

STATEMENT OF PERFORMANCE EXPECTATIONS

2014-2015



VISION, PURPOSE, VALUES

OUR VISION

That everyone who goes to work comes home healthy and safe

OUR PURPOSE

To transform New Zealand's workplace health and safety performance

OUR VALUES

Integrity – being fair, firm, and consistent, showing respect for those we work with

Courage – standing up for health and safety

Responsibility – being accountable for what we do

Presented to the House of Representatives pursuant to section 149L of the Crown Entities Act 2004

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FOREWORD

On behalf of the Board, we are pleased to present this *Statement of Performance Expectations for 2014-2015* for WorkSafe New Zealand. In 2013 the Government announced its *Working Safer* reform package, representing the most significant set of changes to New Zealand's health and safety system in 20 years. WorkSafe NZ was subsequently established as the new Crown Agent to transform the health and safety performance of New Zealand workplaces.

Over the longer-term WorkSafe NZ will become an intelligent, evidence-led, high-performing regulator. Right now the organisation is in a building phase. This year will have a focus on building a solid foundation for the future and embedding new functions while delivering existing regulatory activities.

This *Statement of Performance Expectations* outlines the plan for the year ahead; WorkSafe NZ's immediate direction, activities, budget, and key indicators to measure performance in 2014-15. Building organisational capability is highlighted because WorkSafe NZ's performance depends, in large part, on recruiting and supporting the staff needed for the work. This document should be read in conjunction with WorkSafe NZ's longer-term strategy in the *Statement of Intent 2014-2018*.

This year we will finalise our intervention approach to influence behaviour and outcomes. This work will help WorkSafe NZ to make better strategic and operational decisions.

A significant overhaul of workplace health and safety legislation is in the pipeline and we are preparing ourselves and others for this change. The new legislation provides a rare opportunity to lift workplace health and safety consciousness through awareness-raising activities. We will work with other government agencies to collectively promote messages and education about health and safety in workplaces.

THE NEW LEGISLATION PROVIDES A RARE OPPORTUNITY TO LIFT WORKPLACE HEALTH AND SAFETY CONSCIOUSNESS THROUGH AWARENESS-RAISING ACTIVITIES.

Each year in New Zealand about 75 people die and 6000 are seriously hurt at work. It is estimated that up to 900 people die prematurely annually from diseases connected back to unhealthy exposures and practices at work when they were younger. This harm is preventable and this year WorkSafe NZ will dedicate its weight to this prevention.

Increased public confidence will be integral to our success, and we will be transparent about our performance. WorkSafe NZ is taking a new approach to planning and reporting on performance. Our new performance indicators are outlined in this document. On an annual basis, we are focusing on the impact that WorkSafe NZ has on the whole workplace health and safety system. When we consider all of the system-wide changes necessary for widespread health and safety improvements in workplaces, our focus naturally shifts to working with others. Businesses, workers, contractors, representative groups, and partner agencies all have vital roles.



A handwritten signature in black ink that reads "Gregor D. Coster".

Professor Gregor Coster, CNZM, Chair



A handwritten signature in black ink that reads "Ross Wilson".

Ross Wilson, Deputy Chair



1

INTRODUCTION

Established in 2013, WorkSafe New Zealand is the new regulator of health and safety in workplaces and the safe supply and use of electricity and gas¹. WorkSafe NZ is a Crown Agent established in the wake of the Pike River coal mine tragedy. Our 2014-15 budget is \$85 million.

We undertake workplace assessments and investigations to monitor and enforce compliance with the law². We also provide information, advice, and guidance so that duty holders know what is expected of them.

WORKING SAFER

The Government's *Working Safer* reform blueprint calls for systemic change. The reforms include a greater focus on high-risk workplaces and occupational health, more worker participation in health and safety, and better co-ordination between government agencies. An overhaul of the law is central to the reforms, along with clearer guidance for duty holders and their representatives. A more focused intervention strategy will encourage improved management of workplace health and safety while holding duty holders to account. We will report back on the *Working Safer* elements and directives in our quarterly and annual reports.

NATIONAL PROGRAMMES

Many of our activities are delivered through multi-faceted national programmes and projects that target areas where most workplace harm occurs: agriculture, forestry, construction, manufacturing, and occupational health. Key initiatives underway include: Safer Forest Harvesting, Safer Farms (including the Quad Bike Safety harm reduction project), Preventing Falls from Height in Construction, Safe Use of Machinery in Manufacturing, and the development of programme options for improving occupational health. This harm reduction work is increasingly being strengthened through our partnership with the Accident Compensation Corporation (ACC) as we develop and implement our joint workplace injury prevention action plan.

