

STATEMENT OF PERFORMANCE EXPECTATIONS

2015-2016





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

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FOREWORD

On behalf of the Board, we are pleased to present this *Statement of Performance Expectations 2015-2016* for WorkSafe New Zealand. Too many deaths and injuries occur in New Zealand workplaces every year. We are determined to achieve the Government's target of a 25% reduction in workplace fatalities and serious injuries by 2020.

We have been operating for 18 months after being established through the Government's *Working Safer* reforms. We are still growing and developing and we have made significant progress in building our organisation to transform New Zealand's workplace health and safety performance. We see ourselves as a partner; enabling, leading, and incentivising good health and safety practice.

This *Statement of Performance Expectations* outlines our plan for the year ahead: WorkSafe's strategic pathway, our critical priorities, the performance indicators that we will be measured against in 2015/16, and our budget.

This year we continue to focus on developing our organisational specialist and technical capacity. We are also working with the Ministry of Business, Innovation and Employment to develop a workforce development strategy that supports the

capability needs in the broader health and safety system. It will set out how government can work with the skills system, professionals, businesses, and workers to give duty-holders the confidence and expertise they need to work safely.

We are gearing up for the implementation of the new workplace health and safety legislation. This will help to drive a health and safety culture change, supported by more education and help for people on how to identify and effectively manage their risks. We will work with other agencies like ACC to support small and medium-sized enterprises (SMEs) so that they understand the changes and how to implement them in ways that are appropriate to their business. We will make the best use of our extended enforcement tools to respond in a proportionate, transparent and effective way to breaches of the law.

We aspire to be intelligent, fair, consistent, and engaged. We are building our evidence base, which will support us in targeting our efforts towards the greatest risks. We are working closely with ACC through the joint injury prevention action plan and establishing programmes in our highest-risk sectors - forestry, agriculture, construction, and manufacturing. We continue to focus on a safe Canterbury rebuild (where examples of best practice can be applied to other regions).

WE ARE GEARING UP FOR THE IMPLEMENTATION OF THE NEW WORKPLACE HEALTH AND SAFETY LEGISLATION. THIS WILL HELP TO DRIVE A HEALTH AND SAFETY CULTURE CHANGE, SUPPORTED BY MORE EDUCATION AND HELP FOR PEOPLE ON HOW TO IDENTIFY AND EFFECTIVELY MANAGE THEIR RISKS.

We have significantly grown our capacity to target high hazard industries through the new major hazard facilities regime and by developing the mining, petroleum, and extractives regimes.

Our occupational health focus has increased considerably to ensure that we provide leadership, focus, and resource to improve workplace health outcomes. Our programme will initially target airborne respiratory hazards and noise. We have established ambitious occupational health targets and will baseline workplace practices around occupational health.

A collective effort is required for real improvement to the health and safety system. This means partnering with key influencers to bring about sustainable change. We have already developed good working relationships with business and worker organisations, partner agencies, and industry groups, all of which have critical roles in improving our workplace health and safety culture.

Our work programme ahead is ambitious, which reflects our serious commitment to achieving workplaces that are safe and workplaces that are healthy.



Gregor D. Coster

Professor Gregor Coster, CNZM, Chair



Ross Wilson

Ross Wilson, Deputy Chair



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INTRODUCTION

OUR VISION IS THAT EVERYONE WHO GOES TO WORK COMES HOME HEALTHY AND SAFE.

WorkSafe was established on 16 December 2013 following the recommendations of the *Royal Commission on the Pike River Coal Mine Tragedy* and the *Independent Taskforce on Workplace Health and Safety*.

The Government's response set out in the *Working Safer blueprint* represents the most significant reform of New Zealand's health and safety system in 20 years. The case for change is clear. Official statistics tell us that every year an average of 73 people are killed at work¹ and an estimated 600 to 900 deaths occur from work-related diseases. The social and economic cost is estimated at \$3.5 billion – about 2% of GDP annually.

Our vision is that everyone who goes to work comes home healthy and safe.

The workplace health and safety reforms are aimed at a step change in workplace performance and culture. There are a number of influences and players in the wider health and safety system that have a part to play. Fundamental components include the new legislation; a smart and credible organisation to lead workplace health and safety, codes and guidance; a system-wide approach to health and safety by government agencies and stakeholders; effective injury prevention activity in high-risk sectors; better incentives; and building the capability and capacity of key system participants.

HEALTH AND SAFETY AT WORK

One of the most important parts of the Government's Working Safer reforms is the new legislative regime, which will be known as the Health and Safety at Work Act. When in force, the new law will foster a more cooperative approach; it will support the participation of workers, and require PCBU²s, suppliers, and officers (eg company directors) to do what they reasonably can to keep people safe.

We are gearing up to implement the new regime and provide support and education around it. We are planning an information campaign, a suite of factsheets and guidance, and proactive workplace visits. We are exploring new ways to support SMEs so that they understand the changes too. We will continue to engage in and provide presentations on good safety management. The new regime provides an opportunity for everyone to consider the way they manage risk in their business. It will bring significant change to the way we engage and it will also provide a platform for health and safety discussions that we look forward to.

¹ Based on the official Statistics New Zealand three-year average for 2011-2013. For more information please refer to the Ministry of Business, Innovation and Employment and its report *Working Safer: Progress toward the target (March 2015)*.

² A person conducting a business or undertaking.

OUR ROLE

Within this system, our mandate is to lead the national effort to make workplaces safe and healthy through the effective identification and management of risk. Evidence is vital, both in targeting risk and in building a case for change. We influence system change through the effective use of all our levers and by working with, and influencing, a number of other system players – including employers, workers, other government agencies, industry associations, and the skills system. We target our efforts where we can make the biggest difference and tailor our response to the presenting risk by effectively using a mix of education, engagement, and enforcement.

