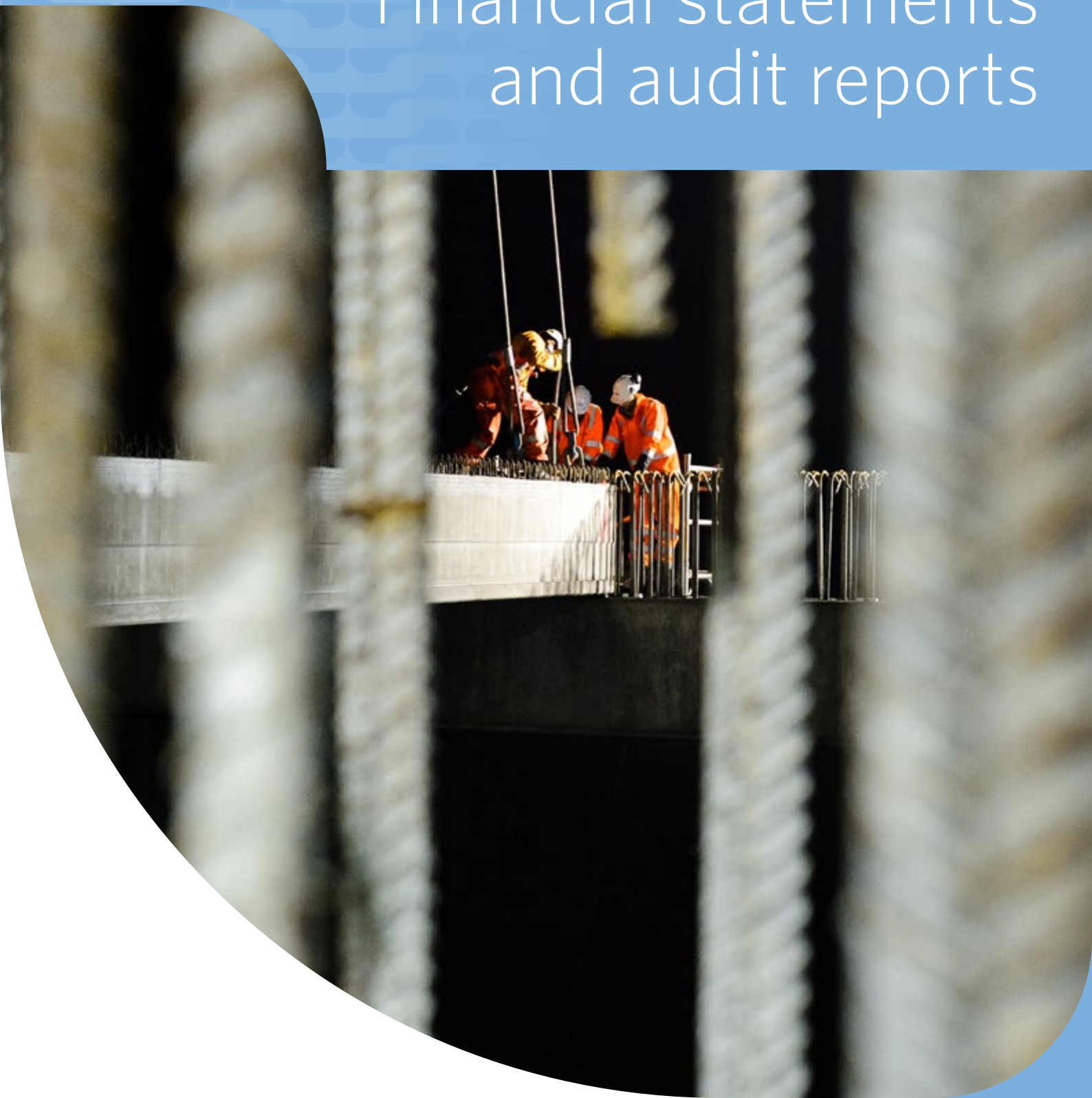


Ngā tauākī pūtea me ngā pūrongo ōtita

Financial statements and audit reports



Statement of responsibility

The Waka Kotahi NZ Transport Agency Board is responsible for the preparation of the Waka Kotahi financial statements and statement of performance and for the judgements made in them.

The Board is responsible for any end-of-year performance information provided by Waka Kotahi under section 19A of the Public Finance Act 1989.

The Board has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Waka Kotahi for the year ended 30 June 2021.

Signed on behalf of the Board:



Sir Brian Roche

Chair

30 September 2021



Cassandra Crowley

Chair of the Risk and Assurance Committee

30 September 2021

Countersigned by:



Nicole Rosie

Chief Executive

30 September 2021



Howard Cattermole

Chief Financial Officer

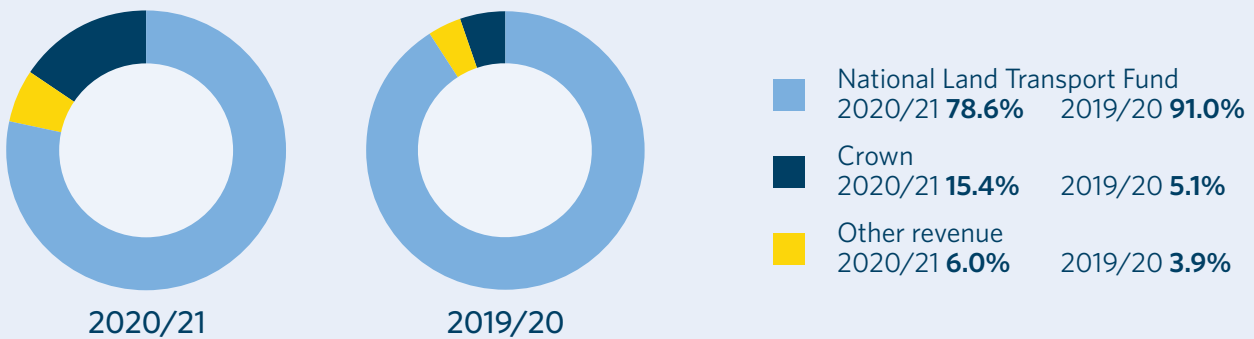
30 September 2021

Highlights from our financial statements (unaudited)

Most of Waka Kotahi NZ Transport Agency's income is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. Most of the Crown revenue funding was for COVID-19 response and recovery. Other revenue comes from licensing and regulatory activities.