Too many workers in our forests are being killed and injured as they harvest the trees, which is why forestry is a top priority for us. Our approach will have several strands. We will continue with assessment visits using intelligence to target key risks and poor performers. This will include holding businesses to account through prosecutions where appropriate. In addition, we will update the Approved Forestry Code of Practice and will support the Independent Forestry Safety Review, which is looking fundamentally at the root causes of forestry accidents and what might be done to prevent harm. We will consider any recommendations for change made by the Independent Forestry Safety Review.

¹ We deliver the workplace health and safety compliance activities and services previously carried out by the Ministry of Business, Innovation and Employment (MBIE) and earlier the Department of Labour. Our energy safety functions were previously carried out by MBIE and earlier the Ministry of Economic Development.

² The Health and Safety in Employment (HSE) Act 1992, the Hazardous Substances and New Organisms (HSNO) Act 1996, the Electricity Act 1992, and the Gas Act 1992.

HEALTH AS WELL AS SAFETY

Our focus is on health as well as safety; for example, we regulate the safe use of hazardous substances in workplaces. We will continue asking hard questions about asbestos in New Zealand, and will take action where we can, given the health risks for those who are exposed to it.

In September 2014, oversight of the test certification functions under the HSNO Act will be transferred to WorkSafe NZ under delegation from the Environmental Protection Authority (EPA). Under the Health and Safety Reform Bill recently introduced to Parliament, WorkSafe NZ will be responsible for setting and enforcing workplace-use controls for hazardous substances in workplaces. We will also continue to enforce disposal and environmental controls in workplaces.

By December 2014 we will have identified our targets for improving occupational health in New Zealand. Considerable effort is required to build our occupational health capacity and a substantive work programme.

ADVENTURE ACTIVITIES

We have a special focus on the adventure activities sector this year. Adventure activities are an important part of the tourism and outdoors sectors in New Zealand, but too many adventure tragedies have marred this landscape. In 2011 a new regulatory regime was introduced to ensure that high-risk adventure activity operators extend a duty of care to their customers under the Health and Safety in Employment Act 1992. This requires an increased safety culture, with all adventure activity operators subject to the regulations being required to undergo regular audits. We will be taking action against those operators that have not passed audits or been registered with us by the regulation deadline of 1 November 2014.

We are also supporting the industry to develop Activity Safety Guidelines to help the industry set a bar on best practice and safety. These Guidelines, along with other industry best-practice documents (e.g. codes, guides, and international standards) will provide a benchmark for auditors and inspectors during their work.

HIGH-HAZARD SECTORS

We concentrate effort in the high-hazard sectors (petroleum, extractives, and geothermal) and major hazard facilities (sites that store large quantities of chemicals like fuels and fertilisers). Our focus is on preventing low-frequency but high-consequence incidents i.e. those involving multiple fatalities or serious community or occupational health problems. New regulatory regimes are being rolled out and implemented by our High Hazards Unit and we are continuing to build the workforce required for this.

STAFF AND SKILLS

To give effect to the *Working Safer* reforms, part of our new budget will be dedicated to increasing our capability, particularly in the inspectorate. This year we will continue to establish the expertise needed to meet the significant challenges ahead. This recruitment will take place during the next 24 months. It is important that current and new inspectorate staff are adequately supported through this period of rapid expansion. Our comprehensive, multi-year inspectorate development programme is outlined in the *Statement of Intent 2014-2018*.

WorkSafe NZ management, staff, and their representatives are utilising a high-engagement approach to address problems, develop solutions, and design functions. This year we will particularly be focusing on the joint development of our intervention approach, our human resources management policy framework, and the effective deployment of our inspectorate.



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OUR PERFORMANCE

As a priority, we have been strengthening our performance framework and indicators to monitor progress. As we mature we will refine our approach and place more emphasis on occupational health. We aim to simplify this framework over time.

In the short term (the 2014-15 financial year) we want to improve attitudes towards safety, make a positive impact as a regulator, lift practices in the workplaces that we target, and lay the groundwork for more widespread improvements.

The resulting change we seek is better safety management. Whether it relates to energy safety, safety in workplaces, major hazard facilities, high-hazard sectors, or adventure activities, improved safety management is the important link to the outcomes we seek for 2016 and 2020.