The workplace is at the centre of our work, as it is the workplace where risk is ultimately created and controlled. We must effect systemic change within workplaces if health and safety performance is to improve sustainably.

We will know if we're making progress through our ambitious system targets, including:

- › zero catastrophic events
- › a 25% drop in workplace fatalities and serious injuries by 2020
- › a 50% drop in asbestos-related disease by 2040³.

We measure a number of workplace health and safety awareness, attitudinal, and behavioural changes. We are also measuring if businesses have active and effective health and safety systems; this will show if workplaces

are taking responsibility for risk and indicate whether we are on track towards our goals. These are set out in our refreshed performance framework on [page 14](#).

Our multifaceted National Programmes focus on high-risk sectors (ie the industries where most harm occurs: forestry, agriculture, manufacturing, and construction). These programmes are increasingly including harms to health. Our High Hazards Unit focuses on major hazards that have the potential to cause catastrophic events in the extractives, petroleum, and geothermal sectors, and major hazard facilities.

WHERE WE ARE CURRENTLY AT

WorkSafe is still relatively new. In our first year we defined our intervention approach: we want to be intelligence-led⁴, highly-engaged, outcome-focused, and a credible enforcer where enforcement is necessary. We are strongly oriented to high consequence events and serious harm. We are committed to being consistent, proportionate, and fair in the way we work, to build trust and buy-in. This means using our education and engagement roles to help people understand the benefits of good health and safety in terms of productivity, reputation, and supply-chain advantage.

The new practice framework for our inspectorate will support consistent and proportionate practice. For example, we are rolling out an enforcement decision tool to inspectors that will ensure that they use

³ While 2040 may seem a distant timeframe, asbestos-related disease is long-latency. This target relates to harm happening now (eg inhaling asbestos fibres). Less exposure now will lower the rate of asbestos-related disease in the long-term.

⁴ Including undertaking root-cause analyses (eg to understand common causes of accidents).

THIS MEANS USING OUR EDUCATION AND ENGAGEMENT ROLES TO HELP PEOPLE UNDERSTAND THE BENEFITS OF GOOD HEALTH AND SAFETY IN TERMS OF PRODUCTIVITY, REPUTATION, AND SUPPLY-CHAIN ADVANTAGE.

consistent criteria for matching their response (from advice through to prosecution) to the nature, scale, and potential for harm from a breach of the law.

Our approach is made transparent by increasingly making information freely available (eg our prosecution policy, selected assessment tools, and guidance are all online).

We have been building the capacity, basic infrastructure, systems, and processes needed for the longer term, while delivering against critical priorities. We started building our inspectorate capacity and capability – increasing general inspectorate numbers from 104 to 167⁵ – and therefore our ability to have presence and influence in workplaces, doubling our investment in inspector professional development to \$4.2 million and further expanding the High Hazards Unit to deliver mining, petroleum, and major hazard facility support and enforcement. Our Board's independent Occupational Health Advisory Group and Extractive Industries Advisory Group are valuable resources and ensure our work is well-informed by external technical experts.

We also began developing some of the capability needed to support the inspectorate and deliver on our broader education, guidance, and operational intelligence roles. Our standards and guidance team increased from 3 to 30, substantially improving our ability to provide good practice support to those we regulate and guidance on the new legislation. We created new operational intelligence and research and evaluation functions, and established a team to support the effective implementation of the new regulatory framework.

PROGRESS AGAINST CRITICAL PRIORITIES

We have made progress in our priority areas: working together with the Ministry of Business, Innovation and Employment (MBIE) on the design and implementation of the new regulatory regime, and the set up and support of the Health and Safety Association of New Zealand (the professionals' body) and health and safety representative transition training. We have fostered relationships around the Canterbury Rebuild Safety

⁵ As at 30 June 2013 and 31 March 2015.

Charter and with key sector groups including the Business Leaders' Health and Safety Forum and the Construction Safety Council. We support worker participation by engaging with health and safety representatives and promote their roles through our standards and guidance. We are working collaboratively with the New Zealand Council of Trade Unions (CTU) and BusinessNZ towards improving the health and safety system.

We have made significant progress in targeting risk through our proactive engagements, workplace assessments, and injury prevention programmes, many in conjunction with ACC: engaging with the Forestry Review Panel and working with the forestry sector to progress the *Safer Forest Harvesting* programme and establish the Forestry Industry Safety Council; supporting a safe Canterbury rebuild (including through the Safety Charter); developing the Safety Star Rating Scheme; and introducing the *Safer Farms* programme. The cost of farming-related ACC claims was over \$26 million in 2013; *Safer Farms* seeks to reduce the suffering and costs of harm in agriculture. The recent launch of this campaign was well-received and it is an example of engagement with high-risk sectors that we want to continue. We have worked intensively with operators and audit providers to establish the new adventure activities regime and strengthened our High Hazards inspectorate to provide a robust regulatory regime for the high hazard extractives, petroleum, and geothermal sectors, and major hazard facilities.

In terms of occupational health, our most concentrated effort has been in Canterbury. Replicating this work across other regions, in 2015/16 we will undertake a series of proactive workplace assessments involving asbestos, silica, wood-dust, and solvents. This will be integrated with our broader, proactive assessment programme and will be the focus of our new *Clean Air* programme. We will also target noise (which with prolonged exposure can lead to hearing loss). Our occupational health work programme will be increasingly supported by our in-house health specialists. For the first time we are including targets in our performance framework relating to occupational health: both a disease-reduction target and an objective to baseline workplace practices regarding occupational health (for more information see [pages 22 and 26](#)).

While it is too early to draw conclusions from official fatality and serious harm data, there are early positive signs. In 2013 there were 10 forestry deaths; in 2014 there was one. There were no fatality notifications in the area of energy safety in 2014.