\$4.8 billion
total revenue
(2019/20: \$5.4 billion)

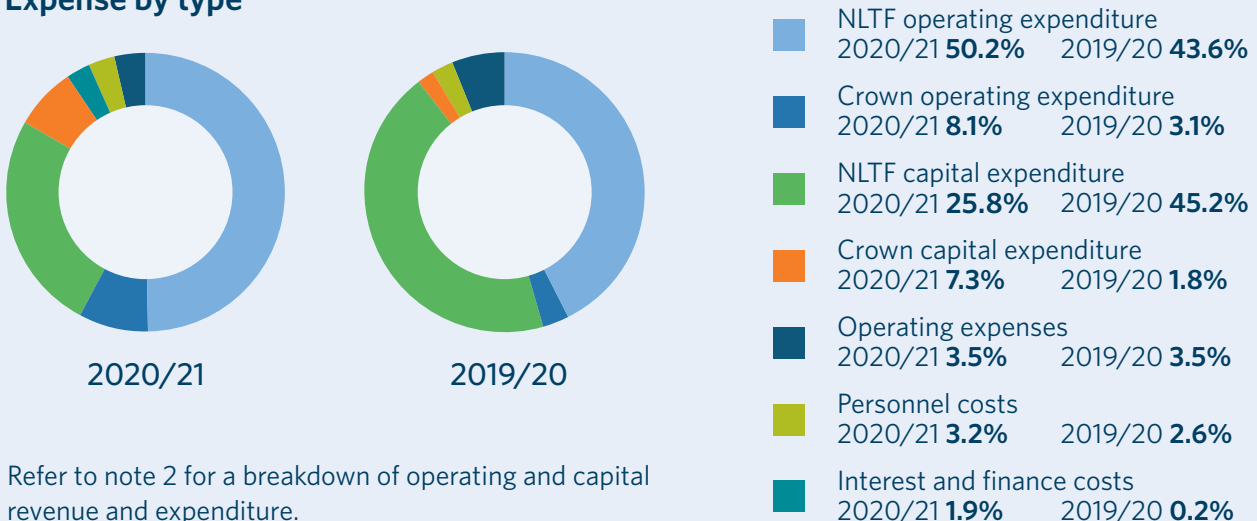
Revenue by source



Our expenses are guided by the Government Policy Statement on land transport and the priorities identified in our *Amended statement of intent 2018-2022*. In 2020/21, over half (58 percent) of our expenses directly related to: NLTP operating expenses we provided to approved organisations, activities funded from the Crown and maintenance and operation of the state highway network. NLTF and Crown capital expenses comprised 33 percent of our annual expenditure which includes state highway improvements, renewals and other activities such as public transport and walking and cycling. Personnel and operating expenses including interest and finance costs made up 9 percent.

\$4.8 billion
total expense
(2019/20: \$5.4 billion)

Expense by type



Refer to note 2 for a breakdown of operating and capital revenue and expenditure.

\$61.2 billion
net assets/equity
(2019/20: \$54.2 billion)

The statement of financial position shows what we own (assets), what we owe (liabilities) and our overall net worth (represented by our net assets/equity).

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Total assets	65,220.3	63,312.3	58,351.4
Less total liabilities	4,026.3	5,399.6	4,103.6
Net assets/equity at end of year	61,194.0	57,912.7	54,247.8

Our statement of financial position reflects the significant value held in the state highway network, with \$65.2 billion of assets and low levels of liabilities. The state highway network accounts for 90 percent of our asset base. In the previous two years, the value increased significantly due to investment in the network, increases in land valuation and improvements to the methodology for determining the fair value of certain estimates. Most of the asset base increase this year relates increases in the state highway land corridor value, increases in base unit rates for pavements, bridges and drainage construction, capital expenditure and increases in public-private partnership assets.

Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2021

	None	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Revenue				
Funding from the National Land Transport Fund	2	3,162.9	3,480.7	3,090.9
Funding from the Crown	2	385.6	73.3	176.7
Revenue from other activities	2/3	283.6	207.3	206.8
Total revenue		3,832.1	3,761.3	3,474.4
Expense				
Land transport funding		2,776.8	2,441.0	2,532.6
Employee costs	7	153.8	119.5	142.9
Operating expenses	8	166.8	177.8	184.0
Interest and finance costs	11	87.6	114.2	11.3
Depreciation, amortisation and state highway write-off	4	647.1	584.5	638.7
Assets vested to local authorities	4	1.6	333.0	0.0
Total expense	2	3,833.7	3,770.0	3,509.5
Surplus/(deficit)		(1.6)	(8.7)	(35.1)
Other comprehensive revenue and expense				
Gain/(loss) state highway network revaluations	4	5,793.9	1,888.0	1,538.3
Net movement in cash flow hedges	11	264.9	11.5	(269.1)
Total other comprehensive revenue and expense		6,058.8	1,899.5	1,269.2
Total comprehensive revenue and expense		6,057.2	1,890.8	1,234.1