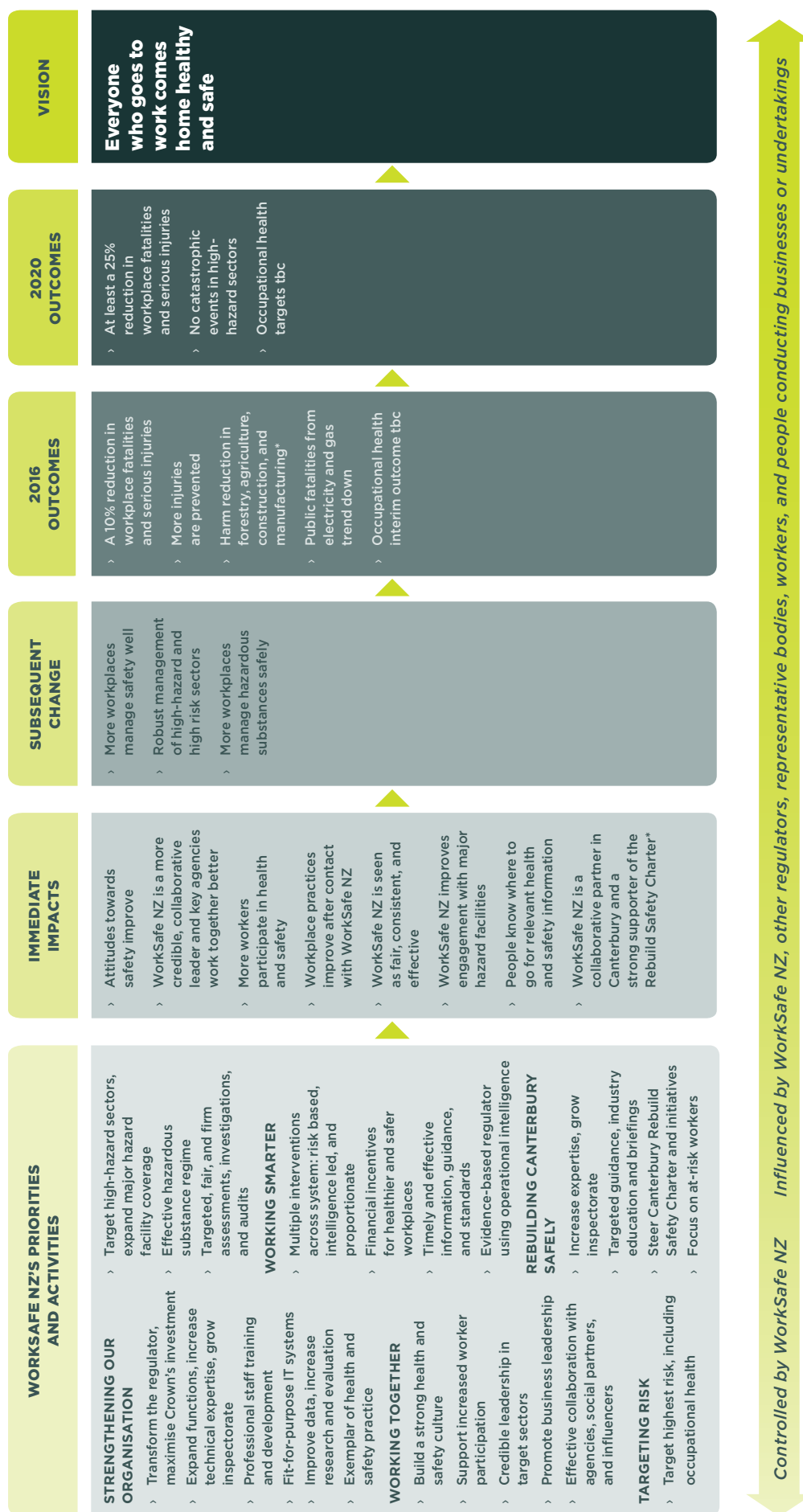
We are targeting a 10% reduction in workplace fatalities and serious injuries by 2016, with particular improvements in forestry, agriculture, construction, and manufacturing.

At least a 25% reduction in workplace fatalities and serious injuries is the government's goal for workplace health and safety by 2020. Internally, we are striving for larger reductions that reflect our ambitious vision of all workers returning home healthy and safe.

We want to eliminate catastrophic events (i.e. those like Pike River involving multiple fatalities, or with potential to cause serious community and occupational health problems). Reducing the chances of any catastrophic event takes many years of regulatory effort.

PERFORMANCE FRAMEWORK

A new framework for WorkSafe NZ's performance within the New Zealand health and safety system is set out below.



* We will work with industry in top-priority areas (i.e. Canterbury and forestry) to set clear goals and targets.

MONITORING PERFORMANCE

A series of performance indicators³ underpins our performance framework. The indicators are about not just WorkSafe NZ but also the changes required across the New Zealand health and safety system. Some of our new performance indicators rely on data from MBIE's National Survey of Employers (NSE). There is currently no worker equivalent of the NSE, and given the importance of understanding worker perspectives on health and safety, WorkSafe NZ will explore new sources of data to capture worker views. This will be supported by a new research and evaluation function. The logic for our interventions will be informed by an increasingly deep base of research and evaluation.

³ These indicators relate to a single reportable class of outputs known as 'workplace health and safety'.

