

STATEMENT OF PERFORMANCE EXPECTATIONS

2014/15

Maritime New Zealand Statement of Performance Expectations

2014/15

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Maritime New Zealand
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This document is available on our website: maritimenz.govt.nz

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Board statement

The information contained in this Statement of Performance Expectations (SPE) for Maritime NZ has been prepared in accordance with section 149 of the Crown Entities Act 2004.

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

The information contained in this Statement of Performance Expectations is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2014/15 Estimates) Bill.



David Ledson
Chairman, Maritime NZ

Date: 30 June 2014



Belinda Vernon
Authority member, Maritime NZ

Date: 30 June 2014

Overview

This SPE sets out Maritime NZ's annual performance information for the 12-month period ending 30 June 2015.

This statement contains a collection of key indicators that measure the overall quality of Maritime NZ's operational activities and services that enable us to achieve our three operational strategic goals (as set out in our *Statement of Intent 2014–20*).




Those goals are:

- regulation that is relevant and robust
- risk-focused, responsive compliance practices that reduce harm in the maritime system
- response capability that is well prepared and effectively deployed to resolve emergency incidents.

The activities we undertake to enhance our organisational capability and which contribute to our fourth strategic goal – *a results-driven, resilient organisation, working collaboratively for success* – are not considered part of our operational activities and are therefore not reflected in our output measures or described in this document. These activities, and associated performance measures, are covered in our *Statement of Intent 2014–20*.

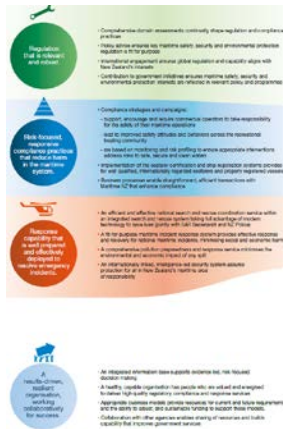
Our approach to measuring performance

To understand the contribution we are making as New Zealand's maritime regulatory, compliance and response agency, our approach is to set indicators and monitor performance at three levels:

The level at which we measure performance	Why we measure
System level:	To monitor the extent to which the New Zealand's maritime system is safe, secure and clean.
	<i>Changes at this level depend on complex, dynamic interactions and factors that Maritime NZ has only limited or indirect control over. As a result, improvement in the system tends to occur very slowly and is often only observable in retrospect. Although Maritime NZ's direct control of change at this level is limited it is still important to monitor indicators that demonstrate changes in the long term since this information helps Maritime NZ determine and adjust its contribution to the system, and shapes Maritime NZ's strategic objectives and direction in the medium term.</i>
	
	
	System level performance measures are outlined in the <i>Statement of Intent 2014–2020</i> .
	Progress against these measures is reported through Maritime NZ's annual report.



Strategic:



To understand the impact of our collective activities and their contribution to improvements over the medium term.

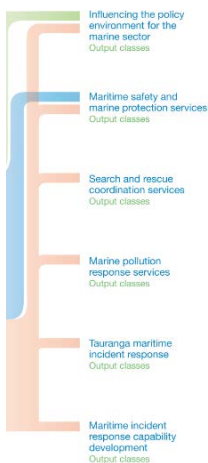
As a regulatory, compliance and response agency, Maritime NZ engages in activities that collectively support, encourage and require all maritime sector participants to demonstrate safety, security and environmentally responsible standards and behaviours. While Maritime NZ is able to control or directly influence some of the factors that shape people's willingness to comply (such as the costs and ease of compliance) it cannot control all of them (eg tight fiscal conditions can encourage business to take greater risks as a result of reducing expenditure on safety-related costs and practices). We also work closely with range of stakeholders to help us sustain and widen our level of influence.

Monitoring our impact at this level is critical to ensuring that Maritime NZ's activities are directed appropriately ie where they can make most difference over time.

Our strategic performance measures are outlined in the *Statement of Intent 2014-2020*.

Progress against these measures is reported through Maritime NZ's quarterly reports to the Minister of Transport and in Maritime NZ's annual report.

Operational:



To understand and continuously improve the quality of Maritime NZ's core activities and functions.

Everything we do impacts on our effectiveness as a regulatory and response agency. All of our activities influence the behaviours of those we regulate and rescue. They also support our ability to work with our key government partners, industry and the recreational sector to achieve our goals. The quality of what we deliver is directly within our control and therefore critical to our success. As a result we monitor our operational performance on a regular basis by tracking our 'effort' (through quantity, timeliness, quality and cost indicators), and its immediate short-term impact.

Our activities are organised into six output classes:

- Output class 1: Influencing the policy environment for the maritime sector
- Output class 2: Maritime safety and marine protection services
- Output class 3: Marine pollution response service
- Output class 4: Search and rescue coordination services
- Output class 5: Response to the Tauranga maritime incident
- Output class 6: Maritime incident response capability development



The performance measures for these outputs are described in detail in the remainder of this document and include indicators that capture the following dimensions of performance:




- quality
- quantity
- timeliness
- satisfaction.

Progress against these measures is reported through Maritime NZ's quarterly reports to the Minister of Transport and Maritime NZ's annual report.

How our outputs contribute to Maritime NZ's strategic goals

Maritime NZ's outputs reflect its functions as detailed in the *Statement of Intent 2014–2020*. The following table sets out the contribution of our outputs to our desired strategic goals.

KEY  Direct contribution  Indirect contribution NB: Where there is no dot, there may still be a small contribution

FUNCTION	OUTPUT CLASS	STRATEGIC GOAL		
		 Regulation that is relevant and robust	 Risk-focused responsive compliance practices that reduce harm in the maritime system	 Response capability that is well prepared and effectively deployed to resolve emergency incidents
Regulation and compliance	1.1 Development and provision of technical maritime policy advice	●	●	●
	1.2 Reviews of the maritime transport system	●	●	
	1.3 Maritime security and intelligence advice		●	●
	1.4 Ministerial servicing	●		
	2.1 Information and education	●	●	
	2.2 Entry controls	●	●	
	2.3 Monitoring and investigation	●	●	●
	2.4 Enforcement of compliance	●	●	●
Provision of maritime safety infrastructure	2.5 Distress and safety communication services		●	●
	2.6 Aids to navigation		●	●
Response to incidents	3.1 Marine oil spill pollution response services		●	●
	4.1 Coordination of search and rescue operations		●	●
	4.2 Management of NZ's emergency distress beacon system			●
	5.1 <i>Rena</i> non-oil incident response			●
	6.1 Maritime incident response capability development (non-oil)		●	●
	6.2 Offshore oil spill response capability development		●	●

Statement of performance expectations

Output class 1	Influencing the policy environment for the maritime sector
What this class of outputs is intended to achieve	Provision of evidence-based technical advice that enables the development of robust, timely and fit-for-purpose policy and regulation in relation to maritime safety, security and environmental protection; and the provision of services to ministers to enable them to discharge their portfolio accountabilities.
What we do	<p>This output class involves the provision of:</p> <ul style="list-style-type: none"> • policy advice to support decision-making by Ministers on government policy matters relating to maritime safety and security and protection of the marine environment • contribution to the negotiation of international agreements, treaties and conventions • engagement at the International Maritime Organization • ministerial services.
Sub-output classification	<p>This class contains the following related outputs:</p> <ul style="list-style-type: none"> 1.1: Development and provision of technical maritime policy advice 1.2: Reviews of the maritime transport system 1.3: Maritime security and intelligence advice 1.4: Ministerial servicing.
How does this class of outputs contribute to our strategic goals?	<p>Influencing the policy environment for the maritime sector directly contributes to our long-term strategic goal of creating <i>regulation that is relevant and robust</i> and supports our ability to develop <i>risk-focused, responsive compliance practices that reduce harm in the maritime system</i> and support the development of our <i>response capability that is well prepared and effectively deployed to resolve emergency incidents</i>.</p>

Output 1.1	Development and provision of technical maritime policy advice
Description of output	<p>Development and provision of technical maritime policy advice including:</p> <ul style="list-style-type: none"> • provision of technical safety advice (directly, and in association with the Ministry of Transport) in relation to maritime sector policy and legislation • contribution to the negotiation of international agreements, treaties and conventions • engagement in relationships with other international maritime administrations • contribution to the development of policy advice by departments and local government agencies • development of rules and other legislative instruments under the maritime acts • advice on Pacific safety initiatives, as funded by the Ministry of Foreign Affairs and Trade.
Why this output is important	Sound, clear, concise and timely policy advice is essential to enable the development of appropriate maritime sector legislation to support international agreements, treaties and conventions, and to promote effective maritime initiatives that support Maritime NZ's key outcomes.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
All written policy reports/advice to Ministers meet Maritime NZ's quality criteria ¹	100%	100%	100%
All written policy reports/advice to Ministers is completed by the due date ²	100%	100%	100%
Rules programme completed subject to variations agreed with the Ministry of Transport	100%	100%	100%

¹ Quality criteria defined as "form, content, and quality of analysis" – evidenced through internal quality control procedures.