Statement of financial position

as at 30 June 2021

	None	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Assets				
Cash and cash equivalents		169.9	50.0	106.0
Debtor Crown		185.1	23.1	132.7
Receivables and other assets		170.3	126.0	161.1
Debtor National Land Transport Fund		293.6	454.6	299.9
Debtor National Land Transport Fund – debt related*		3,163.0	4,255.1	3,427.4
Property assets held for sale	4	26.9	50.0	17.1
Public-private partnership assets	5	2,155.7	946.6	1,950.2
Property, plant, equipment and intangible assets		70.0	82.8	66.6
State highway network	4	58,985.8	57,324.1	52,190.4
Total assets		65,220.3	63,312.3	58,351.4
Liabilities				
Payables	8	730.4	1,075.0	618.2
Employee entitlements	7	26.1	19.8	21.9
Provisions	10	66.4	0.0	215.5
Derivative financial liability	11	477.9	577.0	727.5
Borrowing and other liabilities	11	883.3	1,742.4	843.9
Public-private partnership liabilities	5	1,842.2	1,985.4	1,676.6
Total liabilities		4,026.3	5,399.6	4,103.6
Net assets		61,194.0	57,912.7	54,247.8
Equity				
Contributed capital		0.0	0.0	0.0
Retained funds		(16.4)	(20.0)	(8.3)
Equity derived from the state highway network		61,606.2	58,442.9	54,916.8
Cash flow hedge reserve	11	(395.8)	(510.2)	(660.7)
Total equity		61,194.0	57,912.7	54,247.8

*Includes \$134.5 million of current debtors related to private-public partnerships unitary charges.

Statement of changes in equity

for the year ended 30 June 2021

	General funds \$M	Retained funds \$M	Memorandum accounts \$M	Equity derived from the state highway network \$M	Cashflow hedge reserve \$M	Total \$M	Budget \$M
Balance at 1 July 2019	0.0	14.6	9.7	51,476.3	(391.6)	51,109.0	51,109.0
Surplus/(deficit)	0.0	(4.2)	(30.9)	0.0	0.0	(35.1)	(31.7)
Other comprehensive revenue and expense							
State highway network revaluations	0.0	0.0	0.0	1,538.3	0.0	1,538.3	1,860.0
Movement in cash flow hedges	0.0	0.0	0.0	0.0	(269.1)	(269.1)	(139.6)
Total other comprehensive revenue and expense	0.0	0.0	0.0	1,538.3	(269.1)	1,269.2	1,720.4
Total comprehensive revenue and expense	0.0	(4.2)	(30.9)	1,538.3	(269.1)	1,234.1	1,688.7
Changes in equity – capital contribution from National Land Transport Fund	0.0	0.0	0.0	1,904.7	0.0	1,904.7	1,821.9
Changes in equity – other adjustments	0.0	1.7	0.8	(2.5)	0.0	0.0	0.0
Total changes in equity	0.0	(2.5)	(30.1)	3,440.5	(269.1)	3,138.8	3,510.6
Balance at 30 June 2020/ 1 July 2020	0.0	12.1	(20.4)	54,916.8	(660.7)	54,247.8	54,619.6
Surplus/(deficit)	0.0	10.1	(11.7)	0.0	0.0	(1.6)	(8.7)
Other comprehensive revenue and expense							
State highway network revaluations	0.0	0.0	0.0	5,793.9	0.0	5,793.9	1,888.0
Movement in cash flow hedges	0.0	0.0	0.0	0.0	264.9	264.9	21.1
Total other comprehensive revenue and expense	0.0	0.0	0.0	5,793.9	264.9	6,058.8	1,909.1
Total comprehensive revenue and expense	0.0	10.1	(11.7)	5,793.9	264.9	6,057.2	1,900.4
Changes in equity – capital contribution from the National Land Transport Fund	0.0	0.0	0.0	889.0	0.0	889.0	1,392.7
Changes in equity – other transfers	0.0	(6.6)	0.0	6.6	0.0	0.0	0.0
Total changes in equity	0.0	3.5	(11.7)	6,689.5	264.9	6,946.2	3,293.1
Balance at 30 June 2021	0.0	15.6	(32.1)	61,606.3	(395.8)	61,194.0	57,912.7

Statement of cash flows

for the year ended 30 June 2021

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Cash flows from operating activities			
Receipts from the National Land Transport Fund	3,251.5	3,370.3	2,633.1
Receipts from the Crown	311.0	91.3	82.4
Receipts from other revenue	227.4	189.5	191.9
Payments to employees	(143.6)	(144.2)	(133.8)
Payments to suppliers	(3,043.1)	(2,479.4)	(2,413.5)
Goods and services tax (net)	38.3	0.0	4.2
Net cash from operating activities	641.5	1,027.5	364.3
Cash flows from investing activities			
National Land Transport Fund receipts from sale of state highway-held properties	31.0	22.0	2.4
Purchase of property, plant, equipment and intangible assets	(17.6)	(25.6)	(19.1)
Investment in the state highway network	(1,690.5)	(2,096.4)	(1,906.3)
Net cash from investing activities	(1,677.1)	(2,100.0)	(1,923.0)
Cash flows from financing activities			
Capital contribution from the National Land Transport Fund	697.1	71.2	1,104.5
Capital contribution from the Crown	365.0	475.8	95.6
Receipts from borrowing	230.5	666.5	403.6
Repayment of borrowing	(176.0)	(66.0)	(15.0)
Interest paid on borrowing	(17.1)	(75.1)	(5.4)
Net cash from financing activities	1,099.5	1,072.4	1,583.3
Net (decrease)/increase in cash and cash equivalents	63.9	0.0	24.6
Cash and cash equivalents at the beginning of the year	106.0	50.0	81.4
Cash and cash equivalents at the end of the year	169.9	50.0	106.0