INDICATORS OF IMMEDIATE IMPACT

The section below outlines the eight immediate impacts that WorkSafe NZ seeks to make and the methods for monitoring change. In time we expect to have hard targets for more of these indicators.

1

Attitudes towards safety improve

New Zealand's 'she'll be right' attitude contributes to preventable deaths and serious injuries.

- a) We will research workplace health and safety attitudes in forestry, agriculture, manufacturing, and construction in 2014. Through the WorkSafe NZ Baseline Research we will establish base data by December 2014, and changes to those attitudes will be monitored in 2015 and 2016
- b) As a supplementary measure we will monitor the rate of employers who agree that good health and safety systems are good for their business. This will be measured annually through the NSE. The last result was 89% in 2012-13.

**PROMOTE AND
MEASURE A
SAFETY CULTURE**

2

WorkSafe NZ is a more credible, collaborative leader and key agencies work better together

The health and safety system needs leadership, and we need to establish credibility for this. We also want to create efficiencies from the multi-million-dollar investments in injury prevention.

- a) We want WorkSafe NZ to be seen as a competent, cohesive organisation that draws on other organisations' expertise and levers to effect change. This will be discussed in annual chief executive meetings with key partners, and supplemented with a short, independent survey. A summary of views will be provided to the Board and Minister of Labour by March 2015
- b) New Zealanders expect health and safety agencies to work together and to make the best use of the significant investment in injury prevention and harm reduction activities. We will seek support from MBIE on methods to evaluate interagency collaboration as the *Working Safer* reforms envisaged.

**ESTABLISH AND
MONITOR OUR
CREDIBILITY AS A
REGULATOR AND
COLLABORATOR**

3 More workers participate in health and safety

A health and safety system is likely to perform better when more workers have the opportunity to participate, and if they know how to keep themselves and their colleagues safe. We are looking at the way we support and engage with health and safety representatives as part of how we regulate health and safety.

We seek higher rates of:

- a) employees who consider that they have reasonable opportunities to take part in improving workplace health and safety. This had been asked in the Survey of Working Life (the 2012 result was 84%). We are requesting ongoing measurement through Statistics New Zealand's redeveloped Household Labour Force Survey. We are also seeking opportunities to ask if workers consider that this participation is/would be effective
- b) employers with formal employee participation systems⁴. This will be measured annually through the NSE. The last result was 58% in 2012-13.

SUPPORT MORE WORKERS TO PARTICIPATE IN THEIR HEALTH AND SAFETY

58% OF EMPLOYERS HAVE FORMAL PARTICIPATION SYSTEMS

4 Workplace practices improve after contact with WorkSafe NZ

WorkSafe NZ primarily engages with sectors where most harm occurs and there is potential for catastrophic harm, and in workplaces where serious accidents have taken place. There is generally scope for improved practice.

- a) We seek higher rates of people who report that changes have been made to their workplace practices resulting from contact with WorkSafe NZ. This will be measured annually through the Service Excellence Survey, which also examines the types of change made (e.g. providing health and safety training). For people who had contact with health and safety inspectors in 2013, 71% of employers reported making changes to their practices and 71% of employees reported changes. For those who dealt with HSNO inspectors in 2013, 56% of employers reported changes and 51% of employees reported changes.

SAFETY PRACTICES IMPROVE AFTER CONTACT WITH OUR INSPECTORS

⁴ Under the HSE Act 1992 workplaces are required to have a formal system if they have 30 or more staff, or if a formal system is requested by staff in smaller workplaces. This is not limited to having elected staff representatives or health and safety committees. The 2012-13 NSE found that 55% of businesses with 19 or fewer employees had formal employee participation systems, compared with 83% of larger businesses.

5 WorkSafe NZ is seen as fair, consistent, and effective

We seek to deliver fair and consistent public services that represent value for money.

- a) We seek a higher rate of people reporting that their engagement with WorkSafe NZ's inspectorate was an example of good value for tax dollars spent, fair, and consistent. These points will be measured annually through the Service Excellence Survey. Our last results were: 58% of employees and employers who had had contact with health and safety inspectors thought it represented good value for tax dollars spent. For those who had had contact with HSNO inspectors, the equivalent result was 63%. 85% of people who had dealt with health and safety inspectors said they had been treated fairly, and 89% felt treated fairly by HSNO inspectors. This year we will explore a new line of questioning about consistency of approach.

While WorkSafe NZ is the primary workplace health and safety regulator, we are not the only agency enforcing health and safety compliance.

- b) We want a higher rate of employers agreeing that the government is effective in enforcing obligations for businesses under the HSE Act. This will be measured annually through the NSE. The last result was 60% in 2012-13.