² Timeframes are variable, depending on the type of advice, as agreed with Ministry of Transport. Adherence to relevant timeframes will be evidenced through internal quality control procedures.

Output 1.2	Reviews of the maritime system
Description of output	Regular reviews of the maritime system to promote the improvement and development of its safety and security.
Why this output is important	Regular review of the frameworks that underpin the maritime system are vital to ensure that they remain relevant to the maritime industry, support international best practice and minimise the costs imposed on sector participants.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Outcome evaluation framework ³ developed for the Seafarer Certification (SeaCert) Framework	New measure	New measure	Achieved
Outcome evaluation framework developed for the Maritime Operator Safety System (MOSS)	New measure	New measure	Achieved

³ The outcome evaluation frameworks for SeaCert and MOSS will inform the longer term development of an organisational Evaluation Framework for Maritime NZ as referred to in our Statement of Intent's Strategic Work Programme. (p24)

Output 1.3 Maritime security and intelligence advice	
Description of output	<p>Key functions:</p> <ul style="list-style-type: none"> to ensure effective implementation of the International Ship and Port Facility Security (ISPS) Code, in accordance with the Maritime Security Act to take such action as may be appropriate in the public interest to enforce the provisions of the Maritime Security Act and of the regulations and rules made under this Act, including carrying out inspections and audits.
Why this output is important	<p>It is important for New Zealand to comply with the ISPS Code. Failure to comply could result in New Zealand ports and ships being 'blacklisted', which would be likely to have negative consequences for New Zealand's international trade and economic well-being.</p> <p>The delivery of intelligence provides situational awareness and warning and is a key enabler of maritime security outcomes. Maritime NZ ensures that its intelligence capability is delivered by being connected to the all-of-government intelligence framework and through sustainable relationships with industry.</p>

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Proportion of foreign ship voyages screened for security non-compliance annually ⁴	100%	100%	100%
All known security threats to New Zealand port facilities are identified and appropriate actions taken ⁵	100%	100%	100%
Proportion of ships that are identified high-risk (of security non-compliance) inspected for security deficiencies annually ⁶	New measure	New measure	80%
Proportion of ports ⁷ checked by Maritime NZ as having audited their security capability against the requirements of the Maritime Security Act	New measure	New measure	100%

⁴ On average 840 foreign vessels make 2,271 voyages and, 5,687 port calls annually (based on a three-year average). Maritime NZ is not currently able to screen all the voyages made by foreign ships due, to the manual processes used for sharing information (between vessels, New Zealand Customs and other agencies) and limited internal resource. However, automated information sharing processes are being developed. Once these are in place Maritime NZ aims to screen all ships, but does not expect to meet this target for at least 18–24 months.

⁵ Maritime NZ uses the national framework to identify and assess potential security risks and then make a decision about how to address these. Appropriate actions may include providing information to ports and other agencies on a case-by-case basis, or requiring a change in the content of port security plans. The confidential nature of security information means it is not appropriate to provide detail about the volume and quality of this work, and as a result Maritime NZ expects to consistently meet the stated target of 100%. The indicator is included to signal importance of this activity.

⁶ Maritime NZ's regional inspection schedules determine the number of ships inspected for safety and security deficiencies. Schedules are themselves dependent on receiving timely information and the location and availability of Maritime Officers.

⁷ New Zealand has 21 ports (14 commercial trading ports and seven installations).

Output 1.4	Ministerial servicing
Description of output	Provision of services to Ministers to enable them to discharge their portfolio responsibilities, including drafting replies to ministerial correspondence, responding to Official Information Act requests and parliamentary questions, and providing support at select committees on non-legislative matters.
Why this output is important	Being able to respond promptly to requests for information from Ministers, select committees and Official Information Act requests is an important part of Maritime NZ's accountability to government and the New Zealand public in general.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Replies to ministerial correspondence and parliamentary questions meet agreed quality criteria ⁸	95%	100%	97%
Ministerial correspondence and parliamentary questions provided within agreed timeframes ⁹	100%	100%	100%

Summary of output class 1: Influencing policy environment for the maritime sector			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Crown funding	3,619	3,619	3,921
Crown agency funding	1,125	1,115	1,174
Maritime levy	2,522	2,870	800
Other third-party funding	265	255	150
Total revenue	7,531	7,859	6,045
Total expenditure	7,454	8,664	6,031
Surplus(deficit)	77	(805)	14

⁸ Quality criteria as per internal procedures – evidenced through internal sign off.

⁹ Timeframes are variable, as agreed with Ministry of Transport; adherence to timeframes will be evidenced through internal quality control procedures.

Output class 2	Maritime safety and marine protection services
<p>What this class of outputs is intended to achieve</p>	<p>In combination, these related outputs provide an integrated approach to achieving compliance with safety, security and marine protection requirements.</p> <p>Modern regulatory theory and practice reflects an understanding that the majority of participants in a regulated sector will do the right thing if they are well informed about and supported to meet their obligations; entry controls ensure that participants meet appropriate standards and have relevant knowledge and experience; monitoring, investigation and enforcement activities ensure that participants who are not inclined to meet their obligations will do so, and hold them to account, where necessary, if they do not. These activities also provide information that can be used to inform the on going improvement and adjustment of standards that underpin regulatory system.</p> <p>Aids to navigation support safety outcomes by signalling hazards, and distress and safety communication services provide a safety net for those who get into difficulty.</p>
<p>What we do?</p>	<p>This class involves the development and delivery of regulatory and compliance services that are the responsibility of Maritime NZ as a result of the:</p> <ul style="list-style-type: none"> • Maritime Transport Act • Ship Registration Act • Maritime Security Act • Health and Safety in Employment Act • Hazardous Substances and New Organisms Act.
<p>Sub-output classification</p>	<p>This output class contains the following related outputs:</p> <ul style="list-style-type: none"> 2.1: Information and education 2.2: Entry controls 2.3: Monitoring and investigation of compliance 2.4: Enforcement of compliance 2.5: Distress and safety communication services 2.6: Aids to navigation.
<p>How does this class of outputs contribute to our strategic goals?</p>	<p>Maritime safety and marine protection services contribute primarily to the long term strategic goal of <i>risk-focused, responsive compliance practices that reduce harm in the maritime system</i>. Their secondary contribution is to <i>regulation that is relevant and robust</i> through the information gained from compliance activities.</p>

Output 2.1	Information and education
Description of output	<p>This output involves the provision of information and education services to, and liaison with, the maritime sector to promote maritime safety and security, and protection of the marine environment. Key functions include:</p> <ul style="list-style-type: none"> • provision of recreational boating safety and awareness services • information/education for the domestic commercial maritime sectors.
Why this output is important	<p>Informing and educating users of our seas and waterways to encourage compliance with regulations and the adoption of safe practices is one way Maritime NZ's implements its regulatory strategy. Well-informed participants in the maritime sector are more likely to be able to meet their obligations and want to meet them.</p> <p>Maritime NZ has recently adopted an online first policy, with publications being printed by exception. Safety information on the Maritime NZ website, safety resource packs and an annual television advertising campaign are some of the preventative methods Maritime NZ uses to promote safety within the recreational boating sector. Maritime NZ also has a number of publications available on order from our website, and issues safety updates and other material for both the recreational and commercial maritime community. A regular way of connecting with these audiences is through our corporate publication <i>Safe Seas Clean Seas/Lookout!</i> and the e-newsletter <i>SeaChange</i>.</p>

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Delivery of safety information distributed through the following channels:			
<ul style="list-style-type: none"> • multimedia annual summer safety campaign (television, radio, online and print) 	New measure	New measure	1
<ul style="list-style-type: none"> • safe boating packs¹⁰ 	New measure	New measure	45,000
<ul style="list-style-type: none"> • key publication <i>Lookout!/Safe Seas Clean Seas</i>¹¹ produced and distributed 	New measure	New measure	3
<ul style="list-style-type: none"> • number of visits to Maritime NZ's recreational boating campaign website page 	New measure	New measure	4,000
<ul style="list-style-type: none"> • number of e-publication¹² subscribers 	New measure	New measure	2,500

¹⁰ Safe boating packs targeting the recreational boating community are distributed free via boat shows, the Maritime NZ website and Z service stations throughout New Zealand.