OUR 2015/16 PRIORITIES

WorkSafe is still an evolving organisation and we have significant work to undertake to get our internal skills, systems, tools, and technology to the levels we need them to support a smart and well-rounded organisation.

The new legislation timeframe means that our investment in implementation will be higher in 2015/16 (eg training our staff on the new law and undertaking education campaigns). The scale and scope of change in our initial establishment also mean we are still building our operational intelligence, research and evaluation, engagement and coordination, technical services, and occupational health functions.

In order to deliver on our mandate and systems change in the medium-term, we are prioritising a range of strategic initiatives across the business in 2015/16. These are summarised under our strategic priority areas:

TARGETING RISK

1. Implement the occupational health strategy (including progressing action plans on airborne respiratory hazards and noise, and more effective asbestos coordination by agencies).
 - › We will undertake proactive workplace assessments and research to help prevent harm to health. We will improve our leadership, capability, and systems to coordinate activities relating to occupational health.
2. Target high-risk sectors including via injury prevention programmes with ACC. We will also continue to build our High Hazards Unit and engagement and enforcement in major hazards. We will take a portfolio approach to targeting the causes of harm, eg through:
 - › targeted campaigns (like Safer Farms), presentations, and roadshows to support health and safety understanding and workplaces' ability to comply
 - › undertaking thousands of proactive workplace assessments in areas that are more likely to experience harm according to our intelligence
 - › developing codes, guidance, and standards for those we regulate and helping businesses to access health and safety professionals
 - › providing training and raising awareness in high-risk industries and supporting Forestry Industry Safety Council-led initiatives
 - › taking enforcement action where appropriate, from issuing improvement notices to taking prosecution action.

WORKING TOGETHER

3. Progress an organisation-wide stakeholder engagement plan and culture change initiatives to maximise our relationships with government and non-government stakeholders. Recognising that SMEs are a diverse and difficult-to-reach group, we will seek to help them to understand the new legislation and support their compliance.

- › This work forms part of the portfolio approach outlined above. In addition we will work with other agencies (like ACC, MBIE, the Environmental Protection Authority, and the Ministry of Transport) to ensure effective coordination and support compliance with the new legislation.

WORKING SMARTER

4. Continuing to build an evidence-based approach through our new Research and Evaluation and Operational Intelligence teams and the systems supporting their work. Use evidence to inform our decisions, our campaigns, and the case for change.
5. Effectively implement the new regulatory framework, with the support of WorkSafe's stakeholder advisory groups, which are helping to develop guidance on the key elements of the new legislation.
 - › We will train our staff on the new legislation, provide intensive communication targeted to different audiences and using a range of channels, and develop a suite of factsheets and guidance. We will continue giving presentations to duty-holders to help them understand the new regime and good safety management.
6. Continue the Safety Star Rating Scheme design.
 - › We will keep working with ACC to take the Scheme from a concept to a product that provides further incentives for good health and safety practice. We will undertake further pilot testing in 60 businesses of different sizes and in various industries as we prepare for implementation.
7. Progress the Workforce Development Strategy. We will:
 - › work with the Health and Safety Association of New Zealand to develop a three- to five-year business plan (including possible revenue streams to become self-sustaining)
 - › develop a register of health and safety professionals
 - › support the accreditation of generalist health and safety practitioners through the New Zealand Institute of Safety Management and the New Zealand Safety Council associations.

STRENGTHENING OUR ORGANISATION

8. Continue building our organisation, including our capability, implementing the new practice framework, embedding performance systems, building intelligence, monitoring and evaluation systems, enhancing our information and communications technology (ICT) system, and ensuring we have transparent financial reporting against strategic priorities.
 - › Our ICT programme is a significant Government investment that will enable accurate, accessible operational information across the organisation and integrated case management functionality, and provide a platform to support engagement with the regulated community.

AND WE WILL CONTINUE TO FOCUS ON BUILDING AN EXPERT AND COMPETENT ORGANISATION...

Working Safer stressed the need for an expert and competent agency focusing on workplace health and safety. WorkSafe's most important job is to lead and support a health and safety culture change in New Zealand. But we are just one part of system and we need to lift and support others in the system too. To do this we must become a smart, competent, and collaborative organisation.

We will continue building our specialist support functions and skills – systems-thinking, engagement, operational policy, intelligence and evaluation, specialist occupational health, and hazardous substance knowledge. We will also continue to build our inspectorate capability to ensure a consistent and proportionate approach to education, guidance, and enforcement.

We will set out clear markers in the next three years to ensure that we have the right shape, size, and direction for leading sustainable improvement. We will be delivering more transparent financial management and ensuring that we are delivering value for money. We are working to bring greater discipline to the management of our budgets. Unpredicted costs will increase financial pressure on us in 2015/16. We will absorb most of these costs within existing baselines, and the two one-off costs (relating to the new legislative and mining regimes) will be covered by past-year surpluses.

We are preparing for the Funding Review, which will inform the level of funding required to support the organisation in a steady state. As we continue to build functions for an engaged and intelligent approach, we will provide a realistic funding trajectory for 2015/16 that will enable us time to assess the right level of resourcing for effective delivery. We will continue to report to the Minister for Workplace Relations and Safety and MBIE as our monitoring agency. WorkSafe is currently developing a new investment approach framework that will help us to map our spending against funding streams agreed by the Government. This will strengthen the transparency of our financial performance.



OUR PERFORMANCE

We have refreshed performance framework to better link WorkSafe's activities with the longer-term outcomes we want for New Zealand's health and safety system.

We will reinforce the case for health and safety being an investment in good business practice by using evidence to explain the full social and economic costs of accidents and illness, and the benefits of health and safety for productivity and reputation.

Our ability to measure performance and take an evidence-based approach will improve as we build our new Research and Evaluation and Operational Intelligence teams and the systems supporting their work. These functions will strengthen our ability to deliver comprehensive intelligence, targets, and baselines.

