



Transport Accident
Investigation
Commission

Statement of Performance Expectations

2020/21

June 2020

Prepared and published in accordance with the
requirements of the Crown Entities Act 2004



Transport Accident Investigation Commission
Statement of Performance Expectations 2020-2021

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Transport Accident
Investigation
Commission

24 June 2020

Hon Phil Twyford
Minister of Transport
Executive Wing
Parliament Buildings
Wellington

Dear Minister

We present this Statement of Performance Expectations for the Transport Accident Investigation Commission for the 12 months beginning 1 July 2020.

It has been prepared and is signed in accordance with the provisions of the Crown Entities Act 2004.

The strategic context for this document is set out in the accompanying Transport Accident Investigation Commission *Statement of Intent 2018–2022*.

Jane Meares
Chief Commissioner

Stephen Davies Howard
Deputy Chief Commissioner

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Note on effect of COVID-19

When the Commission was preparing this document, New Zealand was at Alert Level 4 in response to the outbreak of COVID-19. As an organisation, we were well placed to meet the 'lockdown' requirements, and we have, with minimal disruption, continued the work for which we are funded: accident and incident investigation and reporting. The relative ease with which we were able to meet the Level 4 restrictions reflects the efforts we have made over recent years to build and enhance organisational resilience.

The exceptional circumstances of the pandemic, and the effects of the Government's measures to eliminate it, do not change our strategic direction or the purpose of our activities. The Statement of Performance Expectations reflects this continuation.

The significant drop in levels of transport activity is, to date, the circumstance with the most obvious effect for us in the short to medium term. Reduced activity could mean a corresponding reduction in the number of accidents – and therefore a possible reduction in the volume of the Commission's output, but this is not necessarily the case. For example, operators facing financial pressures might be less focused on safety. We have noted this uncertainty about output volume in the document.

Clearly, however, the consequences of the pandemic will have long-lasting and substantial effects across the globe. Those consequences are unpredictable – our future operating environment, and how we will engage with others to achieve our purpose, is highly uncertain, as it is for everyone.

As we continue in our task through this period of upheaval, we are committed to working closely, imaginatively, and flexibly with our staff, colleagues in the New Zealand state sector, and our international peer agencies.

1. Output class: accident and incident investigation and reporting

1.1. What the output class is intended to achieve

The Commission independently enquires into accidents and incidents

The Transport Accident Investigation Commission is funded for a single output: accident and incident investigation and reporting. We conduct independent inquiries into selected aviation, rail, and maritime safety occurrences with a view to avoiding similar occurrences in the future, rather than to ascribe blame to any person.

The Commission's investigations delve deeply into the facts and circumstances of incidents and accidents, analysing the data to draw hypotheses about cause. The inquiry process tests, challenges, and scrutinises those hypotheses to determine the most likely immediate and systemic causes of the occurrences. The core work of the Commission is to identify safety issues, expose risk and inform the public about the performance of the transport system.

We generate knowledge about safety risks in the transport sector, which is of value to sector participants nationally and internationally

To influence change, our inquiries must be credible (thorough, independent and impartial). We must also be compelling in how we present findings and attentive to how we make our knowledge accessible. Improving knowledge transfer is a key part of our work programme (refer page 8). A contemporary knowledge transfer system would allow us to contribute more effectively to national and international bodies of knowledge about transport safety.

The Commission's recommendations hold key safety information. They are directed mainly to transport sector regulators, who are best able to act across the system. Although recommendations are not mandatory, we work with the regulators to report on the actions being taken in response. We also support the Ministry of Transport's regulatory stewardship and sector monitoring. In this way, we contribute to the Transport Outcomes Framework, principally *healthy and safe people*; but also *economic prosperity*, for which a safe transport system is vital.