¹¹ This publication is circulated to approximately 6,000 recipients in printed form and also distributed via online channels.

¹² Includes *Lookout!/Safe Seas Clean Seas* and *SeaChange* e-publications.

Output 2.2	Entry controls
Description of output	<p>Exercise of entry controls (including continued eligibility) of operators, vessels, seafarers, products, services, ports, installations and facilities into the maritime system and/or the marine environment, under maritime and related legislation. Key functions include:</p> <ul style="list-style-type: none"> • registration of New Zealand-owned ships • issuing marine protection documents • issuing maritime documents and certificates • vessel security and port security assessments • certification of seafarers and training providers • issuing exemptions from the need to comply with maritime and marine protection rules.
Why this output is important	Entry controls ensure that people and vessels operating in New Zealand's maritime start with and maintain the right standards, knowledge and experience.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
All applications ¹³ for the issue of a maritime or marine protection document, or other statutory certificate/permit, are processed in accordance with a published service charter ¹⁴	100%	100%	100%
The proportion of applications received that are declined annually ¹⁵	New measure	New measure	<1%
The proportion of declined applications that are successfully challenged by the applicant	New measure	New measure	Nil

¹³ Applications include ship registrations, marine protection documents, maritime documents and certificates, and exemptions from rules.

¹⁴ Maritime NZ's service charter is published on its website: maritimenz.govt.nz/contact-us

¹⁵ This is an indicator of Maritime NZ's ability to effectively inform and educate operators about their entry requirements,

Output 2.3		Monitoring and investigation		
Description of output	Monitoring and investigation of compliance with maritime legislation and other related legislation. Key functions include: <ul style="list-style-type: none"> inspections of ships registered in other countries when they arrive in New Zealand for compliance with International Maritime Organization requirements (port state control inspections) annual flag state control (SOLAS convention) inspection of New Zealand-registered ships that comply with the Convention for Safety of Life at Sea inspection and oversight of domestic commercial vessels and their documents, to ensure compliance with legislation and survey vessel standards audit of New Zealand operators, vessels, facilities, products, services, documents and delegations, and requirement of compliance with the documents and delegations investigations and responses to accidents and incidents, regulatory non-compliance, breaches of maritime security requirement, and complaints. 			
Why this output is important	Inspections, audits and investigations ensure participants continue to meet their obligations and provide information to support the on going improvement of the regulatory system.			
How we will assess our performance?		2013/14 target	2013/14 estimated actual	2014/15 target
<i>International vessels</i>				
Proportion of Priority 1 ¹⁶ vessels coming into New Zealand that have been inspected by Maritime NZ		New measure	New measure	70%
The number of operations focusing on the systems intended to prevent collisions, groundings and fires		New measure	New measure	4
Percentage of collisions, groundings and other serious navigational incidents investigated		New measure	New measure	80%
<i>Domestic commercial vessels</i>				
Number of intelligence-led operations targeting non-compliant operators		6	6	3
Number of safety initiatives and education programmes undertaken		4	4	3
Percentage of MOSS applications processed within three months of receipt of completed application ¹⁷		New measure	New measure	90%
Time taken to complete MOSS audits is within the estimated timeframes (1–2 vessels: 6–14 hours; 10 vessels: 10.5–24 hours; Large operators (>10 vessels): 13.5–39 hours).		New measure	New measure	90%
<i>Recreational boating</i>				
Targeted safety operations and compliance checks undertaken by Maritime NZ staff and Safe Boating Advisors		2	2	6

¹⁶ Priority 1 ships are those identified within the Tokyo MOU's new inspection regime as being mandatory for inspection, as the time window for eligible inspection has closed visit www.tokyo-mou.org.

¹⁷ Completed applications must include the following: Maritime Transport Operator Certificate (MTOC) application; Maritime Transport Operator Plan (MTOPlan); fit and proper person form(s); and application fee payment.

Output 2.4	Enforcement of compliance
Description of output	<p>Enforcement of compliance with, and the exercise of exit controls under, maritime and related legislation. Key functions include:</p> <ul style="list-style-type: none"> • suspension of, or imposition of conditions on, maritime or marine protection documents • detention of ships and seizure of products under the Maritime Transport Act • follow-up, second and subsequent inspections to review non-conformity and corrective action notices, suspensions, conditions and detentions • issuing infringement notices under the Maritime Transport Act • issuing improvement notices and prohibition notices under the Health and Safety in Employment Act • prosecution of offences under the Maritime Transport Act • exit controls – removal of ships from the register, and revocation of maritime and marine protection documents.
Why this output is important	Enforcement activity holds participants to account when they have failed to meet their obligations and deters non-compliance by other participants.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Prosecutions brought under the Maritime Transport Act that are successful	75%	100%	75%
Prosecutions brought under the Health and Safety in Employment Act that are successful	75%	100%	75%

Output 2.5	Distress and safety communication services
Description of output	Provision of distress and safety radio services to the maritime sector.
Why this output is important	Distress and safety radio services help prevent participants in the maritime sector from getting into difficulty, and provide a safety net for those who do. It is critical that the services are fully operational on a 24-hour basis, to receive distress calls, issue broadcasts and respond to requests for assistance or information over the maritime network.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Radio station availability ¹⁸	99.8%	99.8%	99.8%
24-hour distress/safety radio service provided ¹⁹	100%	100%	100%

¹⁸ This indicator measures the availability of the very high frequency (VHF) services, high frequency (HF) voice & HF digital selective calling (DSC). Outages are logged by Maritime Operations Centre (MOC) operator: start is "fault first found", and end is "fault repaired". The target is based on category 1 Aids to Navigation (AtoN) but there are no actual international targets for radio. Outages are logged in the MOC database and reported in the monthly MOC report.

¹⁹ This measure is intended to show the MOC is fully operational and available to receive distress calls, issue maritime safety information (MSI) broadcasts and respond to requests for assistance or information over the maritime network. The measure is reported in the monthly MOC report, with issues reviewed during contractor meetings. Performance should be 100% unless there is a major outage or disaster that means the MOC cannot be manned.

Output 2.6	Aids to navigation
Description of output	<p>This output is intended to achieve the provision of reliable maritime navigation aids, which are essential to safely guide vessels around New Zealand and support the avoidance of hazards. Key functions include:</p> <ul style="list-style-type: none"> provision of navigational aids for shipping on New Zealand's coast and adjacent islands oversight of navigational aids owned by ports and other organisations.
Why this output is important	In a country with more than 15,000 kilometres of coastline, much of it rugged and remote, reliable maritime navigation aids are essential to safely guide vessels around New Zealand. Aids to navigation signal, and support the avoidance of, hazards to navigation.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Lighthouse availability ²⁰	99.8%	100%	99.8%
Day beacons/buoys availability	97%	100%	97%

Summary of output class 2: Maritime safety and marine protection services			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Crown funding	1,937	1,937	2,111
Fuel excise duty	2,348	2,330	2,560
Health and safety in employment funding	928	954	954
Maritime levy	13,111	14,916	16,972
Fees	2,998	2,710	5,669
Other third-party funding	791	761	723
Total revenue	22,113	23,608	28,989
Total expenditure	22,185	23,156	28,973
Surplus(deficit)	(72)	452	16

²⁰ The target is based on international figure for category 1 AtoN. Outages are recorded by Maritime NZ in a database. The start is when an outage is first reported and the finish is when the site is repaired. Outages are notified either via the Maritime NZ monitoring system (if monitored), the Rescue Coordination Centre New Zealand, or MOC from a vessel via maritime radio, or by a member of the public.