We do not just focus on individual businesses; we will work smarter and influence the structures and institutions that affect New Zealand's health and safety system (eg the skills system). To demonstrate our commitment to engage effectively we are including challenging performance targets for our organisation ([page 19](#) refers).

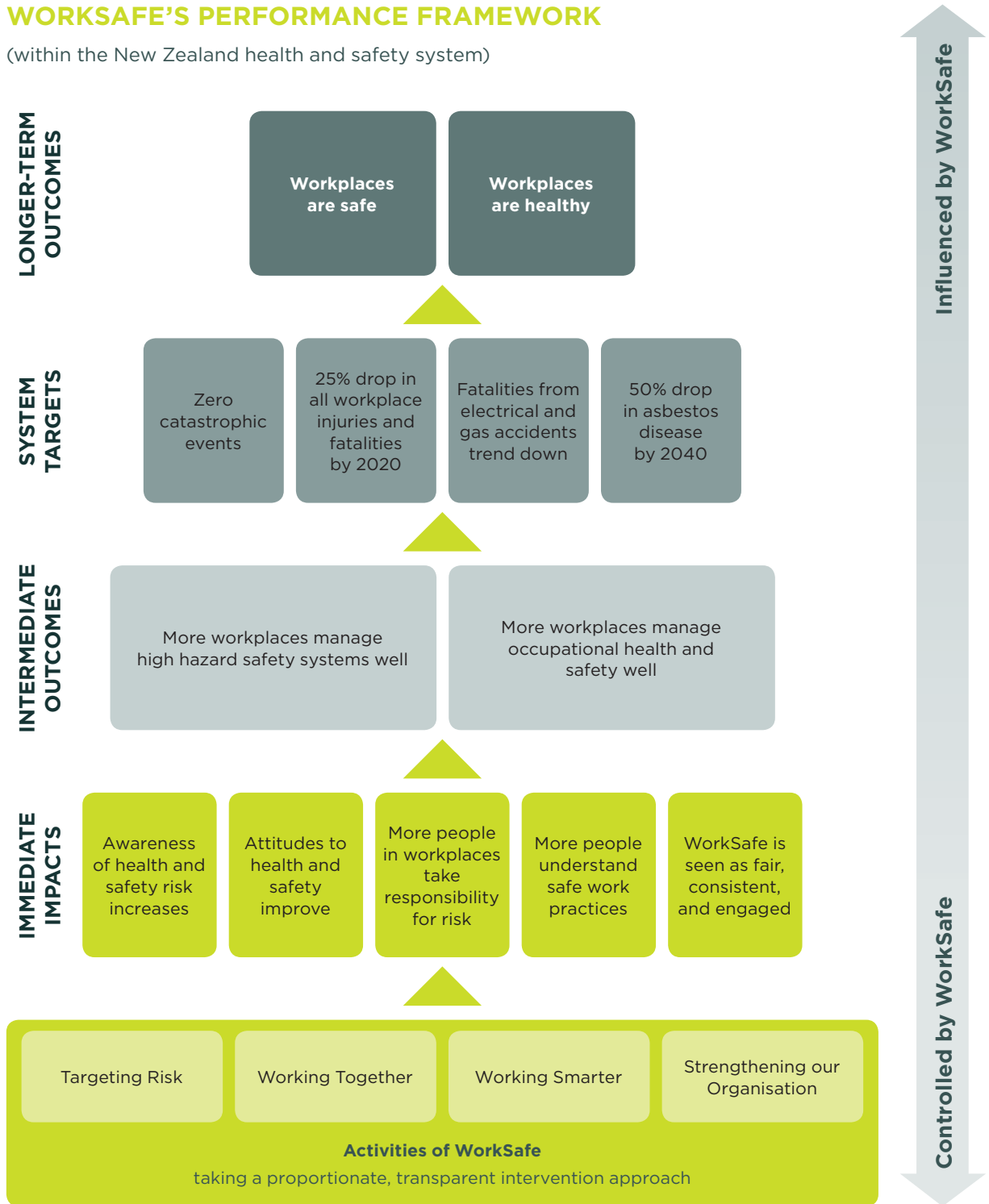
New Zealand's 'she'll be right' attitude contributes to preventable sickness, injury, and death. Health and safety risks can be managed effectively with increased awareness and knowledge. The immediate impacts that we seek ([page 14](#) refers) are improved awareness of and attitudes towards

health and safety. Additionally, we want more people in workplaces (from workers to company directors) to take responsibility for risk and to understand safe work practices.

The intermediate outcome we seek and measure is improved risk management. Whether this improvement relates to major hazard safety systems or general health and safety, it is the vital link to achieving our longer-term outcomes. Ultimately we want workplaces that are safe and workplaces that are healthy, contributing to a broader agenda of productive and thriving businesses.

WORKSAFE'S PERFORMANCE FRAMEWORK

(within the New Zealand health and safety system)



Numerous performance indicators⁶ underpin our performance framework. These are not just about WorkSafe but also the changes required across the New Zealand health and safety system. The indicators are a package; no single measure will give a full picture of performance.

⁶ These indicators relate to a single reportable class of outputs known as 'Workplace Health and Safety'.

MONITORING IMMEDIATE IMPACTS

The section below outlines how we will monitor immediate progress. Increased awareness of and improved attitudes towards health and safety are the most immediate changes we seek.

In June 2015 we released *Health and Safety Attitudes and Behaviours in the New Zealand Workforce: A Survey of Workers and Employers*. This significant multi-year survey will help to inform our work and monitor important elements of the New Zealand health and safety system. As awareness grows (eg through our National Programmes campaigns) we expect increased reporting of risks and incidents that otherwise would go unnoticed or ignored. We welcome any increased transparency and reporting of harm.