The Commission's work also contributes to inquiries in overseas jurisdictions

In accordance with the international treaties (the Convention on International Civil Aviation and the International Maritime Organization's Code for Investigation of Marine Casualties and Incidents), the Commission participates in inquiries by our international peers into events in overseas jurisdictions. This happens if a New Zealand registered or manufactured vehicle, or a significant number of New Zealanders, is involved. We sometimes also provide investigation assistance to overseas jurisdictions if all involved governments agree.

1.2. How the performance for the output class will be assessed

The Commission is funded for a single output class

As noted, the Commission is funded for a single output class: accident and incident investigation and reporting. The expected revenue and proposed expense for the output is equal to that stated in the prospective statement of comprehensive revenue and expense on page 18.

Table 1 shows performance measures for the output.

Table 1 Performance measures: financial, volume, and timeliness

Financial measure	Instrument	2020/21 target	2019/20 estimated actual	2019/20 target
Average cost of domestic inquiries closed	Timesheet and financial data analysis	\$300-350K	\$330K	\$300-350K
The average cost of inquiries is calculated by allocating all costs (including general overheads) to inquiries. A proportion of overheads is allocated to all open inquiries. A further proportion is allocated according to time spent on each inquiry. The cost of an inquiry is taken over the whole of its life.				
Volume measures	Instrument	2020/21 expected	2019/20 estimated actual	2019/20 expected
Number of reports published for domestic inquiries (including interim reports)	Casebook analysis, manual count	15-25	15	15-25
Number of inquiries by overseas jurisdictions assisted	Casebook data analysis	4-8	9	4-8
Number of domestic inquiries in progress at each month's end (12 month rolling average, as at 30 June)	Casebook data analysis	30	29	30
Volume measures are demand driven and are therefore shown as an 'expected' range rather than a 'target'. Note that the COVID-19 pandemic has significantly reduced transport activity. The reduced activity could mean a corresponding reduction in the number of accidents; however, other effects of the pandemic (such as financial pressures on operators) could increase the accident rate. Therefore, the effect on the volume of the Commission's output is unclear.				
Timeliness measures	Instrument	2020/21 target	2019/20 estimated actual	2019/20 target
Proportion of closed domestic inquiries completed within 440 working days	Casebook data analysis	70%	80%	70%
A year is calculated as 220 working days. The Commission aims to close inquiries within 440 working days, but more complex inquiries may take longer. Complexity can arise because of, for example, technical aspects of the occurrence being investigated, or the number and/or substance of submissions received on draft reports. In recent years, the Commission has made good progress in improving timeliness. We continue to explore ways to further reduce the time taken to publish inquiry reports, especially for aviation inquiries, which are often complex.				

1.3. How the output contributes to strategic intentions

The Commission's strategic focus for the period of the SOI is capacity and capability to meet the challenge of an operating environment that is undergoing rapid technological change

The Commission's strategic intentions are set out in the *Statement of Intent 2018–2022* (SOI), which should be read alongside this document. Our aspirational goal is *No repeat accidents – ever!*

In developing our strategic plan, the Commission recognised that, increasingly, the information we use in an investigation is digital, held in large data sets, and might not be part of the physical evidence found at the site of an occurrence (for example, cloud-based software and data used in navigation systems).

The focus of the SOI is therefore the Commission's capacity and capability to meet the challenge of an operating environment that is undergoing rapid technological change. The Commission's response to this challenge is critical to our continuing effectiveness in achieving our statutory purpose.

Traditional tools and approaches to investigation will probably endure. But we will need to adapt them as disruptive technology, such as unmanned transport systems, become a reality. To remain credible and influential, we must be able to:

- adapt to changes in the transport system
- properly identify safety issues
- transfer the knowledge we have gained through investigation
- communicate our findings in a way that influences others to act.

For 2020/21, resilience continues to be at the centre of our organisational health and capability programme

Resilience has been, and in 2020/21 will continue to be, the centre of our organisational health and capability programme. Resilience refers to our ability to respond to disruptions to our operating environment (such as we are experiencing with technology), and to external shocks (such as a major accident or natural disaster).