Output class 3	Marine Pollution Response Service
What this class of outputs is intended to achieve	Through this output class, Maritime NZ contributes directly to the desired outcome of a marine environment that is clean and protected through the delivery of services that ensure New Zealand's preparedness for and ability to respond to marine oil spills.
What we do?	The Marine Pollution Response Service is staffed by a dedicated team of trained oil spill response experts who look after the stockpiles of specialist oil response equipment and provide oil spill exercises and training opportunities for more than 500 regionally based oil spill responders around New Zealand.
Sub-output classification	This class contains the following output: <ul style="list-style-type: none"> 3.1: Marine oil spill pollution response services.
How does this class of outputs contribute to our strategic goals?	The marine pollution response service contributes primarily to the long-term strategic goal of a <i>response capability that is well prepared and effectively deployed to resolve emergency incidents.</i>

Output 3.1	Marine oil spill pollution response services
Description of output	Ensuring New Zealand's preparedness for and ability to respond to marine oil spills.
Why this output is important	Response preparedness is vital in minimising the impact of oil pollution. The Marine Pollution Response Service is staffed by a dedicated team of training oil spill response experts, who look after the stockpiles of specialist oil spill response equipment and provide oil spill exercises and training opportunities for more than 500 regionally based oil spill responders around New Zealand.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Percentage of regional councils who have trained responders at or above 80% of recommended number	>75%	94%	100%
Percentage of regional (19) and national (1) stockpiles maintained within last 12 months	New measure	New measure	100%
Percentage of regional (19) and national (1) stockpiles inspected within 12-month period ending 30 June 2015	New measure	New measure	100%
Percentage of Tier 2 oil spills responded to effectively by regional councils, independently assessed through Oil Spill Duty Officer reports	New measure	New measure	>90%
Percentage of regional council Tier 2 oil spill plans that are current	85%	88%	100%

Summary of output class 3: Marine Pollution Response Service			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Oil Pollution Levy	5,528	5,659	5,864
Other third-party funding	86	90	86
Total revenue	5,614	5,749	5,950
Total expenditure	4,996	4,700	5,449
Surplus(deficit)	648	1,049	501

Output class 4	Search and rescue coordination services
What this class of outputs is intended to achieve	This class of outputs is intended to achieve a prompt and well-coordinated search and rescue response (across sea, air and land environments) that saves lives and provides assurance for all people in New Zealand's search and rescue region. Efficient and effective search and rescue operations are supported by distress beacon technology, including a ground station in New Zealand linked to the international satellite system.
What we do?	This output class involves the maintenance and operation of a search and rescue coordination centre to coordinate and conduct search and rescue operations in the sea, air and land environments within the internationally mandated New Zealand search and rescue region. ²¹
Sub-output classification	This class contains the following related outputs: 4.1: Coordination of search and rescue operations 4.2: Management of New Zealand's distress beacon system.
How does this class of outputs contribute to our strategic goals?	Search and rescue coordination services contribute primarily to the strategic goal of a <i>response capability that is well prepared and effectively deployed to resolve emergency incidents</i> .

Output 4.1	Coordination of search and rescue operations
Description of output	Coordinate and conduct sea, air and land search and rescue operations through a search and rescue coordination centre (Rescue Coordination Centre of New Zealand) operated around the clock, including management of the distress beacon system for New Zealand.
Why this output is important	A prompt and well-coordinated search and rescue response, across sea, air and land environments that saves lives and provides assurance for all people in New Zealand's international area of responsibility.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Percentage of the time a minimum of two fully trained search and rescue officers are on duty 24/7	100%	100%	100%
Logged incidents resolved by communications action only	75%	78%	75%
Percentage of the time the 24/7 uninterrupted coordination service is provided	100%	100%	100%

²¹ As delegated by the Minister of Transport under section 431 (3) of the Maritime Transport Act 1994 in relation to section 14B (1) (a) of the Civil Aviation Act 1990.

Output 4.2	Management of New Zealand's distress beacon system
Description of output	Operation and maintenance of the ground-based equipment that forms part of the international satellite system that detects, locates and alerts search and rescue authorities about distress beacons, and the operation and maintenance of the distress beacons database.
Why this output is important	It is possible for beacons to be activated for accidental or faulty reasons that do not require a response. Registration of beacons enables Maritime NZ to distinguish between accidental and intentional activations and ensure that responses are only initiated for genuine activations. Maintenance of the beacon database allows Maritime NZ to ensure cost effective rescue responses occur. The Rescue Coordination Centre of New Zealand monitors all distress beacon activations within its search and rescue region. ²²

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Availability of ground-based satellite equipment	98%	99%	98%
Percentage of beacons' data verified every two years (at 30 June)	65%	23%	65%
Beacon registrations received by the Rescue Coordination Centre and processed into the database by next working day	98%	86%	98%

Summary of output class 4: Search and rescue coordination services			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Crown funding	3,316	3,315	3,316
Fuel excise duty	1,128	754	1,594
Other third party funding	176	91	76
Total revenue	4,620	4,160	4,986
Total expenditure	4,739	4,548	5,063
Surplus(deficit)	(119)	(388)	(77)

²² Modern distress beacons (operating on the 406MHz frequency) contain unique identification codes that allow users to register information against the beacon, such as names and contact details of the user, user activity, user vessel or vehicle details, emergency contacts and next of kin. For New Zealand-registered beacons, this information is maintained in a database operated and managed by Rescue Coordination Centre New Zealand. This ensures efficient and effective search and rescue operations, and saves costs by reducing the number of responses to false alerts.

Output class 5	Tauranga maritime incident response
What this class of outputs is intended to achieve	This output is intended to achieve effective oversight of <i>Rena</i> response activities by Maritime NZ staff and third-party operators, including oil spill response, salvage and clean-up operations, and managing stakeholder communications. Enabling effective response to and recovery from this major maritime incident has been important for environmental, cultural and economic reasons.
What we do?	Through this output class, direction and oversight are provided for all Maritime NZ operations in Tauranga following the grounding of the container vessel <i>Rena</i> . This includes salvage and clean-up operations, application of health and safety regulations, and management of communications with local and national stakeholders.
Sub-output classification	This class contains the following output: 5.1: <i>Rena</i> non-oil incident response.
How does this class of outputs contribute to our strategic goals?	The Tauranga maritime incident response contributes primarily to the long term strategic goal of a <i>response capability that is well prepared and effectively deployed to resolve emergency incidents</i> .

Output 5.1	<i>Rena</i> non-oil incident response
Description of output	To provide oversight and support for the Tauranga oil spill response, and salvage activity, following the grounding of the <i>Rena</i> .
Why this output is important	The <i>Rena</i> grounding has been New Zealand's most significant maritime environmental incident. Ensuring an effective response to, and supporting and effective recovery from, this incident is important for environmental, cultural and economic reasons. Learning from this response to inform improved responses to any other such incidents is also critical.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Maritime NZ provides effective oversight ²³ of ongoing <i>Rena</i> response activities by third-party operators, covering: wreck reduction and debris removal; container recovery; shoreline clean-up including any residual oil; and technical advice and support to the Bay of Plenty Regional Council regarding application of the Resource Management Act.	On-going	On-going	Achieved

²³ Effective oversight will be evidenced by positive feedback from stakeholders, a good health and safety record and compliance with statutory requirements through weekly situation reports.

Summary of output class 5: Tauranga maritime incident response			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Crown funding	1,717	1,539	1,200
Total revenue	1,717	1,539	1,200
Total expenditure	1,717	1,539	1,200
Surplus(deficit)	0	0	0

Output class 6	Maritime incident response capability development
What this class of outputs is intended to achieve	This class of outputs is intended to achieve the implementation of recommendations from the Murdoch review of Maritime NZ's response to the <i>Rena</i> grounding to improve the efficiency and effectiveness of New Zealand's response to complex maritime incidents, in particular to address systemic weaknesses in high-level coordination across government agencies. This output class involves an integrated programme of work across seven areas for initial capability development and a limited time period.
What we do	This output class involves the development and implementation of function and systems improvements. Development and implementation of training, secondments and exercises that will increase capability (skills, expertise, knowledge, in the areas of complex maritime response, across all of Maritime NZ).
Sub-output classification	This output class contains the following related outputs: 6.1: Maritime incident response capability development (non-oil) 6.2: Offshore oil spill response capability development.
How does this class of outputs contribute to our strategic goals?	Maritime incident response capability development contributes primarily to the long-term strategic goal of a <i>well prepared integrated response capability, effectively deployed to resolve emergency incidents.</i>

Output 6.1	Maritime incident response capability development (non-oil)
Description of output	This output is intended to achieve formulation of a national maritime emergency response strategy and a high level plan, incorporating communications, iwi and community engagement, and development of response capability and coordination processes to execute the strategy.
Why this output is important	This will enable a more holistic response to complex maritime incidents.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Memoranda of understanding with key partners ²⁴ developed and signed off by 30 November 2014	New measure	New measure	Completed
Review of Maritime Incident Response Team capability completed by November 2014 and broader National Response Team training and competency framework developed by 30 June 2015	New measure	New measure	Completed

Output 6.2	Offshore oil spill response capability development
Description of output	This output is intended to increase offshore oil spill response capability.
Why this output is important	Increasing offshore oil spill response capability will lead to better expertise and systems for offshore oil activities and improve management of any future oil spill response.