1 Awareness of health and safety risk increases

Partnering with ACC, we are exploring a programme to raise awareness of risk, particularly amongst New Zealand's SMEs. As our programme develops we will identify metrics to measure our effectiveness.

Workers in agriculture, forestry, construction, and manufacturing have a higher chance of getting hurt than people in other sectors. While workers and employers understand a higher risk of harm in **their sector**, when asked about their **own workplace** they perceive much less risk.

- a) Just 17% of workers⁷ and 6% of employers in agriculture, forestry, construction, and manufacturing said that they saw at least a moderate level of risk that there would be a serious harm incident at their place of work in the next 12 months. This finding is from our 2014 Health and Safety Attitudes and Behaviours Survey. We expect to see awareness growing in 2015/16 and beyond. We would like to observe more awareness of the safety risks in respondents' own workplaces, and we seek a reduced gap between the views of workers and those of employers.


Partnering
with ACC
to raise
awareness
of health and
safety risk

⁷ While 17% of workers overall saw a risk, of those who had themselves had recent serious or near-miss incidents, just over a third felt there was a likelihood of a serious harm incident in the next 12 months.

2 Attitudes to health and safety improve

New Zealand's 'she'll be right' attitude contributes to preventable harm.

- a) To better understand the dynamics that influence attitudes and behaviours we will report on a suite of measures from our Health and Safety Attitudes and Behaviours Survey. As an example, employers and workers in agriculture, forestry, construction, and manufacturing were asked how often they would discuss things that put health and safety at risk (eg near misses and accidents) in an open and helpful way. Employers were more optimistic, with 52% saying always, whereas 41% of workers said they always discussed these risks. We seek increases in 2015/16.
- b) We also monitor attitudes and behaviours reported in the National Survey of Employers, which gives basic insights into all firms - not just those we target. As a supplementary measure we will monitor the rate of employers who agree that good health and safety systems are good for their businesses (the latest result from 2013/14 was 89%).



**We are promoting
and measuring a
safety culture**

3 More people in workplaces take responsibility for risk

Workplaces are best positioned to manage risks, as employers and workers have often contributed to or created the risks themselves.

- a) Employers and workers in high-risk sectors were asked who had responsibility for health and safety at work. The majority of respondents in our 2014 Health and Safety Attitudes and Behaviours Survey identified workers themselves, and the immediate bosses/supervisors as having the most responsibility. Less than 60% of employers and workers thought that top management (the Chief Executive or Board) had responsibility. We would like to see this increase.
- b) In the survey above more than 40% of employers and workers thought that machinery and vehicle manufacturers that supply the industry had important health and safety responsibilities. We will monitor this with interest as the Health and Safety at Work Act introduces new duties for these suppliers.
- c) We will also monitor the proportion of employers and workers in the Health and Safety Attitudes and Behaviours Survey who strongly agree that they always keep an eye out for hazards at work. Only about 50% of respondents do and we want to see this increase.
- d) The Canterbury Rebuild Safety Charter Assessment Tool has been developed to help organisations understand how well they are doing against the commitments they signed up to. The tool acknowledges achievement and areas for further development and assistance. It has been designed to measure the progress of signatories over time. At last count, 113 organisations had used the self-assessment tool. In 2015/16 Charter leaders are encouraging more assessments and tracking progress. We are also providing guidance and support to signatories to improve their performance, and aggregated data from the tool is helping to identify where help is most needed.

More people in our most dangerous industries need to take responsibility for risk...

4 More people understand safe work practices

Safe work practices significantly depend on the context. When a fan stops working in an office it is unlikely to be dangerous. When a fan stops working in a mine it is a different story.

- a) We are monitoring the basic use of personal protective equipment (PPE) in agriculture, forestry, construction, and manufacturing as a base-level indicator of safe work practices. Only 45% of workers and 48% of employers thought that PPE was always being worn when it should have been (eg ear, eye, or head protection) in the 2014 Health and Safety Attitudes and Behaviours Survey. This is poor, and we are looking to see substantial increases in 2015/16.
- b) Safe work practices in the major hazard sectors are more complex. We are encouraging those sectors to focus more on process-safety and transparency in relation to potentially dangerous precursor events. There is more information below about how we are measuring the understanding of safety systems in the extractives, petroleum, and geothermal sectors, and in major hazard facilities.



...and adopt safe practices for their work context

5 WorkSafe is seen as fair, consistent, and engaged

The health and safety system needs a fair and consistent regulatory approach. To affect real change New Zealand needs a regulator that is also engaged, listening, and leading.

Fair, consistent, valued:

- a) Our inspectorate is squarely targeted towards highest risk industries and serious harm. We expect our inspectors to always treat people fairly and consistently. The 2014-15 Service Excellence Survey found that 77% of respondents felt our inspectors were fair, in 2015/16 we are aiming for 83% (which is a statistically significant increase).
- b) Only 51% of respondents in the Service Excellence Survey thought that rules were applied in a consistent manner in 2014/15, and we are aiming for at least 58% in 2015/16. Consistency measures are critically important and our new enforcement decision-making model will drive forward more consistent enforcement.
- c) The Service Excellence Survey also measures the perceived value from tax dollars spent. In 2014/15, 55% of respondents saw value and in 2015/16 we are targeting 62%.

We are exploring benchmarking our results with other similar agencies to recognise the regulatory dynamic of our work.

Engaged: listening and leading change

- d) We want WorkSafe to be seen as an engaged, credible organisation that draws on other organisations' expertise and levers to affect change. As happened last year, the views of stakeholders will be canvassed in our Chief Executive's Survey of Sector Leaders. A summary of views will be provided to the Minister.
- e) To support the Health and Safety at Work Act regime, we are developing an engagement and culture change strategy. This work will draw on the insights from the 2014 Health and Safety Attitudes and Behaviours Survey. As part of the strategy we will develop indicators to measure our engagement.