For the Commission, resilience includes a strong knowledge transfer system – that is, an adaptable and verifiable process for tracking information through the life of an inquiry, from the gathering and analysis of evidence, to the publication of a report. Such a system strengthens the rigour of inquiries and helps us share our insights with others in effective ways. Our focus on resilience also contributes to the Transport Outcomes Framework (*resilience and security*).

Progress towards achieving a contemporary knowledge transfer system has been slowed because of resource constraints, however overall direction remains unchanged. Figure 1 shows how the output contributes to strategic intentions.

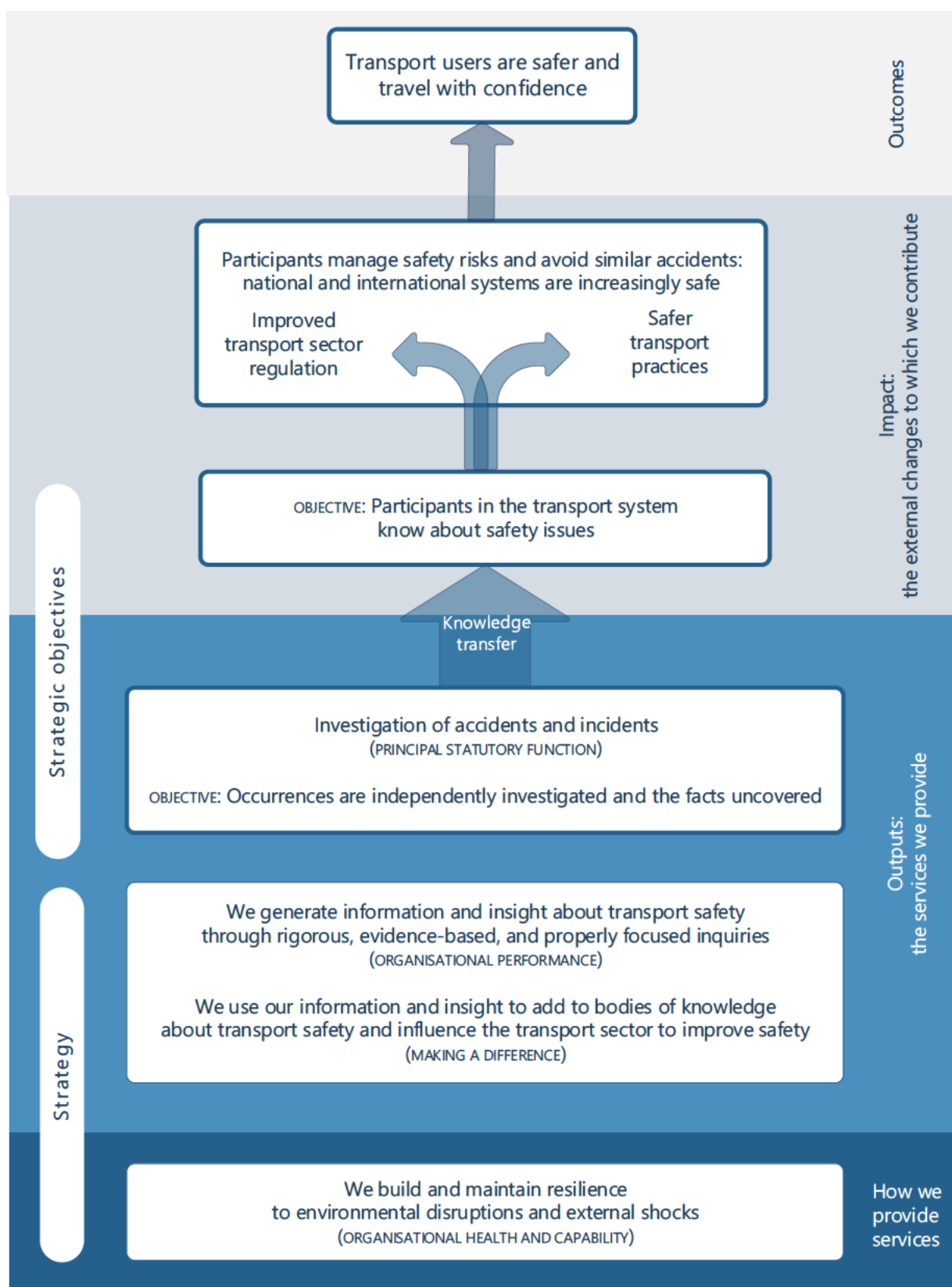


Figure 1: The Commission's strategy and strategic objectives

1.4. Measuring progress in achieving strategic objectives

Our core work is identifying transport safety issues and communicating that knowledge to others

The Commission's aim is to 'avoid similar occurrences in the future'. Measuring our effectiveness in achieving this aim has always been a difficult task. The core of our work is to generate knowledge about safety issues: determining findings about circumstance and cause, and, where necessary, making recommendations about the need to resolve an identified safety risk.

Findings and recommendations offer transport sector participants (regulators, operators and users) knowledge and information they can use to avoid similar accidents. A recommendation represents a specific risk in the system; findings contain information about the circumstances of accidents (which, especially if they persist), indicate areas of potential risk. The value of the information is established by the depth of the inquiries we undertake, and their rigour and independence.

We rely on others to use the knowledge we generate to reduce risk in the transport system

Our recommendations are not mandatory, in line with our independent role. Safety actions are therefore the result of others' decisions about how and when they use the knowledge we generate, and how they combine it with other information they have about their systems.

Recommendations are formulated to acknowledge the complexity of the transport system: they identify safety issues rather than prescribe solutions. This approach allows recipients to decide how to manage the safety issue in the context of their competing priorities, resource constraints, and, for regulators, their intervention logic – all of which can change over time. Untangling the influence of our work from the many other factors at play within the transport system is therefore challenging.

Case studies are the main way we demonstrate how our inquiries have contributed to a safer transport system