²⁴ Key partners are Ministry of Justice (Translation Services), Department of Conservation, Ministry for the Environment, National Institute for Water and Atmospheric Research, Te Puni Kokiri, New Zealand Police, New Zealand Fire Service, New Zealand Defence Force and all regional and local authorities.

How we will assess our performance?	2013/14 target	2013/14 estimated actual	2014/15 target
Evaluation of offshore oil spill response scenario exercise completed by 30 November 2014	New measure	New measure	Completed
Procurement of offshore systems / equipment and implementation of aerial observation contracts for services and capability that create incremental improvements to Maritime NZ's offshore oil spill response capability	New measure	New measure	Completed

Summary of output class 6: Maritime incident response capability			
Total cost	2013/14 Budget (\$000)	2013/14 Estimated (\$000)	2014/15 Budget (\$000)
Crown funding	-	1,077	1,198
Total revenue	-	1,077	1,198
Total expenditure	-	1,077	1,198
Surplus(deficit)	-	0	0

Prospective financial statements for Maritime NZ

Key issues and assumptions in preparing the financial statements

The following assumptions have been made in determining the Maritime NZ (including the Rescue Coordination Centre New Zealand) 2014 to 2015 projected financial statements:

Maritime NZ (Regulatory & Compliance)

Revenue:

1. The International Maritime Levy rate decreases in the 2014/14 year (as per the Maritime NZ funding review 2013), to reflect the reduction of cross-subsidisation of fee-able activities. (These charges will continue to step down each year thereafter for a total of six years.)
2. The volume of international shipping has increased materially since the 2013 funding review and this partially offsets the effect of the rate reductions on total levy revenue. Total Maritime Levy revenue remains at approximately the same level as 2013/14.
3. Fee revenue increases as the Maritime NZ Funding Review increased hourly charge-out rates from \$125 to \$145 per hour in 2014/15. This is part of the phased unwind of cross-subsidisation of fee-able activities by the Maritime Levy, over the six-year period.
4. Additional fee revenue will be earned from the recovery of additional costs on implementation of SeaCert application fees from 1 April 2014.
5. Additional fee revenue will be earned from the recovery of additional costs on implementation of MOSS application and inspection fees, from 1 April 2014 onwards.
6. Increases in Fuel Excise Duty revenue reflect additional funding provided to the Rescue Coordination Centre New Zealand to increase search and rescue capability, from 2014/15 on.

Expenditure:

1. Maritime NZ will continue to manage expenditure tightly during 2014/15, due to the risks from the uncertain demand levels affecting its third-party revenue.
2. Additional personnel have been budgeted due to the implementation of MOSS and SeaCert. These additional costs are to be recovered by the fees associated with these new services to the maritime industry.
3. Operating expenditure has increased in 2014/15 due to increased lease costs from the new contract for the provision of distress radio services.
4. Higher depreciation in 2014/15 reflects the purchase of the additional information technology assets required to support the new MOSS and SeaCert programmes, and replacement distress and safety radio equipment.

Capital expenditure:

- Capital expenditure is projected to peak at \$11.2 million in 2014/15, due to implementation of the information technology support for the new MOSS and SeaCert strategic projects (\$2.9 million), distress and safety radio upgrade (\$3.1 million), and Medium Earth Orbit Search and Rescue (MEOSAR) ground station (\$3.9 million).

Statement of prospective comprehensive income for Maritime NZ

For the year ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Revenue			
Crown	10,589	11,487	11,746
Funding from Crown agencies	1,125	1,115	1,174
Fuel Excise Duty	3,476	3,084	4,154
Health and safety in employment	928	954	954
Marine Safety Charge	15,633	17,786	17,772
User charges	2,998	2,710	5,669
Other third-party revenue	1,030	912	747
Interest revenue	202	195	202
Total revenue	35,981	38,243	42,418
Expenditure			
Personnel costs	18,487	20,367	22,346
Operating	14,621	16,047	16,713
Depreciation	1,694	1,563	2,286
Capital charge	1,293	1,007	1,120
Total expenditure	36,095	38,984	42,465
Surplus (deficit)	(114)	(741)	(47)
Other comprehensive income	-	-	-
Gains on sale of assets	-	-	-
Total comprehensive income	(114)	(741)	(47)

Statement of prospective movements in equity for Maritime NZ

For the year ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Balance at 1 July	11,700	12,246	12,085
Total comprehensive income	(114)	(741)	(47)
Capital contribution	1,100	581	7,181
Balance at 30 June	12,686	12,086	19,220

Statement of prospective financial position for Maritime NZ

For the year ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Assets			
Current assets			
Cash, bank and investments	6,516	5,444	6,457
Prepayments	397	140	175
Inventory	250	100	100
Receivables and advances	2,988	3,015	3,015
Total current assets	10,151	8,699	9,747
Non-current assets			
Physical assets	5,823	3,740	10,159
Intangible assets	5,211	3,034	5,328
Total non-current assets	11,034	6,774	15,487
Total assets	21,185	15,473	25,234
Liabilities			
Current liabilities			
Payables and provisions	4,307	2,390	2,215
Provisions for employee entitlements	859	840	840
Total current liabilities	5,166	3,230	3,055
Non-current liabilities	3,333	157	2,959
Total liabilities	8,499	3,387	6,014
Equity			
From Crown-funded activities	12,686	12,086	19,220
From third-party activities	-	-	-
Total equity	12,686	12,086	19,220
Total equity and liabilities	21,185	15,473	25,234

Statement of prospective cash flows for Maritime NZ

For the year ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Cash flows from operating activities			
Crown	10,589	11,487	11,746
Funding from Crown agencies	2,113	1,115	1,174
Fuel Excise Duty	2,488	3,084	4,154
Health and safety in employment	928	954	954
Marine Safety Charge	15,633	17,786	17,772
Fees	2,998	2,710	5,669
Other third-party revenue	1,030	912	747
Interest revenue	202	195	202
Personnel	(18,487)	(20,366)	(22,345)
Payments to suppliers	(14,621)	(16,048)	(16,714)
Capital charge	(1,293)	(1,007)	(1,120)
Net cash flows from operating activities	1,580	822	2,239
Cash flows from investing activities			
Physical assets	(2,437)	(1,592)	(4,594)
Intangible assets	(552)	(1,015)	(3,500)
Net cash flows from investing activities	(2,989)	(2,607)	(8,094)
Cash flows from financing activities			
Finance lease	-	-	(313)
Capital contribution	1,100	581	7,181
Net cash flows from financing activities	1,100	581	6,868
Net increase / (decrease) in cash and cash equivalents	(309)	(1,204)	1,013
Opening cash balance at 1 July	6,825	6,648	5,444
Closing cash balance at 30 June	6,516	5,444	6,457

Statement of prospective capital expenditure for Maritime NZ

For the year ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Navigational aids	279	279	129
Satellite equipment	-	200	3,900
Plant and equipment	180	-	3,115
Furniture and fittings	24	8	24
Intangible assets (computer software)	3,425	1,025	3,500
Leasehold improvements	-	535	217
Computer equipment	830	570	300
Office equipment	24	-	24
Total	4,762	2,617	11,209

Notes to the prospective financial statements

The prospective financial statements presented are those of Maritime NZ (the Authority). The Authority is a Crown entity established in August 1993 under the Maritime Transport Act. The Authority is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. The Authority has authorised the issue of the prospective financial statements. The prospective financial statements in this section of the Statement of Performance Expectations have been compiled on the basis of:

- the requirements of the Crown Entities Act 2004
- the measurement base applied is historical cost. The accrual basis of accounting has been used unless otherwise stated
- compliance with Financial Reporting Standard 42 – Prospective Financial Statements.