We aspire to be proportionate and collaborative...

5 WorkSafe is seen as fair, consistent, and engaged (continued)

- f) A high engagement approach is important with major hazard facilities. There has been considerably less regulatory focus on facilities storing large quantities of chemicals (like fuels and fertilisers). The forthcoming major hazard facilities regulations will bring increased scrutiny. In 2015/16 we will continue to support the operators in scope of the new regime as it is introduced.
- g) We plan to refine and re-run both our Health and Safety Attitudes and Behaviours Survey and our 2014 survey on the Usability of our Tools and Guidance. They will both help in capturing specific stakeholder feedback on the usefulness of our guidance and information.
- h) We seek to maintain or improve the rate of people reporting that they have made changes to their workplace practices as a result of contact with WorkSafe. The 2014/15 Service Excellence Survey found that 83% of respondents who had contact with our investigation or assessment staff had made changes to their health and safety practices.
- i) While WorkSafe is the primary regulator, we are not the only agency enforcing health and safety compliance. We want a higher rate of employers agreeing that the government is effective in enforcing health and safety obligations for businesses. In 2013/14, 58% of employers agreed with this statement according to the National Survey of Employers.
- j) Internally our staff survey has shown that staff are committed and proud of WorkSafe's purpose. However our 2014/15 ratio of engaged to disengaged staff was 1.75:1, as measured using the IBM Workplaces Survey engagement model. We are aiming to increase this to 2.5:1 in 2015/16, and much higher in the years following. Additionally, in 2014/15 46% of staff were satisfied with our performance/feedback systems, 47% with our remuneration systems, 48% with the level of communication across the organisation. We aim to increase each of these by 10% in 2015/16.

...and will ask our stakeholders how well we are doing

MONITORING INTERMEDIATE OUTCOMES

The section below outlines the intermediate outcomes that WorkSafe seeks and the performance indicators that we will use to monitor change. In the intermediate term we are looking for more workplaces to manage high hazard safety systems well (eg in major hazard facilities, and at extractives, petroleum, and geothermal sites). We are also looking for more workplaces to manage occupational health and safety well.

6 More workplaces manage high hazard safety systems well

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 potentially dangerous precursor events.

- a) We expect to be notified of potentially dangerous precursor events in high hazard sectors as per regulatory requirements.

Compared with 2015, we seek higher rates of:

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

These measures have been developed with a view to seeing significant sectoral change in the coming years (eg it is our expectation that in 2015 no safety cases or principal hazard management plans will meet requirements on their first submission; they are new requirements in New Zealand. However, as the quality of our guidance improves and we progress our structured engagement programmes, we expect firms in high hazard sectors to understand expectations and increasingly perform at higher levels).

We want effective behaviour change through managing high hazards...

7 More workplaces manage occupational health and safety well

It's estimated that annually 600-900 people die prematurely from diseases connected to unhealthy exposures or unsafe practices at work. There can be decades between incidents and illnesses. We want to see safer practices preventing exposures in the first instance.

- a) We plan to obtain baseline information on workplace practices to manage risks relating to silica, asbestos, solvents, wood-dust, and noise, with a view to identifying intervention targets once baselines are known. We are undertaking observational research to measure compliance with controls relating to each of these sources of occupational harm. The first focus area is likely to be silica.

For decades the workplace health and safety regulator focused on accidents causing injury or death. There was considerably less emphasis on harm to health. We are ramping up our work in this space, but our ability to measure, monitor, and ultimately influence occupational health depends on our capacity. We are still building our systems, skills, and staff numbers for this work. Additionally, we are seeking to address the gaps in our Health and Safety Attitudes and Behaviours Survey by refining and adding questions about occupational health.

- b) In 2014/15 we surveyed firms in the horticulture, timber treatment, and metal processing sectors to understand their compliance with controls for managing hazardous substances. In 2015/16 we will publish and disseminate the findings to industry. This work will help to inform our hazardous substance focus in the coming years. Our proactive assessments focusing on hazardous substances will also be informed by our 2015 operational intelligence on areas of non-compliance.



**...and occupational
health and general
safety**

We are also interested in the more general management of safety in workplaces, including the involvement of workers.

- c) We seek a higher rate of employers with the following elements of a health and safety system:
- > An actively-used, documented hazard management system.
 - > 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 National Survey of Employers. The 2013/14 result was 30%.

Health and safety systems 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.

- d) We seek a higher rate of employers with formal employee participation systems⁸. This will be measured annually through the National Survey of Employers. The last result was 56% in 2013/14.



**Supporting
more workers
to participate**

⁸ Formal employee participation systems are required in larger workplaces under both the Health and Safety in Employment Act 1992 and the forthcoming Health and Safety at Work Act regime.

SYSTEM TARGETS FOR LONGER-TERM HEALTH AND SAFETY OUTCOMES

Each year we will monitor progress against each of the below targets because they show whether New Zealand's health and safety system is coming closer to achieving the long-term outcomes of workplaces being safe, and workplaces being healthy.

8 Zero catastrophic events

We are focused on catastrophic events with the potential for multiple fatalities and serious community or occupational health problems. Pike River was the most recent catastrophic event in New Zealand, but in recent years there have been a number of similar events worldwide (including in developed countries). Our aim is zero.

We aspire to having no catastrophic events...

9 Harm reduction in forestry, agriculture, construction, and manufacturing

Significant safety improvements are required in the high-risk industries of forestry, agriculture, construction, and manufacturing. Progress will be monitored using ACC work-related injury claims for more than a week away from work as an indicator of severe injury.