**85% SAY WE'RE FAIR
BUT ONLY 58% SEE
VALUE FOR MONEY**

6 WorkSafe NZ improves engagement with major hazard facilities

Major hazard facilities store high quantities of chemicals like fuels and fertilisers. If there is a significant systems' failure when these materials are involved, there is potential for a major industrial accident. Our focus is not just on-site safety, but also safety around the site. With new regulations coming into force in 2015, we are working to prepare owners of major hazard facilities.

- a) By December 2014 we will contact the owners of all major hazard sites that will be within the scope of the new regulations.
- b) In 2015 we will start working with owners to help them prepare for the new regime (i.e. the need for safety cases). We will also start developing a programme of site inspections needed for future years.

**SUPPORT MAJOR
HAZARD FACILITIES
FOR INCREASING
SCRUTINY**

7 People know where to go for relevant health and safety information

When people seek workplace safety information they are likely to understand already the importance of safety. We provide information about workplace health and safety, and third parties like consultants, lawyers, and other health and safety professionals do too. Information needs to be current and accessible to target audiences.

- a) WorkSafe NZ provides considerable health and safety information, and by December 2014 we will develop a base understanding of the awareness of WorkSafe NZ's information and advice. This will be measured through the WorkSafe NZ Baseline Research. Additional methods for measuring the effectiveness of WorkSafe NZ's guidance, standards, and information provision will be developed by December 2015.
- b) We seek a higher rate of employers who know where to go for expert advice on health and safety for their businesses. This will be measured annually through the NSE. The last result was 85% in 2012-13.

50,000+ WEBSITE VISITS EACH MONTH, BUT DO PEOPLE GET THE GUIDANCE THEY NEED?

8 WorkSafe NZ is a collaborative partner in Canterbury and a strong supporter of the Canterbury Rebuild Safety Charter

Our work in Canterbury showcases the collaborative approach we seek to take in the rest of New Zealand. The nature of the work in Canterbury is complex and demands collaboration with key partners.

- a) Our activities to support the Canterbury rebuild effectively draw on, and complement, other organisations' expertise and levers to effect change. This work will be assessed through regular discussions with stakeholders, and audits completed under the Charter. An evaluation framework for the Canterbury rebuild initiatives will establish detailed indicators of success.
- b) We also seek to improve industry practices around asbestos. We will monitor and report on the nature of the notices issued about asbestos and how we are evolving our approach. We will utilise the certificate of competency application process to identify areas for improved practice, maintain high standards, and lift the capability of the workforce involved in asbestos removal.

MORE THAN 1700 PEOPLE AT OUR BREAKFASTS AND SEMINARS ON FALLS FROM HEIGHT, OCCUPATIONAL HEALTH, ASBESTOS, AND MOBILE PLANT RISKS

INDICATORS OF SUBSEQUENT CHANGE

If WorkSafe NZ is having the impact expected we would expect better safety management. More workplaces will need to manage health and safety well to lead the outcomes sought for 2016 and 2020. The indicators below will show the subsequent changes we expect. In time we expect to have hard targets for more of these indicators.

9

More workplaces manage health and safety well

- a) We seek a higher rate of employers with the following elements of a health and safety system:
- › A documented hazard management system, that is actively used.
 - › A documented accident investigation process.
 - › Inductions for all new employees, and contractors.
 - › A system for employee participation in managing health and safety.

This will be measured annually through the NSE. The last result was 32% in 2012-13. We are seeking to amend this survey to ensure that the range of approaches that different sorts of business take to health and safety can be counted (rather than over-emphasising formal documentation)

As a supplementary data source we will monitor the proportion of employers participating in ACC programmes for maintaining health and safety systems e.g. ACC's Accredited Employer and Workplace Safety Management Practices programmes.

**32% OF EMPLOYERS
HAVE HEALTH AND
SAFETY SYSTEMS**

10

More workplaces manage hazardous substances well

Poor management of hazardous substances can result in exposures that cause adverse health effects and contribute to illness and injury. There can be decades between exposures and illnesses. We want more compliant management and safe use of hazardous substances to prevent exposure and unsafe use in the first instance.

- a) We seek a higher rate of firms complying with legal requirements for managing hazardous substances. Building on the EPA's 2012 Industry Compliance with Hazardous Substances Survey, WorkSafe NZ will survey industry compliance with workplace use controls for hazardous substances.
- b) We seek a lower rate of workplaces with hazardous substance non-compliances. We will use our own administrative data to establish a baseline by June 2015, and changes will be monitored in subsequent years.

**ONLY 25% OF FIRMS
COMPLY WITH
REQUIREMENTS⁵
FOR MANAGING
HAZARDOUS
SUBSTANCES**

⁵ Eight key HSN0 controls were examined in the EPA's 2012 Industry Compliance with Hazardous Substances Survey.

