36,680	40,846	
Equity							
General funds	10,920	11,115	10,829	11,229	21,749	22,344	
Property, plant and equipment revaluation reserve	-	-	746	746	746	746	
Passenger security charges and other fees and charges reserves	-	-	14,185	17,756	14,185	17,756	
Total Equity	10,920	11,115	25,760	29,731	36,680	40,846	

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

Prospective Statement of Cash Flows

For the years ended 30 June

	Aviation Safety & Regulatory Function		Aviation Security Service		Civil Aviation Authority	
	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000	2015 Estimated Actual \$'000	2016 Budget \$'000
Cash Flows From Operating Activities						
Cash was provided from:						
Receipts from levies	31,044	31,882	-	-	31,044	31,882
Receipts from Passenger security charges and other services	8,880	9,322	93,413	94,199	102,293	103,521
Receipts from Crown funding and Ministry contracts	3,678	3,694	301	301	3,979	3,995
Interest and other revenue	948	613	1,627	1,533	2,575	2,146
Total	44,550	45,511	95,341	96,033	139,891	141,544
Cash was applied to:						
Payments to employees	(27,306)	(29,320)	(56,591)	(58,586)	(83,897)	(87,906)
Payments to suppliers	(10,780)	(10,703)	(19,069)	(20,773)	(29,849)	(31,476)
Interest paid	(204)	-	-	-	(204)	-
Payments of capital charge to the Crown	-	-	-	-	-	-
Goods and Services Tax (net)	(4,211)	(4,458)	(9,621)	(9,625)	(13,832)	(14,083)
Total	(42,501)	(44,481)	(85,281)	(88,984)	(127,782)	(133,465)
Net Cash Flows from Operating Activities	2,049	1,030	10,060	7,049	12,109	8,079
Cash Flows From Investing Activities						
Cash Was Provided From:						
Maturity of investments	1,700	-	-	-	1,700	-
Total	1,700	-	-	-	1,700	-

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	Aviation Safety & Regulatory Function		Aviation Security Service		Civil Aviation Authority	
	2015 Estimated Actual \$000	2016 Budget \$000	2015 Estimated Actual \$000	2016 Budget \$000	2015 Estimated Actual \$000	2016 Budget \$000
Cash was applied to:						
Placement of investments	-	-	(6,200)	-	(6,200)	-
Purchase of property plant and equipment	(374)	(629)	(2,365)	(6,313)	(2,739)	(6,942)
Purchase of intangible assets	(219)	(50)	(841)	(120)	(1,060)	(170)
Total	(593)	(679)	(9,406)	(6,433)	(9,999)	(7,112)
Net Cash Flows from Investing Activities						
	1,107	(679)	(9,406)	(6,433)	(8,299)	(7,112)
Cash Flows From Financing Activities						
Cash Was Provided From:						
Proceeds from external borrowings	-	-	-	-	-	-
Total	-	-	-	-	-	-
Cash was applied to:						
Repayment of external borrowings	(2,940)	-	-	-	(2,940)	-
Total	(2,940)	-	-	-	(2,940)	-
Net Cash Flows from Financing Activities						
Net increase/decrease in cash and cash equivalents	216	351	654	616	870	967
Opening cash and cash equivalents at 1 July	1,602	1,818	1,598	2,252	3,200	4,070
Closing cash & cash equivalents at 30 June	1,818	2,169	2,252	2,868	4,070	5,037

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

Prospective Reconciliation of Equity: Aviation Safety and Regulatory Function

For the years ended 30 June

2016 Budget \$'000	Fixed Fee	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (including Levies)
Revenue	2,949	5,998	3,594	27,248
Expenditure	(4,020)	(10,777)	(5,123)	(19,674)
Net surplus / (deficit)	(1,071)	(4,779)	(1,529)	7,574
Opening balance at 1 July	-	-	-	10,920
Transfer (from) to other reserves	1,071	4,779	1,529	(7,379)
Closing balance at 30 June	-	-	-	11,115

2015 Estimated Actual \$'000	Fixed Fee	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (including Levies)
Revenue	2,909	5,549	3,603	26,624
Expenditure	(4,017)	(10,455)	(4,525)	(18,972)
Net surplus / (deficit)	(1,108)	(4,906)	(922)	7,652
Opening balance at 1 July	-	-	-	10,204
Transfer (from) to other reserves	1,108	4,906	922	(6,936)
Closing balance at 30 June	-	-	-	10,920

Prospective Reconciliation of Equity: Aviation Security Service

For the years ended 30 June

2016 Budget \$000	International Passenger Security Charges	Domestic Passenger Security Charges	Total Passenger Security Charges	Other Fees / Charges	Total Specific Reserves	Property, Plant and Equipment revaluation reserve	General Funds
Revenue	56,149	21,349	77,498	4,705	82,203	-	-
Expenditure	(51,350)	(21,977)	(73,327)	(4,905)	(78,232)	-	-
Net surplus / (deficit)	4,799	(628)	4,171	(200)	3,971	-	-
Opening balance at 1 July	8,335	6,080	14,415	(230)	14,185	746	10,829
Transfer (from) to specific reserves	(280)	(120)	(400)	-	(400)	-	400
Closing balance at 30 June	12,854	5,332	18,186	(430)	17,756	746	11,229

2015 Estimated Actual \$000	International Passenger Security Charges	Domestic Passenger Security Charges	Total Passenger Security Charges	Other Fees / Charges	Total Specific Reserves	Property, Plant and Equipment revaluation reserve	General Funds
Revenue	55,153	21,155	76,308	4,961	81,269	-	-
Expenditure	(49,449)	(21,095)	(70,544)	(5,191)	(75,735)	-	-
Net surplus / (deficit)	5,704	60	5,764	(230)	5,534	-	-
Opening balance at 1 July	2,911	6,140	9,051	-	9,051	746	10,429
Transfer (from) to specific reserves	(280)	(120)	(400)	-	(400)	-	400
Closing balance at 30 June	8,335	6,080	14,415	(230)	14,185	746	10,829

Prospective Capital Expenditure

For the years ending 30 June

Proposed Capital Expenditure	Aviation Safety & Regulatory Function \$000		Aviation Security Service \$000	
	Estimated Actual 2015	Budget 2016	Estimated Actual 2015	Budget 2016
Computer hardware	291	288	112	-
Computer software	220	301	841	120
Plant & equipment	10	10	1,406	5,617
Furniture & fittings	-	-	5	-
Motor vehicles	73	80	361	696
Leasehold Improvements	-	-	481	-
Total	594	679	3,206	6,433



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