Reconciliation of net surplus/deficit to net cash from operating activities

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Surplus/(deficit)	(1.6)	(8.7)	(35.1)
Add/(deduct) non-cash/non-operating items:			
Depreciation, amortisation and state highway write-off	647.1	584.5	638.7
Losses on disposal of non-financial assets	12.8	0.0	18.2
Net impact of assets vested to/(from) local authorities	1.6	333.0	0.0
Movement in discounting on receivables	20.6	2.9	(7.0)
Interest on borrowings	32.3	84.7	5.4
Movement in discounting on borrowings	(20.5)	(8.4)	7.1
Movement in ineffective portion of cash flow hedge	15.2	0.0	(3.3)
Total non-cash/non-operating items	709.1	996.7	659.1
Add/(deduct) movements in working capital:			
(Increase)/decrease in Debtor National Land Transport Fund and Debtor Crown	24.8	(44.7)	(555.7)
(Increase)/decrease in receivables and other assets	(8.9)	(4.9)	(41.9)
Increase/(decrease) in creditors and other payables	(86.1)	91.9	331.0
Increase/(decrease) in employee entitlements	4.2	(2.8)	6.9
Net movements in working capital items	(66.0)	39.5	(259.7)
Net cash from operating activities	641.5	1,027.5	364.3

Notes to the financial statements

1 Entity information

Waka Kotahi NZ Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. Legislation governing the operations of Waka Kotahi includes the Crown Entities Act 2004 and the Land Transport Management Act 2003.

The primary objective of Waka Kotahi is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe and resilient transport solutions that support a thriving New Zealand.

Waka Kotahi does not operate to make a financial profit.

The financial statements for Waka Kotahi are for the year ended 30 June 2021 and were approved by the Waka Kotahi Board on 30 September 2021.

Basis of preparation

The financial statements of Waka Kotahi have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013. They comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Waka Kotahi is designated as a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The accompanying notes form part of these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

The financial statements are presented in New Zealand dollars and all values are in millions (\$M) and rounded to the nearest hundred thousand dollars.

Certain prior year balances have been reclassified to match current year classifications. These are not material reclassifications, and the reasons for the reclassifications are provided in the relevant notes. Refer to note 6 capital commitments, note 7 Waka Kotahi NZ transport Agency employee costs and entitlements and note 11 Borrowings, financial instruments and financial risk management.

Budget figures

The budget figures are derived from the *Statement of performance expectations 2020/21* as approved by the Board on 16 June 2020. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited and certain balances have been reclassified to reflect the actual spend during 2020/21.

Related party disclosures

Waka Kotahi is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client relationship under normal terms and conditions for such transactions. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Taxes

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

Waka Kotahi is a public authority, so is exempt from the payment of income tax.

Capital management

The capital of Waka Kotahi is its equity. Equity is represented by net assets. Waka Kotahi is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowing, acquiring securities, issuing guarantees and indemnities and using derivatives.

Waka Kotahi manages its equity by managing its forecast cash flows from the National Land Transport Fund and other sources compared with its outgoings. When Waka Kotahi borrows funds, it ensures it has sufficient forecast cashflows from future National Land Transport Fund revenue to meet its repayment obligations. Where funds are borrowed for the Regulatory business there is an expectation that future fees and funding will enable that debt to be repaid.

Debtor National Land Transport Fund and Debtor Crown

Debtor National Land Transport Fund and Debtor Crown represent undrawn funds from the operating and capital appropriations relevant to expenditure incurred and not funded by borrowings. The receivables are expected to be received within 30 days of balance date.

Debtor National Land Transport Fund – debt related represents operating and capital expenditure for programmes that are funded by loans and public-

private partnerships that will be reimbursed by the National Land Transport Fund over future financial periods. The receivable balance has been discounted over its term at the effective interest rate at the transaction date.

We consider the credit risk to Waka Kotahi from the National Land Transport Fund and Crown in note 11.

Receivables

Receivables are recognised at face value less an allowance for doubtful debt calculated using the expected credit losses (ECLs) model. Waka Kotahi applies the simplified approach and recognises lifetime ECLs for receivables. Receivables are written off when they are deemed uncollectable.

ECLs and write offs of receivables are not disclosed separately as they are not considered material.

Accounting standards issued and not yet effective

Waka Kotahi has adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory from 1 July 2020.

Critical accounting judgements, estimates and assumptions

In preparing the financial statements, Waka Kotahi has applied judgements, estimates and assumptions concerning the future that may differ from the subsequent actual results. These judgements, estimates and assumptions are continually evaluated and are based on historical experience, where possible, and other factors. Note 4 outlines the judgements, estimates and assumptions applied to the valuation of the state highway network.

Waka Kotahi has applied judgement to apportion borrowing between output classes. See the debt apportionment table on page 125.

2 Operating and capital funding and expense

The tables below represent funding from the National Land Transport Fund and the Crown and relevant expenses for operating transport infrastructure and other services throughout New Zealand.