11 Robust management of high-hazard and high-risk sectors

The petroleum and extractives sectors and major hazard facilities are increasingly coming under more rigorous regulations. This shift involves a requirement for more process safety, an increased use of safety cases/principal hazard management plans, and reporting of potentially dangerous precursor events.

- a) We are notified of all of the statutory notifications that we ought to receive from high-hazard sectors (e.g. notices of potentially dangerous precursor events).

We seek:

- b) higher rates of firms responding to potentially dangerous precursor events adequately (as determined by specialist inspectors following assessment procedures)
- c) higher rates of safety cases and principal hazard management plans that meet legal requirements on their first submission
- d) decreasing rates of non-compliance with safety cases and principal hazard management plans

Where possible, baselines will be established by June 2015 and changes monitored subsequently (we are strengthening the High Hazards inspectorate, which will have a positive impact on data collection).

The safety of adventure activities is being more closely controlled under a new regulatory regime involving audited safety management plans and a requirement to be registered with WorkSafe NZ. We are building the capability needed for this work.

- e) We will support audit providers and adventure activity operators to prepare for the new regime.
- f) From 1 November 2014 we will contact operators who have not registered with us and take next steps, including enforcement action.

**MORE TRANSPARENCY
OF POTENTIALLY
DANGEROUS EVENTS**

**A NEW REQUIREMENT
FOR SAFETY PLANS**



3

OUR APPROPRIATION AND REPORTABLE OUTPUTS

Please refer to the *Statement of Intent 2014-2018* for the longer-term outcomes sought for New Zealand's health and safety system. For the purposes of Section 58 of the Crown Entities Amendment Act 2013, WorkSafe NZ has a single reportable class of outputs covering the full range of its activities⁶. This class of outputs is funded by a Non-Departmental Output Expense appropriation in Vote Labour – 'Workplace Health and Safety (M43)'.

The appropriation is limited to the provision of information, education, leadership, standards, support, and enforcement services relating to the health and safety of workplaces, the safe management of hazardous substances in workplaces, the safety of gas and electricity systems, and the inspection of amusement devices⁷.

The appropriation is intended to contribute to safer and more skilled workplaces by achieving a reduction in deaths and injuries, and exposures to hazardous substances, in workplaces, and an improvement in the safety of the supply of electricity and gas.

Cost of service statement

\$000	SOI ⁸ BUDGET 2013/14 (6.5 MONTHS FROM 16/12/13)	ESTIMATED ACTUAL 2013/14 (6.5 MONTHS FROM 16/12/13)	FORECAST 2014/15
Revenue			
Revenue from the Crown ⁹	46,954	41,420	81,177
Interest revenue	159	159	269
Other revenue ¹⁰	1,857	1,887	3,677
Total revenue	48,970	43,466	85,123
Total expenditure	48,970	43,466	85,123
Surplus/(deficit)	-	-	-

⁶ WorkSafe NZ is not intending to supply any class of outputs that is not a reportable class of outputs.

⁷ For example, miniature trains, go carts, and Ferris wheels.

⁸ The SOI referred to is WorkSafe New Zealand's *Statement of Intent 2014-2018* unless otherwise stated.

⁹ From non-departmental output expense – Workplace Health and Safety.

¹⁰ Primarily energy safety revenue.



4

PROSPECTIVE FINANCIAL STATEMENTS

FINANCIAL STRATEGY

This financial strategy is an integral part of the overall organisational strategy.

WorkSafe NZ will:

- › budget and manage operating expenditure to ensure that the minimum level of retained earnings approved by the Board is maintained
- › ensure that our working capital is managed to ensure that we can pay our debts when they are due
- › budget and manage capital expenditure within available funding levels
- › have annual operating and capital budgets and subsequent budget updates/ reforecasts approved by the Board
- › operate within the financial delegations approved by the Board
- › operate prudently within organisation-appropriate and robust internal controls
- › maintain a conservative investment strategy – investing in term deposits or interest-bearing accounts with established organisations approved by the Board
- › utilise shared services where they are cost effective and improve effectiveness.

Prospective statement of revenue and expense

\$000	ESTIMATED ACTUAL 2013/14 (6.5 MONTHS FROM 16/12/13)	FORECAST 2014/15
Revenue		
Revenue from the Crown – operating	41,420	81,177
Interest revenue	159	269
Other revenue ¹¹	1,887	3,677
Total revenue	43,466	85,123
Expenditure		
Personnel	24,184	49,700
Other expenditure	18,882	34,123
Depreciation	400	1,000
Capital charge	-	300
Total expenditure	43,466	85,123
Net surplus/(deficit)	-	-

¹¹ Energy safety revenue.