Given the complex adaptive system that is transport and our (independent) role within it, we have taken a qualitative approach to measuring our impact. Case studies are the main way we demonstrate our effectiveness, setting out the actions that sector participants including recipients of our recommendations have taken to improve safety. They allow us to describe in more depth than is possible with a quantitative measure what our influence has been.

Quality and impact measures are set out in the following section.

*Strategic objective:
Occurrences are
independently
investigated and
the facts are
uncovered*

Finding out what needs to change to reduce the likelihood of a recurrence is how we contribute to improvements in transport safety. The facts – determined without fear or favour – must be known before the process of change can begin.

This strategic objective is about maintaining our credibility by ensuring inquiries are independent and rigorously conducted. We know we are successful in achieving this objective when:

- Our investigation processes meet international standards
- Our inquiries are not subject to successful judicial review

We will use the indicators outlined below in our annual report to assess how well we have met our strategic objective of rigorous and independent investigations. These are the Commission's quality measures.

Indicator	Description
The Commission complies with international standards of safety investigation	The Commission internally audits aspects of 7 investigations each year and remedies any deficiencies found.
This measure represents the Commission's internal continuous improvement process. It involves investigation managers assessing aspects of sampled investigations against a standard. To date, the standard has been the Commission's quality assurance framework. This framework is being complemented and strengthened with the development of investigation guidelines, which are aimed at more detailed investigation procedures. As various guidelines are completed and introduced, they will become the standard for these reviews.	
Indicator	Description
All Commission inquiries follow proper process	<p>There are no:</p> <ul style="list-style-type: none"> • judicial reviews of Commission inquiries that identify process issues, or • successful challenges to an Ombudsman, the Privacy Commissioner or the Human Rights Commission of an administrative decision or action.

*Strategic objective:
Participants in the
transport system
know about safety
issues*

Once the Commission has identified an area of risk, or potential risk, we rely on others in the system to act to improve safety. We must ensure we transfer the knowledge we have gained to others to enable them to avoid similar occurrences happening again.