The information contained in these statements may not be appropriate for purposes other than those described, due to the uncertainty attached to these statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

It should be noted that actual financial results achieved for the period covered may vary from the information presented in these prospective financial statements, and these variations may be material.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods.

Statement of significant accounting policies

Reporting entity

Maritime NZ is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, Maritime NZ's ultimate parent is the New Zealand Crown.

Maritime NZ's primary objective is to provide services to the New Zealand public as opposed to that of making a financial return. Accordingly, Maritime NZ has designated itself as a public benefit entity for the purposes of financial reporting standards.

Basis of preparation

Statement of compliance

The prospective financial statements of Maritime NZ have been prepared in accordance with the requirements of the Crown Entities Act 2004, which include the requirement to comply with New Zealand's generally accepted accounting practice.

The prospective financial statements comply with Financial Reporting Standard 42 and other applicable financial reporting standards, as appropriate for public benefit entities.

Functional and presentation currency

These prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Maritime NZ is New Zealand dollars.

Measurement base

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. The accounting policies set out on the following pages have been applied consistently to all periods presented in these prospective financial statements.

Changes in accounting policies

No significant changes in accounting policies have occurred during the financial year.

Significant accounting policies

The principal accounting policies applied in preparing these prospective financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

Revenue recognition

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

Maritime NZ receives funding from the Crown, and its use is restricted to the purpose of Maritime NZ meeting its objectives, as specified in the statement of intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Revenue derived from the provision of services to third parties is recognised in proportion to the stage of completion at balance date. The stage of completion is assessed by reference to surveys of work performed or for Marine Safety Charges based on information from New Zealand Customs about port visits.

Interest income is recognised using the effective interest method.

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates. The capital charge has been calculated by applying the capital charge rate to the balance of total equity.

Leases

Leases that substantially transfer to Maritime NZ all the risks and rewards of ownership of an asset, whether or not title is eventually transferred, are classified as finance leases. At the start of the lease term, Maritime NZ recognises finance leases as assets and liabilities at the lower of the fair value of the leased item or the present value of the minimum lease payment.

The finance charge is charged to the statement of prospective comprehensive income over the

lease period, to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Maritime NZ will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Leases that do not transfer substantially all the risks and rewards of ownership of an asset to Maritime NZ are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of prospective comprehensive income.

Lease incentives received are recognised in the statement of prospective comprehensive income over the lease term as an integral part of the total lease expense.

Taxation

Maritime NZ is a public authority and consequently is exempt from the payment of income tax. Accordingly no charge for income tax has been provided for. Maritime NZ is not exempt from indirect tax legislation such as goods and services tax, pay-as-you-earn income tax or Accident Compensation Corporation levies, and is therefore required to comply with these regulations.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and services tax, except accounts receivable and accounts payable, which are stated as good and services tax inclusive. Where goods and services tax is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of goods and services tax recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of prospective financial position.

The net goods and services tax paid to, or received from, Inland Revenue including the goods and services tax relating to investing and financing activities, is classified as an

operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of goods and services tax.

Budget figures

The budget figures have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards, using accounting policies consistent with those adopted by Maritime NZ for the preparation of the prospective financial statements.

Cost allocation

Maritime NZ has determined the cost of outputs by using the cost allocation system outlined below.

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

Direct costs are charged directly to outputs. Indirect costs are charged to sub-outputs by allocating costs based on direct time expended on delivering the sub-output. Costs allocated to sub-outputs roll up to form total output costs, which then roll up to total output class costs.

Cash and bank balances (cash and cash equivalents)

Cash and cash equivalents include cash on hand, deposits held on call with banks (both domestic and international), and other short-term, highly liquid investments, with original maturities of three months or less.

At each balance sheet date, Maritime NZ 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 in bank deposits are measured at amortised cost, using the effective interest rate method.

For bank deposits, impairment is established when there is objective evidence that Maritime NZ 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 indicators that the deposit is impaired.

Receivables and advances (debtors and other receivables)

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that Maritime NZ will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of prospective comprehensive income. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventory

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (determined on the weighted average cost method), adjusted, when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. This valuation includes allowances for slow moving and obsolete stock.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of prospective comprehensive income in the period of the write-down.

Foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of prospective comprehensive income.

Property, plant and equipment

Property, plant and equipment asset classes consist of:

- lighthouses
- navigational lights, buoys and day beacons
- plant and equipment
- motor vehicles
- furniture, fittings and office equipment
- computer equipment
- leasehold improvements
- land.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Revaluations

Land has been revalued to ensure that the carrying amount does not differ materially from fair value and is revalued at least every three years. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

Maritime NZ accounts for revaluations of property, plant and equipment on a class of assets basis.

The results of revaluing are credited or debited to an 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 statement of prospective comprehensive income. Any subsequent increase on revaluation that offsets a previous decrease in value, recognised in the statement of prospective comprehensive income, will be recognised first in the statement of prospective comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 Maritime NZ and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of prospective comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred after initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Maritime NZ 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 statement of prospective comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

Property, plant and equipment type	Useful life (years)	Depreciation method
Lighthouses	10–40	straight-line
Navigational lights, buoys and day beacons	10–20	straight-line
Plant and equipment	5–10	straight-line
Motor vehicles	5	straight-line
Furniture, fittings and office equipment	5	straight-line
Computer equipment	3	straight-line
Leasehold improvements	2–9	straight-line

Leasehold improvements are depreciated over the unexpired period of the lease, or the estimated remaining useful lives of the improvements, whichever is shorter.

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 licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs directly associated with the development of software for internal use by Maritime NZ are recognised as an intangible asset. Direct costs

include the software development, employee costs, and an appropriate portion of relevant overheads.

Other software-related costs are recognised as follows:

- staff training costs are recognised as an expense when incurred
- costs associated with maintaining computer software are recognised as an expense when incurred
- costs associated with the development and maintenance of Maritime NZ's website are recognised as an expense when incurred

Amortisation

The carrying value of an intangible asset with 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 the asset is derecognised. The amortisation charge for each period is recognised in the statement of prospective comprehensive income.

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

Computer software type	Useful life (years)	Depreciation method
Acquired	3–5	straight-line
Developed	8	straight-line

Impairment of non-financial assets

Property, plant and equipment, and intangible assets that have a finite useful life are reviewed for impairment when 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 amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to

generate net cash inflows and where Maritime NZ would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of prospective comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of prospective comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of prospective comprehensive income, a reversal of the impairment loss is also recognised in the statement of prospective comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the statement of prospective comprehensive income.

Payables (creditors and other payables)

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provisions

Maritime NZ 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, and it is probable that expenditure 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 expenditure 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. The increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Short-term employee entitlements

These include salaries and wages accrued up to balance date. Annual leave earned, but not yet taken at balance date, is measured at undiscounted nominal values, based on accrual entitlements at current rates of pay.

Employee entitlements that Maritime NZ 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. Annual leave is calculated on an actual entitlement basis in accordance with the Holidays Act 2003.

Maritime NZ does not recognise a liability for sick leave, as staff have an unlimited entitlement.

Maritime NZ 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.

Superannuation schemes

Obligations for contributions to KiwiSaver and Tower LifeSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive income as incurred.

Obligations for contributions to Government Superannuation Fund are accounted for as a defined benefit superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Restructuring

A provision for restructuring is recognised when Maritime NZ has approved a detailed formal plan for the restructuring that has either been announced publicly to those affected, or for which implementation has already commenced.

Critical accounting estimates and assumptions

In preparing these prospective financial statements, Maritime NZ 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 that are believed to be reasonable under the circumstances. Discussed below are estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment and intangible assets

At each balance date, Maritime NZ reviews the useful lives and residual values of its property, plant and equipment, and intangible assets. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and intangible assets requires Maritime NZ to consider a number of factors, such as the physical condition of the asset, expected period of use of the asset by Maritime NZ, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciation/amortisation expense recognised in the statement of prospective comprehensive income, and on the carrying amount of the asset in the statement of prospective financial position. Maritime NZ minimises the risk of this estimation uncertainty by:

- physical inspections of assets
- asset replacement programmes
- review of second-hand market prices for similar assets
- analysis of prior asset sales.

Maritime NZ has not made significant changes to past assumptions concerning residual values.

Critical judgments

The following critical judgments have been made in preparing these prospective financial statements:

The Rescue Coordination Centre New Zealand's MEOSAR project will receive the required operating expenditure funding from 2014/15 to cover the ongoing maintenance costs and capital charge associated with this project.