Prospective statement of changes in net assets/equity

\$000	ESTIMATED ACTUAL POSITION YEAR ENDING 30 JUNE 2014	FORECAST YEAR ENDING 30 JUNE 2015
Equity		
Equity at the beginning of the year ¹²	-	7,771
Transfer of assets from MBIE ¹³	7,771	-
Capital contribution from the Crown	-	7,500 ¹⁴
Net surplus/(deficit)	-	-
Equity as at 30 June	7,771	15,271

Prospective statement of financial position

\$000	ESTIMATED ACTUAL POSITION AS AT 30 JUNE 2014	FORECAST FINANCIAL POSITION AS AT 30 JUNE 2015
Assets		
Current assets	8,271	6,471
Fixed assets	4,000	13,500
Total assets	12,271	19,971
Liabilities		
Current liabilities	3,500	3,500
Non-current liabilities	1,000	1,200
Total liabilities	4,500	4,700
Net assets	7,771	15,271
Equity	7,771	15,271

¹² 2013/14 = 16 December 2013, 2014/15 = 1 July 2014.

¹³ Transfer of former Health and Safety Group fixed assets and cash representing accumulated depreciation on those fixed assets from MBIE.

¹⁴ \$17.5m was approved in Budget 2014 as a capital contingency. It is a three-year programme of work. A detailed business case is currently being developed to enable the funding to be drawn down. The forecast drawdowns by category are detailed in the table below.

CATEGORY	2014/15	2015/16	2016/17
Supporting information and communications technology business capabilities	\$6.0m	\$5.0m	\$3.0m
Vehicles and office equipment for additional staff	\$1.5m	\$2.0m	-

Prospective cash flow statement

\$000	ESTIMATED ACTUAL 2013/14 (6.5 MONTHS FROM 16/12/13)	FORECAST 2014/15
<i>Cash flows from operating activities</i>		
Receipts from the Crown – Crown revenue	41,420	81,177
Other revenue	2,000	3,946
Payments to suppliers	(21,091)	(46,894)
Payments to employees	(18,200)	(38,500)
Net cash flows from operating activities	4,129	(271)
<i>Cash flows from investing activities</i>		
Interest revenue	-	-
Purchase of property, plant, and equipment	(1,517)	(9,729)
Net cash flows from investing activities	(1,517)	(9,729)
<i>Cash flows from financing activities</i>		
Transfer of assets from MBIE	4,888	-
Capital contribution from the Crown	-	7,500
Net cash flows from financing activities	4,888	7,500
Net increase/(decrease) in cash and cash equivalents	7,500	(2,500)
Cash and cash equivalents at the beginning of the year	-	7,500
Cash and cash equivalents at the end of the year	7,500	5,000

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements are based on policies and approvals in place as at 20 April 2014 and are GST exclusive (except for payables and receivables, which are GST inclusive). The forecasts are prepared under New Zealand Generally Accepted Accounting Practice (NZGAAP). Actual results may vary from the information presented here, and the variations may be material.

The prospective financial statements set out WorkSafe NZ's activities and planned performance. The use of this information for other purposes may not be appropriate.

These prospective financial statements have been prepared on the basis of assumptions as to future events that WorkSafe NZ reasonably expects to occur, associated with the actions that WorkSafe NZ reasonably expects to take, as at the date that this information was prepared.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

WorkSafe NZ is a Crown Agent as defined by the Crown Entities Act 2004, and was established on 16 December 2013. As such, WorkSafe NZ's ultimate parent is the New Zealand Crown. WorkSafe NZ is funded primarily by the government through Vote Labour.

WorkSafe NZ's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return. Accordingly, WorkSafe NZ has designated itself as a public benefit entity. WorkSafe NZ is domiciled in New Zealand.

Basis of preparation

Statement of compliance

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004. These include the requirement to comply with NZGAAP.

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity. WorkSafe NZ is adopting the PBE Standards for the first time. This includes Public Benefit Entity Reporting Standard 42 Prospective Financial Statements (PBE FRS 42).

The prospective financial statements have been prepared for the special purpose of the *Statement of Performance Expectations 2014-15* of WorkSafe NZ to the Minister of Labour. They have not been prepared for any other purpose and should not be relied upon for any other purpose.

These statements will be used in our Annual Report as the budgeted figures.

The *Statement of Performance Expectations* narrative informs the prospective financial statements and the document should be read as a whole.

The preparation of prospective financial statements in conformity with PBE FRS 42 requires the Board and management to make good judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.

The prospective financial statements were approved by the Board of WorkSafe NZ on 24 April 2014. The Board is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures. The *Statement of Performance Expectations* is prospective and as such contains no actual operating results. It is not intended that these prospective financial statements will be updated.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise stated. The functional currency of WorkSafe NZ is New Zealand dollars (NZ\$).

Significant accounting policies

The following accounting policies, which significantly affect the measurement of financial performance and of financial position, have been consistently applied.

Revenue

Revenue is measured at fair value and is recognised as income when earned and is reported in the financial period to which it relates.