Our aim is to reduce the unacceptably high rates of severe work-related injury to below these 2014 rates:

- a) 20 per 1000 workers in forestry
- b) 19 per 1000 workers in agriculture
- c) 19 per 1000 workers in construction
- d) 18 per 1000 workers in manufacturing

Source: ACC work-related injury loss of earnings claims (numerator); MBIE estimate of jobs (denominator).

...and we will monitor forestry, agriculture, construction, and manufacturing injuries

10 At least a 10% harm reduction by 2016⁹

We expect that by 2016 the average rate of:

- a) fatal work-related injuries per 100,000 workers will be no higher than 2.5 (the latest 2012 provisional rate is 3.1)
- b) serious, non-fatal work-related injuries will be no higher than 14.5 per 100,000 workers (the latest 2013 provisional rate is 15.8)
- c) ACC claims for more than a week away from work will be no higher than 7.6 per 1000 full-time equivalents (the latest 2013 provisional rate is 7.9).

By 2016 we will know if we are on track to the Government's 25% goal

11 At least a 25% drop in all workplace injuries and fatalities by 2020⁹

The 25% reduction target is the Government's goal for workplace health and safety by 2020. Internally we are striving for the bigger reductions that we believe are necessary and possible. We expect that by 2020 the average rate of:

- a) fatal work-related injuries per 100,000 workers will be no higher than 2.1
- b) serious, non-fatal work-related injuries per 100,000 workers will be no higher than 12.1
- c) ACC claims for more than a week off work per 1000 full-time equivalents will be no higher than 6.3.

At least a 25% drop in all workplace injuries and fatalities by 2020

⁹ The official datasets used to monitor progress have a two-year lag associated with determining the nature of injury and blending data across agencies. For more information, please refer to MBIE and its report [*Working Safer: Progress towards the target \(March 2015\)*](#).

12 Fatalities from electrical and gas accidents trend down

We work through numerous stakeholders to try to prevent electricity and gas accidents. Progress will be monitored using five-year average fatality data per million people exposed to the different types of energy.

Our aim is that fatality rates are no higher than:

- a) 0.8 per million people exposed to electricity
- b) 0.9 per million people exposed to LPG
- c) 0.7 per million people exposed to natural gas.

Source: WorkSafe – fatality data, Statistics New Zealand – New Zealand population and number of households per residential dwelling, MBIE – number of domestic customers, and industry knowledge.

Our energy safety work spans public areas, private homes, and the protection of property

13 50% drop in asbestos-related disease by 2040

Exposure to asbestos is the biggest cause of work-related disease mortality in New Zealand¹⁰. Estimates of fatalities vary from 170 people per year to an upper limit of 300¹¹. This harm is preventable. We are targeting a 50% reduction in the incidence of pleural cancer (mesothelioma) by 2040. While this may seem a distant timeframe, asbestos-related disease is long-latency.

If we can contribute to less exposure now, it will lower the rate of asbestos-related disease in the long-term. Progress towards this target will be measured annually. We know this target is ambitious, particularly given the uncertain impacts of the demolition work in the wake of the Canterbury earthquakes.

We're targeting the biggest cause of disease: asbestos

¹⁰ For more information, see MBIE's 2013 report: *Work Related Disease in New Zealand*.

¹¹ MBIE's 2014 *Asbestos Background Information*, page 4.

3

OUR APPROPRIATION AND REPORTABLE OUTPUTS

For the purposes of section 58 of the Crown Entities Amendment Act 2013, WorkSafe has a single reportable class of outputs covering the full range of its activities¹². This class of outputs is funded by a Non-Departmental Output Expense appropriation in Workplace Relations and Safety – 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 devices¹³.

The appropriation is intended to achieve safer and more skilled workplaces by reducing death and injury, reducing exposure to hazardous substances, and improving safety of the supply of electricity and gas.

Cost of service statement

\$000	SOI ¹⁴ BUDGET 2014/15	ESTIMATED ACTUAL 2014/15	FORECAST 2015/16
Revenue			
Revenue from the Crown ¹⁵	84,854	87,061 ¹⁶	85,994
Interest revenue	269	814	500
Other revenue	-	2,109	841
Total revenue	85,123	89,984	87,335
Total expenditure	85,123	83,784	93,662
SURPLUS/(DEFICIT)	-	6,200	(6,327)

¹² WorkSafe is not intending to supply any class of outputs that is not a reportable class of outputs.

¹³ For example, miniature trains, go carts, and Ferris wheels.

¹⁴ The SOI referred to is WorkSafe's *Statement of Intent 2014/2018* unless otherwise stated.

¹⁵ From non-departmental output expense – Workplace Relations and Safety – Workplace Health and Safety M43.

This appropriation includes both Workplace Health and Safety revenue and Energy Safety revenue.

¹⁶ Baseline updates to revenue during the 2014/15 year included one-off additional funding to accelerate the implementation of the Adventure Activity regulatory regime (\$1.970 million), the transfer back of funding to the Environmental Protection Authority for activities not transferred to WorkSafe during the year (\$0.500 million), and the changes to the way WorkSafe receives the Energy Safety revenue directly as Crown Revenue rather than Energy Safety levy revenue (\$0.737 million), which MBIE collects directly from levy payers.

4

PROSPECTIVE FINANCIAL STATEMENTS

FINANCIAL STRATEGY

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

- › budget and manage operating expenditure to ensure that the optimum level of approved equity is maintained
- › ensure that our working capital is managed so that we can pay our debts when they are due
- › budget and manage capital expenditure within available funding levels
- › have approved annual operating and capital budgets and subsequent budget updates/ reforecasts
- › operate within approved financial delegations
- › 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
- › use shared services where they are cost effective and improve effectiveness.

During the course of 2015/16 we plan to refresh our financial strategy.