2020/21

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
National Land Transport Fund						
Public-private partnerships	0.0	205.5	205.5	0.0	205.5	205.5
Public-private partnerships – impact of derivative and interest payment funding movements	0.0	(304.8)	(304.8)	0.0	(304.8)	(304.8)
State highway improvements	678.3	244.9	923.2	646.2	250.0	896.2
Local road maintenance	666.9	0.0	666.9	666.9	0.0	666.9
State highway maintenance	544.6	194.5	739.1	578.5	195.1	773.6
Public transport	520.4	102.1	622.5	520.4	102.1	622.5
Local road improvements	254.8	0.0	254.8	254.8	0.0	254.8
Transitional rail	160.4	0.0	160.4	160.4	0.0	160.4
Walking and cycling	110.8	80.7	191.5	110.8	82.8	193.6
Investment management	67.1	0.1	67.2	65.1	0.1	65.2
Regional improvements	62.8	48.8	111.6	62.8	48.8	111.6
Road safety promotion and demand management	54.8	1.5	56.3	55.9	1.5	57.4
Rapid transit	20.9	0.0	20.9	21.6	0.0	21.6
Local road improvements (Housing Infrastructure Fund)	16.2	0.0	16.2	16.2	0.0	16.2
Road user charges collection, investigation and enforcement	4.3	0.0	4.3	4.0	0.0	4.0
Refund of fuel excise duty	0.6	0.0	0.6	0.7	0.0	0.7
Total National Land Transport Fund funding and expense	3,162.9	573.3	3,736.2	3,164.3	581.1	3,745.4
Total Budget***	3,480.7	1,009.9	4,490.6	3,492.2	1,002.4	4,494.6
Classified as follows:						
Funding paid to approved organisations				1,869.0		
Waka Kotahi operating expenditure				1,295.3		
Total National Land Transport Fund expense				3,164.3		

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
Crown						
New Zealand Upgrade Programme	0.0	267.2	267.2	0.0	267.2	267.2
COVID-19 related funding – public transport	138.4	0.0	138.4	138.4	0.0	138.4
COVID-19 related funding – public-private partnerships	114.9	0.0	114.9	114.9	0.0	114.9
COVID-19 revenue shock and cost pressure funding – State highway improvements	19.1	0.0	19.1	19.1	0.0	19.1
Return of COVID-19 funding – State highway improvements	0.0	(19.7)	(19.7)	0.0	(19.7)	(19.7)
COVID-19 related funding – state highway maintenance	8.8	0.0	8.8	8.8	0.0	8.8
COVID-19 - protection of core regulatory services**	4.5	0.0	4.5	0.0	0.0	0.0
COVID-19 related funding – other	1.1	0.0	1.1	1.1	0.0	1.1
Local road improvements (Provincial Growth Fund)	46.3	0.0	46.3	46.3	0.0	46.3
New Zealand Upgrade Programme - Regional package	0.0	33.2	33.2	0.0	33.2	33.2
SuperGold card administration and public transport concessions	30.2	0.0	30.2	30.2	0.0	30.2
Accelerated Regional Roding Programme	0.0	29.7	29.7	0.0	29.7	29.7
Regional improvements (Provincial Growth Fund)	0.0	9.1	9.1	0.0	9.1	9.1
Kaikōura earthquake response	7.0	23.5	30.5	7.0	23.5	30.5
Crown infrastructure partners	0.0	4.1	4.1	0.0	4.1	4.1
Investment management (Provincial Growth Fund)	3.0	0.0	3.0	3.0	0.0	3.0
Enhanced road maintenance	1.5	0.0	1.5	1.5	0.0	1.5
Urban Cycleways Programme	0.5	0.0	0.5	0.5	0.0	0.5
Clean Car Discount	0.0	0.0	0.0	1.1	0.0	1.1
Clean Car Standard	0.0	0.0	0.0	0.3	0.0	0.3
Other Crown funding and expense	10.3	0.0	10.3	12.2	0.0	12.2
Total Crown funding and expense	385.6	347.1	732.7	384.4	347.1	731.5
Total Budget***	73.3	474.3	547.6	76.5	474.3	550.8
Classified as follows:						
Funding paid to approved organisations				219.4		
Waka Kotahi operating expenditure				165.0		
Total Crown expense				384.4		

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
Total funding and expense from fees, charges and other revenue	283.6	0.0	283.6	284.9	0.0	284.9
Total Budget***	207.3	0.0	207.3	201.3	0.0	201.3
Total revenue and expense	3,832.1	920.4	4,752.5	3,833.7	928.2	4,761.9
Total Budget***	3,761.3	1,484.2	5,245.5	3,770.0	1,476.7	5,246.7

***Budgets by output class are included in the output class income and expenditure statements in the supplementary information, page 126 to 140.

2019/20

	Operating Funding Revenue* Actual 2019/20 \$M	Capital Funding Contribution Actual 2019/20 \$M	Total Funding Actual 2019/20 \$M	Operating Expense Actual 2019/20 \$M	Capital Expense Actual 2019/20 \$M	Total Expense Actual 2019/20 \$M
National Land Transport Fund						
Public-private partnerships	0.0	902.9	902.9	0.0	902.9	902.9
State highway improvements	726.8	525.3	1,252.1	726.2	527.4	1,253.6
Local road maintenance	617.7	0.0	617.7	617.7	0.0	617.7
Public transport	641.1	74.8	715.9	641.0	75.4	716.4
State highway maintenance	533.6	208.6	742.2	556.6	208.8	765.4
Local road improvements	258.2	0.0	258.2	258.2	0.0	258.2
Investment management	79.8	0.9	80.7	78.3	0.9	79.2
Transitional rail	64.6	0.0	64.6	64.6	0.0	64.6
Road safety promotion and demand management	46.5	1.6	48.1	47.0	1.6	48.6
Walking and cycling	44.1	26.4	70.5	44.1	26.4	70.5
Rapid transit	32.3	0.0	32.3	32.3	0.0	32.3
Regional improvements	30.2	66.5	96.7	30.2	66.5	96.7
Local road improvements (Housing Infrastructure Fund)	11.1	0.0	11.1	11.1	0.0	11.1
Road user charges collection, investigation and enforcement	4.3	0.0	4.3	4.4	0.0	4.4
Refund of fuel excise duty	0.6	0.0	0.6	0.7	0.0	0.7
Total National Land Transport Fund funding and expense	3,090.9	1,807.0	4,897.9	3,112.4	1,809.9	4,922.3
Classified as follows:						
Funding paid to approved organisations				1,736.8		
Waka Kotahi operating expenditure				1,375.6		
Total National Land Transport Fund expense				3,112.4		