Revenue from the Crown

WorkSafe NZ is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of WorkSafe NZ meeting its objectives as specified in this *Statement of Performance Expectations*. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method.

Foreign currency

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to WorkSafe 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 prospective statement of comprehensive income.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are measured at fair value, less any provision for impairment.

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 method.

Property, plant, and equipment

Property, plant, and equipment asset classes consist of building fit-outs, computers, furniture and fittings, office equipment, and motor vehicles.

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

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

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 income.

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

The costs of the day-to-day servicing of property, plant, and equipment are recognised in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is calculated using the straight-line basis at rates that will write off the costs (or valuations) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of asset have been estimated as follows:

Leasehold improvements	The shorter of 10 years 10% straight line (SL) or the remaining term of the lease of the building that has been fitted out
Computers	4 years 25% SL
Office equipment	5 years 20% SL
Furniture and fittings	5 years 20% SL
Motor vehicles	6 years 16.67% SL

The residual value and useful life of an asset are 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.

The cost of internally generated computer software represents expenditure incurred in the development phase of the software only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use the asset; and development expenditure can be reliably measured. Expenditure incurred on the research of an internally generated intangible asset is expensed when it is incurred. When the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

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

Amortisation

Amortisation begins when an asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each period is recognised in the prospective statement of comprehensive income.

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

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

Impairment of non-financial 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 amounts 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.

Creditors and other payables

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

Employee entitlements***Pension liabilities***

WorkSafe NZ has obligations for contributions to KiwiSaver. The contributions are recognised as an expense in the statement of comprehensive income as incurred.

Obligations for contributions to the State Services Retirement Savings Scheme and the Government Superannuation Fund are recognised in the statement of comprehensive income as they fall due. Any reimbursement of these costs from the State Services Commission is recognised as revenue in the statement of comprehensive income.

Pension liabilities

Employee entitlements that WorkSafe 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.

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

WorkSafe NZ recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WorkSafe NZ anticipates it will be used by employees to cover those future absences.

WorkSafe NZ recognises a liability and an expense for bonuses where it is contractually obliged to pay them.

Reconciliation of forecast net surplus/deficit) to net cash flow from operating activities

\$000	ESTIMATED ACTUAL 2013/14	FORECAST 2014/15
Net surplus/(deficit)	-	-
Add/(less) non-cash items		
Depreciation and amortisation expense	400	1,000
Total non-cash items	400	1,000
Add/(less) movements in working capital items		
(Increase)/decrease in debtors and receivables	(500)	(500)
(Increase)/decrease in prepayments	(271)	(971)
Increase/(decrease) in creditors and other payables	1,500	700
Increase/(decrease) in employee entitlements	3,000	(500)
Net movement in working capital items	3,729	(1,271)
Net cash flow from operating activities	4,129	(271)

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented 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 statement of financial position.

The net GST paid to, or received from, Inland Revenue (including the GST relating to investing and financing activities) is classified as an operating cash flow in the statement of cash flows.

Income tax

WorkSafe 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.

Cost allocation

WorkSafe NZ has derived the cost of service for each significant activity of WorkSafe NZ using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on the pro-rata costs of the activities.

Criteria for direct and indirect costs

'Direct costs' are those costs directly attributable to a significant activity.

'Indirect costs' are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect cost

The cost of internal services not directly charged to activities is allocated to significant activities based on the pro-rata costs of the activities.

Critical accounting estimates and assumptions

In preparing these prospective financial statements, WorkSafe 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 reasonable under the circumstances.

General assumption – cost levels

These figures have been based on the assumption that interest rates and general cost levels will remain at similar levels to those at the time of the *Statement of Performance Expectations*' preparation.

Property, plant, and equipment useful lives and residual values

At each balance date WorkSafe NZ reviews the useful lives and residual values of its property, plant, and equipment.

Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires WorkSafe NZ to consider a number of factors, such as the physical condition of the asset, the expected period of use of the asset by WorkSafe NZ, and the expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position.

WorkSafe NZ minimises the risk of this estimation uncertainty by:

- › physical inspections of assets
- › asset replacement programmes
- › reviews of second-hand market prices for similar assets
- › analyses of prior asset sales.

Financial instruments

WorkSafe NZ, as part of its everyday operations, is party to financial instruments that have been recognised in these financial statements. These financial instruments include accounts payable and accounts receivable, cash, and short-term deposits.

All financial instruments are recognised in the prospective statement of financial position, and revenue and expenses in relation to all financial instruments are recognised in the prospective statement of comprehensive income.

DISCLAIMER

WorkSafe New Zealand has made every effort to ensure that the information contained in this publication is reliable, but makes no guarantee of its completeness. WorkSafe New Zealand may change the contents of this guide at any time without notice.

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