This strategic objective is about ensuring we can effectively transfer knowledge to those who can act. We know we are successful in achieving this objective when:

- National and international stakeholders look to our findings for information
- Users find the information they are looking for from our website and reports

We will use the indicators outlined below in our annual report to assess how well we have met our strategic objective of transferring inquiry information to transport sector participant so they can improve safety.

Indicator	Description
The Commission disseminates information about its most pressing concerns	The Watchlist is reviewed and published/updated as required by 30 June 2021.
The Watchlist draws the attention of transport sector participants (regulators, operators, the Government and users) to transport-related concerns of high social, economic or environmental risk; and systemic transport safety risks. The Watchlist is based on trends and insights the Commission identifies from its unique role in the transport sector.	
Indicator	Description
The Commission's inquiries contribute to improvements in transport safety	In our annual report we will include case studies of changes to the transport system made in response to our inquiries to show they have contributed to improved safety.
As described on the previous page, new investigation procedures are being developed. One outcome will be more clearly stated links between safety issues and recommendations. This is expected to make identification of safety risks more structured with greater potential for assessment of overall system risks. The development of a Knowledge Transfer System, which provides for more methodical trend analysis through interrogation across multiple inquiries and notifications, will further contribute to the identification of system risks.	
In future, reporting of our impact on the transport system may be more focused on specific areas of system risk. Nevertheless, reporting is likely to remain largely qualitative, even if better supported by quantitative data.	

In recent years, we have included in our measures of impact, results from stakeholder surveys and changes in the numbers of visitors to our website. However, our experience is that these measures contribute little to decision-making. As we work to develop a knowledge transfer system, we aim to improve our understanding of how sector participants use our findings and recommendations, and build on that to develop more meaningful indicators of impact.

For the period of the SOI, the Commission's organisational health and capability strategy is to build and maintain resilience to environmental disruptions (refer page 3), in particular building a knowledge transfer system. Knowledge transfer is about capturing, organising, creating and distributing knowledge, and making sure it is available for others to use in the future.

As illustrated in Figure 1 on page 4, knowledge transfer is crucial for the Commission in achieving our strategic objective that participants in the transport system know about safety issues.

Knowledge can be transferred from one person to another; or it can involve converting knowledge into a retrievable form (such as a document, image, or video) for the later use of others. The Commission's Knowledge Transfer System encompasses all of the assets and processes that support knowledge transfer within the organisation and to outside users.

The Commission's focus is on the digital aspects of our Knowledge Transfer System. But this is more than IT assets – it includes the people who provide supporting capability and those who can leverage the opportunities for improved organisational performance (for example, trend analysis or video presentation of findings). It is therefore linked to workforce planning.

In 2018/19, the first year of the SOI, the focus was on assessing priority areas for strengthening resilience in our human and IT capital. The diagram below shows the main organisational work programmes for the remaining years of the SOI.