	Operating Funding Revenue* Actual 2019/20 \$M	Capital Funding Contribution Actual 2019/20 \$M	Total Funding Actual 2019/20 \$M	Operating Expense Actual 2019/20 \$M	Capital Expense Actual 2019/20 \$M	Total Expense Actual 2019/20 \$M
Crown						
COVID-19 Response and Recovery Fund (CRRF)	94.1	0.0	94.1	94.1	0.0	94.1
SuperGold card administration and public transport concessions	30.7	0.0	30.7	30.7	0.0	30.7
New Zealand Upgrade Programme	0.0	28.0	28.0	0.0	28.0	28.0
Accelerated Regional Roding Programme	0.0	27.7	27.7	0.0	27.7	27.7
Regional improvements (Provincial Growth Fund)	0.0	5.2	5.2	0.0	5.2	5.2
Local road improvements (Provincial Growth Fund)	20.4	0.0	20.4	20.4	0.0	20.4
COVID-19 - protection of core regulatory services**	8.1	0.0	8.1	0.0	0.0	0.0
Kaikōura earthquake response	7.3	30.8	38.1	7.3	30.8	38.1
Investment management (Provincial Growth Fund)	5.5	0.0	5.5	5.5	0.0	5.5
Urban Cycleways Programme	5.0	4.2	9.2	5.0	4.2	9.2
Other Crown funding and expense	5.6	4.3	9.9	7.0	0.0	7.0
Total Crown funding and expense	176.7	100.2	276.9	170.0	95.9	265.9
Classified as follows:						
Funding paid to approved organisations				61.5		
Waka Kotahi operating expenditure				108.5		
Total Crown expense				170.0		
Total funding and expense from fees, charges and other revenue	206.8	0.0	206.8	227.1	0.0	227.1
Total revenue and expense	3,474.4	1,907.2	5,381.6	3,509.5	1,905.8	5,415.3

*Funding from borrowing facilities is included within the funding revenue column. The financing component included \$247.1 million state highway improvements, \$33.2 million local road maintenance, \$108.8 million public transport, \$173.2 million state highway maintenance, and \$12.7 million local road improvements.

**Crown funding was provided to meet the revenue shortfall in core regulatory services resulting from COVID-19. The expenditure is shown in the fees, charges and other revenue line.

Funding from the National Land Transport Fund and the Crown

The majority of the funding is received from the National Land Transport Fund and the Crown.

Funding from the National Land Transport Fund and the Crown has been accounted for in accordance with PBE IPSAS 23 *Revenue from non-exchange transactions* and classified and treated as non-exchange revenue. The funding is used for the specific purpose set out in legislation and the scope of the relevant government appropriations. The payment of funding does not entitle the payer to an equivalent value of services or benefits, because no direct exchange relationship exists between paying the funding and receiving services or benefits from Waka Kotahi. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to this funding and it is recognised as revenue when received and reported in the financial period to which it relates.

Funding is recognised as a capital contribution when expenditure for capital projects is incurred.

Funding from fees, charges and other revenue

Revenue from other activities has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9 *Revenue from exchange transactions*.

Land transport funding

Waka Kotahi receives land transport funding and then provides it to approved organisations for the delivery of services and uses it to maintain and operate the state highway network.

Explanation of major variances against budget

Operating expense related to the National Land Transport Fund was \$327.9 million (9 percent) below budget. This is due to lower than budgeted claims from approved organisations for various activity classes, including public transport and local road improvements.

Operating expense related to the Crown was \$307.9 million (402 percent) above budget. This was mainly due to COVID-19 contractual settlements including public-private partnerships and additional claims to meet the shortfall in farebox revenue for public transport services during the COVID-19 lockdown. Additional Crown funding was approved in July 2020 to cover these COVID costs and was not included in the budget when it was originally set in April 2020.

Capital expense related to the National Land Transport Fund was \$421.3 million (42 percent) below budget. This was mainly due to public-private partnership expenditure being less than expected with the impact of COVID-19 being met by the Crown and the valuation gains of the public-private partnership related interest rate swaps.

Capital expense related to the Crown was \$127.2 million (27 percent) below budget. This was the result of lower spend in the New Zealand Upgrade Programme, the Regional Investment Opportunities programme and Provincial Growth Fund regional improvements in 2020/21.