Statement of cash flows

'Cash' means cash and cash equivalents on hand, held in bank accounts and demand deposits in which Maritime NZ invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services, personnel expenses, interest and capital charge.

Investing activities are those activities relating to the acquisition and disposal of non-current assets, intangible assets and investments. Financing activities comprise the change in equity and debt capital structure of Maritime NZ.

Prospective financial statements for the New Zealand Oil Pollution Fund

The New Zealand Oil Pollution Fund is a fund established by the Maritime Transport Act 1994, and managed by Maritime NZ, to provide national response capability to maritime oil pollution incidents.

Key issues and assumptions in preparing the financial statements

The following assumptions have been made in determining the New Zealand Oil Pollution Fund 2014 to 2015 projected financial statements:

Revenue

1. A revised Oil Pollution Levy regime was implemented on 1 July 2013. The levy rates were based on the level of risk to the environment apportioned to each industry segment. Additional amounts have been included in the levy for the years up to 2015/16 for capacity building \$0.4 million per annum and capital expenditure \$0.65 million per annum, based on the Thompson Clarke Report in to the fund.
2. Increases in shipping volume are projected in the international cruise and other cargo related shipping markets, increasing the amount of Oil Pollution Levy projected to be collected during 2014/15.

Expenditure

Oil Pollution Fund expenditure is budgeted in 2014/15 to follow levels established in the levy reset programme in 2012/13 and takes in to account the following assumptions:

1. The need to work within levy revenue levels set at the 2013 levy review.
2. Additional expenditure on development of the response capability of the fund, as a result of a review conducted by Maritime NZ's Marine Pollution Response Service. The additional expenditure is approximately \$0.4 million per annum.
3. Operating expenditure rises from 2013/14 to 2014/15 due to the return to a business-as-usual schedule of regional council response training exercises in 2014/15, after the postponement of some response exercises in 2013/14. The postponement was considered prudent to allow recovery of the financial position of the fund and implementation of the revised levy regime.
4. A rise in depreciation charges mirrors the increased programme of capital expenditure over the period. Additional capital expenditure is planned to implement the recommendations from the Oil Pollution Preparedness and Response Capability (OPPRC) Thompson Clarke Shipping report, \$1.87 million over three years (2013/14 to 2015/16). This has been funded by a new temporary capital levy due to the depletion of fund reserves as a consequence of the *Rena* grounding.
5. Currently the Oil Pollution Fund does not hold any cash reserves to cover response costs for a large oil spill. This is currently covered by a letter of indemnity from the New Zealand Government.

Statement of prospective comprehensive income for the New Zealand Oil Pollution Fund

For the years ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Revenue			
Oil pollution levy	5,528	5,659	5,864
Other third-party revenue	60	64	60
Interest revenue	26	26	26
Total revenue	5,614	5,749	5,950
Expenditure			
Personnel costs	863	919	911
Operating	3,027	2,710	3,272
Depreciation	386	381	576
Intergroup charges	690	690	690
Total expenditure	4,966	4,700	5,449
Surplus (deficit)	648	1,049	501
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income	648	1,049	501

Statement of prospective movements in equity for the New Zealand Oil Pollution Fund

For the years ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Balance at 1 July	5,490	5,645	6,794
Total comprehensive income	648	1,049	501
Capital contribution	-	100	-
Balance at 30 June	6,138	6,794	7,295

Statement of prospective financial position for the New Zealand Oil Pollution Fund

For the years ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Assets			
Current assets			
Cash, bank and investments	690	1,633	1,710
Prepayments	-	30	30
Inventory	1,501	1,515	1,515
Receivables and advances	625	1,050	1,000
Total current assets	2,816	4,228	4,255
Non-current assets			
Physical assets	4,059	3,804	4,286
Intangible assets	113	112	54
Total non-current assets	4,173	3,916	4,340
Total assets	6,989	8,144	8,595
Liabilities			
Current liabilities			
Payables and provisions	779	1,300	1,250
Provisions for employee entitlements	71	50	50
Total current liabilities	850	1,350	1,300
Non-current liabilities			
Total liabilities	850	1,350	1,300
Equity			
From Oil Pollution Levy-funded activities	6,138	6,794	7,295
Total equity	6,138	6,794	7,295
Total equity and liabilities	6,989	8,144	8,595

Statement of prospective cash flows for the New Zealand Oil Pollution Fund

For the years ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Cash flows from operating activities			
Oil pollution levy	5,528	5,658	5,864
Other third-party	60	64	60
Interest revenue	26	26	26
Personnel	(863)	(919)	(911)
Payments to suppliers	(3,686)	(3,399)	(3,962)
Net cash flows from operating activities	1,065	1,430	1,077
Cash flows from investing activities			
Physical assets	(1,000)	(1,100)	(1,000)
Intangible assets	-	-	-
Net cash flows from investing activities	(1,000)	(1,100)	(1,000)
Cash flows from financing activities			
Capital contribution		100	
Net cash flows from financing activities	-	100	-
Net increase / (decrease) in cash and cash equivalents	65	430	77
Opening cash balance at 1 July	625	1,203	1,633
Closing cash balance at 30 June	690	1,633	1,710

Statement of prospective capital expenditure for the New Zealand Oil Pollution Fund

For the years ending 30 June 2014 to 30 June 2015

	Budget 2013/14 (\$000)	Forecast 2013/14 (\$000)	Budget 2014/15 (\$000)
Plant and equipment	1,000	1,100	1,000
Total	1,000	1,100	1,000

Notes for the prospective financial statements of the New Zealand Oil Pollution Fund

The prospective financial statements presented are those of the New Zealand Oil Pollution Fund (the Fund), a Crown entity established in 1994 under the Maritime Transport Act. The Fund is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. The Fund has authorised the issue of the prospective financial statements. The prospective financial statements in this section of the Statement of Performance Expectations have been compiled on the basis of:

- the requirements of the Crown Entities Act 2004
- the measurement base applied is historical cost. The accrual basis of accounting has been used unless otherwise stated
- compliance with Financial Reporting Standard 42 – Prospective Financial Statements.

The information contained in these statements may not be appropriate for purposes other than those described, due to the uncertainty attached to these statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It should be noted that actual financial results achieved for the period covered may vary from the information presented in these prospective financial statements, and these variations may be material.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods.

Statement of significant accounting policies

Reporting entity

The New Zealand Oil Pollution Fund has been established by Maritime NZ pursuant to section 330 of the Maritime Transport Act 1994. The Fund is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The Fund's primary objective is to meet the ongoing costs of maintaining New Zealand's oil spill response capability, including contingency plans, equipment, and training and response costs (where they are unable to be recovered from the spiller). Levies imposed on shipping and oil sites are paid into the Fund to finance these costs.

Accordingly, the Fund has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards.

While the financial statements of the Fund form part of the financial reports of the Authority, they are presented separately in order to clearly identify the income and expenditure associated with the Authority's oil pollution response activities.

Basis of preparation

Statement of compliance

The prospective financial statements of the Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004, which include the requirement to comply with New Zealand's Generally Accepted Accounting Practice.

The prospective financial statements comply with Financial Reporting Standard 42 and other applicable financial reporting standards, as appropriate for public benefit entities.

Functional and presentation currency

These prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars

(\$000). The functional currency of the Fund is New Zealand dollars.

Measurement base

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. The accounting policies set out on the following pages have been applied consistently to all periods presented in these prospective financial statements.

Changes in accounting policies

No significant changes in accounting policies have occurred during the financial year.

Significant accounting policies

The principal accounting policies applied in preparing these prospective financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

Revenue recognition

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

Revenue derived from the provision of services to third parties is recognised in proportion to the stage of completion at balance date. The stage of completion is assessed by reference to surveys of work performed or for the Oil Pollution Levy based on information from New Zealand Customs about port visits.

Interest income is recognised using the effective interest method.

Leases

Leases that substantially transfer to the Fund all the risks and rewards of ownership of an asset, whether or not title is eventually transferred, are classified as finance leases. At the start of the lease term, the Fund recognises finance leases as assets and liabilities at the lower of the fair value of the leased item or the present value of the minimum lease payment. The finance charge is charged to the statement of prospective comprehensive income over the lease period, to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Fund will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Fund are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of prospective comprehensive income.

Lease incentives received are recognised in the statement of prospective comprehensive income over the lease term as an integral part of the total lease expense.