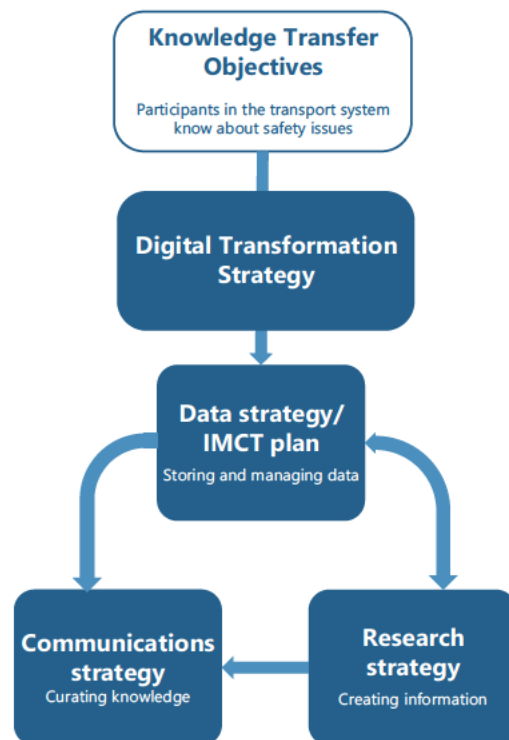


Figure 2: Work programme priorities 2019-2022

The reporting measures below focus on the three main work programmes: data strategy/IMCT plan, a communications strategy, and a research strategy. The measures reflect development of these work programmes rather than explicitly referencing resilience. Resilience is integrated into our decision-making processes, and is therefore implicit in the establishment and implementation of each programme.

Measures for strengthening human and IT resilience for the remaining two years of the SOI are set out in the following table. The strategies and plans form the foundations of a contemporary knowledge transfer system.

Indicator	Description
2020/21 to 2021/22 Workforce plan implemented	The workforce plan will be implemented over the two remaining years of the current <i>Statement of Intent 2018-2022</i> . In 2020/21 we will acquire the expertise needed to complete planning processes, and then begin progressing implementation of the Knowledge Transfer System. We expect in the short term that consultants or contractors may be required for a fixed period followed by permanent employees to provide the ongoing skills needed.
An independent review of our workforce plan was completed in 2018/19. The review included an assessment of the skills we need to meet the demands of a data-driven and technologically changing environment, and options for effective procurement of identified gaps in capability.	
Indicator	Description
2020/21 Complete development of integrated strategies and plans for data, communications, and research	<p>The communications strategy is complete.</p> <p>In 2020/21, we will complete the development of a data strategy/IMCT plan.</p> <p>A research strategy is scheduled for later in 2020/21 with possible completion in early 2021/22.</p> <p>All three strategies were originally intended to begin in 2019/20 (starting with the data strategy/IMCT plan, followed by the communications plan and then the research strategy). They were deferred after the 2019/20 budget bid was declined.</p>
2021/22 (final year of the SOI) Integrated plans fully implemented	<p>IMCT systems built</p> <p>Communications plan implemented</p> <p>Research plan finalised and implemented</p>
2022/23 Review processes begin	<p>Projects evaluated</p> <p>Benefit review plan developed</p> <p>(Implementation of action plans continues)</p>
<p>In 2018/19, we commissioned an independent strategic analysis for our IT systems, including priorities for building resilience. The analysis determined a broad direction (for example, transferring ICT systems to the cloud, using 'software as a service', and identifying the types of software packages we will need in the future).</p> <p>The strategies and plans referred to above will develop the strategic analyses into more detailed work programmes.</p>	

2. Statement of responsibility

The Board of the Transport Accident Investigation Commission is responsible for the preparation of this Statement of Performance Expectations in accordance with the requirements of the Crown Entities Act 2004.

On behalf of the Board, we confirm that the information contained in this Statement of Performance Expectations reflects the operations, prospective financial position and associated assumptions of the Transport Accident Investigation Commission for the period 1 July 2020 to 30 June 2021.



Jane Meares
Chief Commissioner



Stephen Davies Howard
Deputy Chief Commissioner

24 June 2020

3. Statement of accounting policies

3.1. Reporting entity

The Transport Accident Investigation Commission (TAIC) is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990. Its main purpose is to inquire into maritime, aviation and rail occurrences within New Zealand with a view to determining their causes and circumstances rather than ascribe blame.

TAIC may also co-ordinate with overseas accident investigation authorities or represent New Zealand during accident investigations conducted by overseas authorities in which New Zealand has a specific interest.

TAIC's investigation capability is occasionally extended on either a pro bono public or a cost-recovery basis to Pacific Island States.

TAIC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The Prospective Financial Statements of TAIC is for the year 2020-2021. The Prospective Financial Statements were authorised for issue by the Board on 24 June 2020. The Board is responsible for the Prospective Financial Statements presented, including the appropriateness of the assumptions underlying the Prospective Financial Statements and all other required disclosures.