3 Revenue from other activities

	Actual 2020/21 \$M	Actual 2019/20 \$M
Fees and Charges		
Motor vehicle licensing fees	50.7	49.4
Driver licensing fees	38.3	33.9
Driver testing fees	28.5	22.6
Road user charges collections	12.9	12.3
Certification review fees	11.5	11.1
Transport licensing fees	10.4	10.7
Standards development fee and certification levies	7.0	7.0
Rail licensing fees	2.5	1.6
Over dimension and overweight permits	1.6	1.5
Border inspection fees	0.6	0.7
Total fees and charges	164.0	150.8
Recoveries from National Land Transport Programme and other activities*	54.5	25.6
Interest and finance income	40.4	9.8
Tolling fees and contributions	17.0	14.8
Levy on personalised plates for community road safety initiatives	5.8	3.9
Administration fee from Accident Compensation Corporation	0.5	0.6
Miscellaneous revenue	1.4	1.3
Total revenue from other activities	283.6	206.8

* Includes developer contributions.

4 State highway network

	Actual 2020/21 \$M	Actual 2019/20 \$M
Opening balance	52,190.4	49,657.0
Additions	1,678.8	1,643.9
Depreciation*	(607.6)	(591.3)
Impairment/write-offs*	(25.4)	(34.6)
Assets vested to local authorities	(1.6)	0.0
Disposals	(32.9)	(20.6)
Revaluation of state highway network	5,793.9	1,538.3
Assets transferred from/(to) held for sale	(9.8)	(2.3)
Closing balance	58,985.8	52,190.4

* Depreciation, amortisation and state highway write-off balance in the statement of comprehensive revenue and expense includes \$14.1 million (2019/20: \$12.8 million) of depreciation and amortisation relating to property, plant, equipment and intangible assets and is not included in the state highway network disclosure above.

The costs of constructing the state highway network are recognised as an asset. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential will be realised and the cost can be measured reliably. Repairs and maintenance costs are expensed during the financial period in which they are incurred.

Valuation

The state highway network (excluding land and formation) is valued using an optimised depreciated replacement cost methodology based on the estimated current cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age, condition and performance of the assets. The estimated current cost is expected to change over time. The land corridor is valued using an across the fence methodology, which is based on the premise that the corridor land should be of similar value to the land through which it passes. Formation is valued using unit rates for formation types applied to the carriageway. Land, held properties, formation and the sub-base component of pavement are non-depreciable asset classes. Qualified independent valuers carry out the majority of the valuation as shown in the table below.

State highway network component	Valuer
Roads, bridges, culverts, tunnels, underpasses, including formation works, road structure, drainage works and traffic facilities	WSP Opus, utilising unit prices provided by BondCM
Land (held property)	Darroch Limited
Land (corridor)	Internally calculated by Waka Kotahi Reviewed by WSP Opus

The components of the state highway network at optimised depreciated replacement cost and the related depreciation expense are shown in the following table.

	Optimised depreciated replacement cost		Depreciation expense	
	Actual 2020/21 \$M	Actual 2019/20 \$M	Actual 2020/21 \$M	Actual 2019/20 \$M
State highway network components				
Land*	18,489.3	14,723.6	0.0	0.0
Formation	14,257.6	13,975.7	0.0	0.0
Pavement base course**	6,978.6	6,284.0	78.2	76.2
Pavement surface	1,346.5	1,093.2	153.8	147.8
Drainage	2,245.6	1,775.0	49.7	49.8
Traffic facilities	1,708.7	1,514.7	94.7	104.3
Bridges	8,934.1	8,387.3	128.5	122.8
Culverts and subways	648.0	705.8	17.7	17.4
Tunnels and other structures	4,032.8	3,427.8	52.1	44.0
Miscellaneous***	344.6	303.3	32.9	29.0
Total	58,985.8	52,190.4	607.6	591.3

*Land includes corridor land and held properties, excluding properties held for sale.

**Pavement basecourse includes basecourse, which is depreciable, and pavement subbase, which is non-depreciable.

***Miscellaneous asset class is made up of Intelligent Traffic Systems, traffic management units, tolling infrastructure, bailey bridges, sea and river protection structures, and other structures.

State highway assets increased in value by \$6.8 billion mainly due to price movements in unit rates, reflecting the current costs of construction, increases from the land revaluation, particularly in the Auckland region, and capital expenditure on current state highway projects.

Depreciation

Depreciation is calculated on a straight-line basis on state highway network assets (other than land, held properties, formation and the subbase component of pavement) at rates that will spread the cost of the assets to their estimated residual values over their useful lives. The depreciation expense for 2020/21 is calculated based on the 30 June 2020 valuation.

Impairment

State highway network assets are reviewed for impairment whenever events or changes in circumstances indicate that there may be a reduction in the asset's future service potential. An impairment loss is recognised when the asset's carrying amount exceeds the recoverable service amount. The recoverable service amount is the higher of the asset's fair value less cost to sell or value in use. Impairment of state highway network assets is deducted from the asset revaluation reserve to the extent of an existing credit balance for that asset class. Any excess is recognised in surplus or deficit.

Waikato Expressway- Cambridge section

Pavement performance issues have developed on the Cambridge section of the Waikato expressway. Surface failures have occurred that will require remedial action. The cost to reinstate the pavement to its desired level of service is used to calculate the impairment value.

New Zealand Upgrade Programme

Following a Cabinet decision on 4 June 2021, four projects under the New Zealand Upgrade Programme have not been funded to proceed as per the original scope (Whangārei to Port Marsden, Mill Road, Papakura to Drury South Stage 2 and Takitimu North Link Stage 2) which triggered an impairment test for costs that had already been capitalised under these four projects. Most of the capitalised costs incurred to date related to property purchases which were not impaired. The remaining balances were considered to be impaired.

Waitematā Harbour Crossing project

The development of the additional Waitematā Harbour crossing project has been progressing for some time. However, there is sufficient uncertainty around the final project solution that it is considered prudent to impair the non-property related costs until a funded solution is confirmed.