Taxation

The Fund is a public authority and consequently is exempt from the payment of income tax. Accordingly no charge for income tax has been provided for. The Fund is not exempt from indirect tax legislation such as goods and services tax, pay-as-you-earn income tax or Accident Compensation Corporation levies, and is therefore required to comply with these regulations.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and services tax, except accounts receivable and accounts payable, which are stated as good and services tax-inclusive. Where goods and services tax is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of goods and services tax recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of prospective financial position.

The net goods and services tax paid to, or received from, Inland Revenue, including the goods and services tax relating to investing and financing activities, is classified as an

operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of goods and services tax.

Budget figures

The budget figures have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards, using accounting policies that are consistent with those adopted by the Fund for the preparation of the prospective financial statements.

Cost allocation

The Fund has determined the cost of outputs by using the cost allocation system outlined below.

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

Direct costs are charged directly to outputs. Indirect costs are charged to sub-outputs by allocating costs based on direct time expended on delivering the sub-output. Costs allocated to sub-outputs roll up to form total output costs, which then roll up to total output class costs.

Cash and bank balances (cash and cash equivalents)

Cash and cash equivalents include cash on hand, deposits held on call with banks (both domestic and international), and other short-term, highly liquid investments, with original maturities of three months or less.

At each balance sheet date, the Fund 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 in bank deposits are measured at amortised cost, using the effective interest rate method.

For bank deposits, impairment is established when there is objective evidence that the Fund 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 indicators that the deposit is impaired.

Receivables and advances (debtors and other receivables)

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the Fund will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of prospective comprehensive income. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventory

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (determined on the weighted average cost method), adjusted when applicable, for any loss of service potential.

Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. This valuation includes allowances for slow moving and obsolete stock.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of

prospective comprehensive income in the period of the write-down.

Foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of prospective comprehensive income.

Property, plant and equipment

Plant and equipment asset classes consist of:

- plant and equipment
- motor vehicles
- furniture, fittings and office equipment
- computer equipment
- leasehold improvements
- vessels.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Accounting for revaluations

The Fund accounts for revaluations of property, plant and equipment on a class of assets basis.

The results of revaluing are credited or debited to an 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 statement of prospective comprehensive income. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the statement of prospective comprehensive income will be recognised first in the statement of prospective comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

The cost of an item of 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 Fund and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of prospective comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves for those assets are transferred to general funds.

Subsequent costs

Costs incurred after initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Fund 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 statement of prospective comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

Property plant and equipment type	Useful life (years)	Depreciation method
Plant and equipment	5–10	straight-line
Motor vehicles	5	straight-line
Furniture, fittings and office	5	straight-line

equipment		
Computer equipment	3	straight-line
Leasehold Improvements	2–9	straight-line
Vessels	3–25	straight-line

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 licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs directly associated with the development of software for internal use by the Fund are recognised as an intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Other software-related costs are recognised as follows:

- staff training costs are recognised as an expense when incurred
- costs associated with maintaining computer software are recognised as an expense when incurred
- costs associated with the development and maintenance of the Fund's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with 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 the asset is derecognised. The amortisation charge for each period is recognised in the statement of prospective comprehensive income.

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

Computer software type	Useful life (years)	Depreciation method
Acquired	3–5	straight-line
Developed	8	Straight-line

Impairment of non-financial assets

Property, plant and equipment, and intangible assets with a finite useful life, are reviewed for impairment when 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 amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset do not primarily depend on the asset's ability to generate net cash inflows and where the Fund would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. If that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of prospective comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of prospective comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of prospective comprehensive income, a reversal of the impairment loss is also recognised in the statement of prospective comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in

the statement of prospective comprehensive income.

Payables (creditors and other payables)

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provisions

The Fund 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, and it is probable that expenditure 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 expenditure 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. The increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Short-term employee entitlements

These include salaries and wages accrued up to balance date. Annual leave earned, but not yet taken at balance date is measured at undiscounted nominal values, based on accrual entitlements at current rates of pay.

Employee entitlements that the Fund 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. Annual leave is calculated on an actual entitlement basis in accordance with the Holidays Act 2003.

The Fund does not recognise a liability for sick leave, as staff have an unlimited entitlement.

The Fund 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.

Superannuation schemes

Obligations for contributions to KiwiSaver and Tower LifeSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive income as incurred.

Obligations for contributions to Government Superannuation Fund are accounted for as a defined benefit superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Restructuring

A provision for restructuring is recognised when the Fund has approved a detailed formal plan for the restructuring that has either been announced publicly to those affected or for which implementation has already commenced.

Critical accounting estimates and assumptions

In preparing these prospective financial statements, the Fund 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 that are believed to be reasonable under the circumstances.

The estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The useful lives and residual value of property, plant and equipment and intangible assets

At each balance date, the Fund reviews the useful lives and residual values of its property, plant and equipment, and intangible assets. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and intangible assets requires the Fund to consider a number of factors, such as the physical condition of the asset, expected period of use of the asset by the Fund, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation/amortisation expense recognised in the statement of prospective comprehensive income, and on the carrying amount of the asset in the statement of prospective financial position. The Fund minimises the risk of this estimation uncertainty by:

- physical inspections of assets
- asset replacement programmes
- review of second-hand market prices for similar assets
- analysis of prior asset sales.

The Fund has not made significant changes to past assumptions concerning residual values.

Critical judgments

The following critical judgments have been made in preparing these prospective financial statements:

As the Crown has provided the Oil Pollution Fund with a letter of indemnity to cover expenditure in the early stages of a significant oil spill, the Fund will be able to continue as a going concern despite any costs incurred in such a response.

The longer term costs of a response to a significant oil spill will be met by the Crown initially, and recovered from the vessel owners and insurers in due course.

Statement of cash flows

'Cash' means cash and cash equivalents on hand, held in bank accounts and demand deposits in which the Fund invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services, personnel expenses, interest and capital charge.

Investing activities are activities relating to the acquisition and disposal of non-current assets, intangible assets and investments.

Financing activities comprise the change in equity and debt capital structure of the Fund.

Appendix 1: Additional financial information

Consolidated statement of prospective comprehensive income for Maritime New Zealand (Regulatory) and Rescue Coordination Centre of New Zealand

	Maritime NZ			Rescue Coordination Centre NZ			Consolidated Maritime NZ		
	Budget 2013/14 (\$'000)	Forecast 2013/14 (\$'000)	Budget 2014/15 (\$'000)	Budget 2013/14 (\$'000)	Forecast 2013/14 (\$'000)	Budget 2014/15 (\$'000)	Budget 2013/14 (\$'000)	Forecast 2013/14 (\$'000)	Budget 2014/15 (\$'000)
Revenue									
Crown	7,273	8,172	8,430	3,316	3,315	3,316	10,589	11,487	11,746
Funding from Crown agencies	1,125	1,115	1,174	-	-	-	1,125	1,115	1,174
Fuel excise duty	2,348	2,330	2,560	1,128	754	1,594	3,476	3,084	4,154
Health and safety in employment	928	954	954	-	-	-	928	954	954
Marine safety charge	15,633	17,772	17,772	-	-	-	15,633	17,786	17,772
User charges	2,998	5,669	5,669	-	-	-	2,998	2,710	5,669
Other third party revenue	930	747	747	100	19	-	1,030	912	747
Interest revenue	126	126	126	76	72	76	202	195	202
Total revenue	31,361	34,083	37,432	4,620	4,160	4,986	35,981	38,243	42,418
Expenditure									
Personnel costs	16,300	18,182	19,819	2,187	2,185	2,527	18,487	20,367	22,345
Operating	12,916	14,430	15,049	1,705	1,617	1,664	14,621	16,047	16,713
Depreciation	1,622	1,490	2,227	72	73	59	1,694	1,563	2,286
Capital charge	1,068	884	857	225	123	263	1,293	1,007	1,120
Intergroup charges	(550)	(550)	(550)	550	550	550	-	-	-
Total expenditure	31,356	34,436	37,402	4,739	4,548	5,063	36,095	38,984	42,465
Surplus (deficit)	5	(353)	29	(119)	(388)	(77)	(114)	(742)	(48)
Other comprehensive income									
Gains on sale of assets	-		-	-	-	-	-	-	-
Total other comprehensive income	-		-	-	-	-	-	-	-
Total comprehensive income	5	(353)	29	(119)	(388)	(77)	(114)	(742)	(48)

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