3.2. Accounting policies

Overall considerations

The Prospective Financial Statements have been prepared in accordance with the Transport Accident Investigation Commission Act 1990, the Crown Entities Act 2004, PBE Financial Reporting Standard FRS-42 and New Zealand's generally accepted accounting practice as it relates to prospective financial statements.

The Prospective Financial Statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The Prospective Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

The Prospective Financial Statements will not be further updated subsequent to publication.

The Prospective Financial Statements contain information that may not be appropriate for purposes other than those described in the statement of responsibility.

Changes in accounting policies

The accounting policies have been updated to comply with PBE IFRS 9 Financial Instruments. The main update is to the receivables policy that has changed to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model. All other accounting policies are consistent with those used in previous Prospective Financial Statements.

Particular accounting policies

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied:

Revenue

Revenue from the Crown

TAIC is primarily funded by the Crown (forecast 99 per cent in 2019/20). The funding is restricted in its use for the purpose of meeting the objectives specified in TAIC's founding legislation and the scope of the relevant appropriations of the funder.

TAIC considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

The fair value of revenue from the Crown has been determined as equivalent to the amounts due in the funding arrangements.

Interest

Interest revenue is recognised using the effective interest method.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rate 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 surplus of deficit.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease incentives received are recognised in the Prospective Statement of Comprehensive Revenue and Expense Surplus as a reduction in rental expense over the lease term.

Receivables

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

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

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

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amounts invested.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: buildings, computer equipment, furniture and office equipment.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of the assets. Gains and losses on disposals are included in the Prospective Statement of Comprehensive Revenue and Expense. 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 subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to TAIC 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 surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight line basis at rates that will write the assets off over their estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Fixed asset type	Useful life (years)	Depreciation rate (%)
Buildings (store)	5–50	2%–20%
Computer equipment	2–10	10%–50%
Furniture and equipment	2.1–14	7%–48%

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 associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

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

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

Asset type	Useful life (years)	Depreciation rate %
Software	2.1–10	10%–48%

Impairment of property, plant and equipment and intangible assets

Non-cash-generating assets

Property, plant and equipment and intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable service amount. The recoverable service amount is the higher of the asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and the availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Payables

Short-term payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which employees render the related services are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which an employee provides a related service, such as long service leave, have been calculated based on:

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

Presentation of employee entitlements

Annual leave and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as non-current liabilities.

Superannuation scheme

Defined contribution scheme

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expense as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits 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 an interest expense and is included in "finance costs".

Good and services tax

All items in the Prospective Financial Statements are stated exclusive of GST except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Prospective Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

Taxation

TAIC is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions

In preparing these Prospective Financial Statements TAIC 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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Estimating useful lives and residual values of property, plant and equipment

At each balance date, the useful lives and residual values of TAIC's property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the assets, expected periods of use of the assets by TAIC, and expected disposal proceeds from the future sales of the assets.

TAIC has not made any significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying TAIC's accounting policies

Management has exercised the following critical judgements in applying accounting policies.

Lease classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to TAIC. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Prospective Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

TAIC has exercised its judgement on the appropriate classification of equipment leases, and has determined it has no finance leases.

Actual results

Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

4. Prospective financial statements

Note: in the tables below, actual figures for the year ended 30 June 2019 are from the audited financial statements in the 2018-19 annual report.