Prospective statement of revenue and expense

\$000	ESTIMATED ACTUAL 2014/15	FORECAST 2015/16
Revenue		
Revenue from the Crown – operating	87,061	85,994
Interest revenue	814	500
Other revenue	2,109	841
Total revenue	89,984	87,335
Expenditure		
Personnel	46,167	55,161
Other expenditure	36,607	36,368
Depreciation	1,010	1,533
Capital charge	-	600
Total expenditure	83,784	93,662
NET SURPLUS/(DEFICIT)	6,200	(6,327)

Prospective statement of changes in net assets/equity

\$000	ESTIMATED ACTUAL YEAR ENDING 30 JUNE 2015	FORECAST YEAR ENDING 30 JUNE 2016
Equity		
Equity at the beginning of the year	10,948	17,761
Transfer of assets from MBIE	37	-
Capital contribution from the Crown	1,876	4,415 ¹⁷
Repayment of Energy Safety surplus to the Crown	(1,300)	(850)
Net surplus/(deficit)	6,200	(6,327)
Equity as at 30 June	17,761	14,999

Prospective statement of financial position

\$000	ESTIMATED ACTUAL AS AT 30 JUNE 2015	FORECAST AS AT 30 JUNE 2016
Assets		
Current assets	14,513	3,889
Fixed assets	10,283	16,699
Total assets	24,796	20,588
Liabilities		
Current liabilities	6,268	3,699
Non-current liabilities	767	1,890
Total liabilities	7,035	5,589
Net assets	17,761	14,999
Equity	17,761	14,999

¹⁷ A capital contingency for WorkSafe was approved in Budget 2014 comprising \$14.0 million for investment in ICT and \$3.225 million for motor vehicles and equipment. The detailed business case required to drawdown the capital injection was approved by Joint Ministers, 5 September 2014. The ICT Capability programme is a three-year programme of work. The forecast drawdowns by category are detailed in the table below.

CATEGORY	2014/15	2015/16	2016/17
Supporting ICT business capabilities	-	\$3.066m	\$10.935m
Vehicles and office equipment for additional staff	\$1.876m	\$1.349m	-

Equity

\$000	ESTIMATED ACTUAL AS AT 30 JUNE 2015	FORECAST AS AT 30 JUNE 2016
Contributed capital		
Balance at 1 July	8,671	10,584
Capital contribution	1,876	4,415
Asset transfer from MBIE	37	-
Balance at 30 June	10,584	14,999
Accumulated surplus/(deficit) - Workplace Health and Safety		
Balance at 1 July	2,277	7,177
Surplus/(deficit) for the year	4,900	(7,177)
Balance at 30 June	7,177	-
Accumulated surplus/(deficit) - Energy Safety		
Balance at 1 July	-	-
Surplus/(deficit) for the year	1,300	850
Repayment of Surplus to the Crown	(1,300)	(850)
Balance at 30 June	-	-
TOTAL EQUITY	17,761	14,999

Prospective cash flow statement

\$000	ESTIMATED ACTUAL 2014/15	FORECAST 2015/16
<i>Cash flows from operating activities</i>		
Receipts from the Crown - Crown revenue	87,061	85,994
Other revenue	2,268	923
Interest revenue	814	500
Payments for capital charge	-	(600)
Payments to suppliers	(40,321)	(36,487)
Payments to employees	(45,273)	(56,038)
Net cash flows from operating activities	4,549	(5,708)

\$000	ESTIMATED ACTUAL 2014/15	FORECAST 2015/16
<i>Cash flows from investing activities</i>		
Purchase of property, plant, and equipment	(4,451)	(2,102)
Purchase of intangible assets	(3,676)	(5,847)
Term deposits	3,000	-
Net cash flows from investing activities	(5,127)	(7,949)
<i>Cash flows from financing activities</i>		
Transfer of assets from MBIE	37	-
Capital contribution from the Crown	1,876	4,415
Energy Safety Surplus repaid to the Crown	(1,114)	(1,300)
Net cash flows from financing activities	799	3,115
Net increase/(decrease) in cash and cash equivalents	221	(10,542)
Cash and cash equivalents at the beginning of the year	13,711	13,932
Cash and cash equivalents at the end of the year	13,932	3,390

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements are based on policies and approvals in place as at 23 April 2015 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'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 reasonably expects to occur, associated with the actions that WorkSafe reasonably expects to take, as at the date that this information was prepared.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

WorkSafe's strategic intention is to provide public services to the New Zealand public, as opposed to that of making a financial return. Accordingly, WorkSafe has designated itself as a public benefit entity. WorkSafe 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 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 2015/16* of WorkSafe to the Minister for Workplace Relations and Safety. 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 on 23 April 2015. 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 prospective financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The prospective 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 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 is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of WorkSafe meeting its strategic intentions 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 date of the transactions.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to WorkSafe 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 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 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's 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 an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the 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 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 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 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 anticipates it will be used by employees to cover those future absences.

WorkSafe 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 2014/15	FORECAST 2015/16
Net surplus/(deficit)	6,200	(6,327)
Add/(less) non-cash items		
Depreciation and amortisation expense	1,010	1,533
Total non-cash items	1,010	1,533
Add/(less) movements in working capital items		
(Increase)/decrease in debtors and receivables	159	82
(Increase)/decrease in prepayments	-	-
Increase/(decrease) in creditors and other payables	(3,714)	(120)
Increase/(decrease) in employee entitlements	894	(876)
Net movement in working capital items	(2,661)	(914)
Net cash flow from operating activities	4,549	(5,708)

Goods and Services Tax (GST)

All items in the prospective 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 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 has derived the cost of service for each significant activity of WorkSafe 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 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 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 to consider a number of factors, such as the physical condition of the assets, the expected periods of use of the assets by WorkSafe, and the expected disposal proceeds from the future sales of the assets.

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 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, as part of its everyday operations, is party to financial instruments that have been recognised in these prospective 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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