Figures exclude GST unless specified

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ending 30 June	Actual 2019 \$000	Forecast 2020 \$000	Budget 2021 \$000
Revenue			
Funding from the Crown	5,520	5,520	7,300
Interest revenue	21	21	21
Other revenue	158	58	58
Total Revenue	5,699	5,599	7,379
Expenditure			
Audit Fees	20	21	22
Commissioners' fees	271	236	245
Depreciation and amortisation expense	165	164	216
Lease, rentals and outgoings	677	580	685
Personnel costs	3,496	3,280	4,036
Other expenses	1,138	962	2,175
Total Expenditure	5,767	5,243	7,379
Net Surplus/(Deficit)	(68)	356	-
Other Comprehensive revenue and expense	-	-	-
Total Comprehensive revenue and expense	(68)	356	-

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

PROSPECTIVE STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

For the year ending 30 June	Actual 2019 \$000	Forecast 2020 \$000	Budget 2021 \$000
Current assets			
Cash and cash equivalents	1,409	1,879	1,964
Receivables	6	2	2
Prepayments	18	20	20
Total current assets	1,433	1,901	1,986
Non-current assets			
Property, plant and equipment	234	173	212
Intangible assets	277	183	89
Total non-current assets	511	356	301
Total assets	1,944	2,257	2,287
Current liabilities			
Payables and deferred revenue	255	220	220
Employee entitlements	265	255	285
Total current liabilities	520	475	505
Non-current liabilities			
Employee entitlements	18	20	20
Total non-current liabilities	18	20	20
Total liabilities	538	495	525
Net assets	1,406	1,762	1,762
Equity			
General funds	1,406	1,762	1,762
Total equity	1,406	1,762	1,762

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

For the year ending 30 June	Actual 2019 \$000	Forecast 2020 \$000	Budget 2021 \$000
Balance at 1 July	1,474	1,406	1,762
Total comprehensive revenue and expense for the year	(68)	356	-
Balance at 30 June	1,406	1,762	1,762

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

For the year ending 30 June	Actual 2019 \$000	Forecast 2020 \$000	Budget 2021 \$000
Cash flows from operating activities			
Receipts from the Crown	5,520	5,520	7,300
Interest received	21	21	21
Receipts from other revenue	161	62	58
Payments to suppliers	(2,086)	(1,837)	(3,127)
Payments to employees	(3,498)	(3,288)	(4,006)
Net cash flows from operating activities	118	478	246
Cash flows from investing activities			
Purchase of property, plant and equipment	(24)	(8)	(161)
Purchase of intangible assets	-	-	-
Sale of property, plant and equipment	-	-	-
Net cash flows from investing activities	(24)	(8)	(161)
Cash Flows from Financing Activities			
Net Cash Flows from Financing Activities	-	-	-
Net (decrease)/increase in cash and cash equivalents	94	470	85
Cash and cash equivalents at the beginning of the year	1,315	1,409	1,879
Cash and cash equivalents at the end of the year	1,409	1,879	1,964

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

PROSPECTIVE CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE

For the year ending 30 June	Actual 2019 \$000	Forecast 2020 \$000	Budget 2021 \$000
Asset programme			
Depreciation and amortisation expense	165	164	216
Buildings	7	-	-
AIMS Hardware and Software	-	-	-
Computer equipment	9	-	131
Investigation, furniture and fittings, office equipment	8	8	30
Total acquisition cost	24	8	161

5. Statement of significant underlying assumptions

The following assumptions have been applied in preparing the financial statements for TAIC.

Personnel costs

For 2020/21, salary forecast increases are no more than 2% in line with government pay constraints as the result of the COVID-19 response. Five new FTE's are included to progress work on the knowledge transfer system.

Other operating costs

The budget for staff training costs in 2020/21 is at similar levels to 2019/20. The budget for 2020/21 also includes costs for progressing the knowledge transfer system.

Revenue

Crown revenue has increased by \$1.78m from the previous financial year due to increased funding for the knowledge transfer system.

Investigations

Assumption for 2020/21's investigation costs is they will be at a similar level to those in 2019/20. It is assumed that consultants will continue to be engaged to provide specialist investigative advice when required.

Commissioners' fees

In 2020/21, the budget for commissioner numbers is four, the same number as 2019/20. The budget reflects government pay constraints as the result of the COVID-19 response.

TAIC Statement of Performance Expectations 2020/21

Transport Accident Investigation Commission

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