Estimates, assumptions and judgements

Due to the unique nature of the state highway network, the value of the assets cannot be measured with precision. There are uncertainties about the values assigned to different components of the state highway network. These uncertainties include whether Waka Kotahi databases have accurate quantities and whether some cost components and in-service data are captured completely. Waka Kotahi is continually reviewing controls to improve the timeliness and accuracy of the main asset database – the Road Assessment and Maintenance Management (RAMM) database and the Highway Structures Information Management System (HSIMS) database. In addition, significant estimates and assumptions have been applied to the valuation, which include assumptions on quantities used in the construction of state highway network components, the life of the assets and the unit costs to apply. Changes to the underlying estimates and assumptions can cause a material movement in the state highway valuation and are reviewed periodically.

Waka Kotahi is continuously improving the identification of all costs that should be capitalised through its state highway valuation improvement programme.

The state highway valuation improvement programme for 2020/21 continued the focus on simplifying the valuation process and improving the quality of the valuation outputs. The main improvement undertaken for the year was simplifying and making more intuitive the land corridor valuation process through the use of a Geospatial Information System (GIS) that was piloted last year and implemented in 2020/21. The valuation methodology remains across the fence. However, the inputs to the valuation are now derived from published rateable valuation data, and indexed between local rateable valuation years.

The following represent core and estimated inputs used in the 2020/21 valuation.

State highway network component	Quantity	Rate	Useful life (years)	Basis of valuation
Land	Land corridor: 35,014 ha	QV Rateable values	N/A	Corridor land (land associated with the road) is valued by Waka Kotahi GIS system based on QV rateable values per square metre of the surrounding land.
	Held Property	Market price		Held properties, which are properties not yet part of corridor land, are based on market prices determined by Darroch Ltd.
Formation (earthworks)	Formation: 104,061,786 m ² Shoulder formation: 21,043,546 m ²	Unit prices and an overhead rate	N/A	Unit rates are provided by BondCM based on terrain type groupings and adjusted for construction overhead costs.
Pavement subbase and base course	Pavement other: 33,918,584 m ³ Shoulder base course: 3,066,387 m ³	Unit prices and an overhead rate	50 for basecourse N/A for subbase which is non-depreciable	Depth of subbase and base course type is determined from Austroads Pavement Design Guide. Unit rates are provided by BondCM and adjusted for overhead costs.
Pavement surface	Pavement surface: 114,715,669 m ²	Unit prices and an overhead rate	9-14	Unit rates are provided by BondCM and adjusted for overhead costs.
Drainage	Drainage: 54,949 m and 76,971 units Stormwater channel: 15,365,155 m	Unit prices and an overhead rate	50	Unit rates are provided by BondCM and adjusted for overhead costs.
Traffic facilities	Railings: 2,528,562 m Signs: 193,857 units Traffic facilities: 11,698,044 m	Unit prices and an overhead rate	10-25	Unit rates are provided by BondCM for railings and signs and adjusted for overhead costs. Derived by WSP Opus from a combination of indexed historical cost data and recent construction costs.
Bridges	2,773 bridges	Unit prices and an overhead rate	90-100	Unit rates are provided by BondCM.
Culverts and subways	Culverts and subways: 1,621 units and 43,592 m	Unit prices and an overhead rate	50-75	Unit rates are provided by BondCM.
Other structures	Retaining walls: 807,152 m ² Tunnels: 20 structures	Unit prices and an overhead rate	10-100	Unit rates are derived from a combination of indexed historical cost data and recent construction costs.

Unit prices

A significant component of the valuation is based on unit prices provided by independent expert BondCM. BondCM applies rates calculated using the Auckland market as the base and then assessed for regional price differences for major cost elements (such as labour, plant and materials) from which a weighting is derived to determine regional rates for each item. The regional weightings are based on costs BondCM has observed in the regions. The unit rates provided by BondCM generally relate only to the cost of physical construction and do not include overhead costs that would also be incurred to replace or install the asset. For 2020/21, BondCM was requested to provide updates to rates for all assets except for formation and tunnels, which were indexed.

Overhead costs

Overhead costs are estimated by BondCM based on actual information for recently completed projects. The rate of overheads incurred on a project can vary significantly depending on whether the construction is taking place in a greenfield or brownfield environment. Overheads include the sum of preliminary and general on-costs (35 percent) multiplied by professional fees, including Waka Kotahi costs (15 percent), and brownfields costs (15 percent for urban and motorway carriageways and 5 percent for rural carriageways).

No changes in base overhead costs have been made in the 2020/21 valuation.

Quantities

The calculation of the state highway network valuation consists of estimated quantities that include the actual area and length of the network at the close of the prior year extracted from the asset management system. Completed construction projects within the current financial year are included in the calculation at cost.

Work in progress

Recent capital expenditure is not yet reflected in the asset database, because the projects are large and take several years to complete. The total work in progress included in the valuation is \$5.37 billion, which is included at cost for the current year and indexed for multi-year projects. The associated quantities are not included in the inputs table.

Valuation inputs subject to estimation uncertainty

The valuation inputs and/or assumptions subject to the most estimation uncertainty are as follows.

- Preliminary and general (P&G) on-costs, related to multiple asset components: P&G on-costs are associated with site establishment and disestablishment, site management and compliance on-costs, and contractor mark-up.
- Professional fees related to multiple asset components: Professional fees are the costs for professional services from external consultants and internal costs for investigations, design and management surveillance quality. Professional fees of 15 percent are derived based on project averages provided by BondCM.
- Formation: This is the constructed land form profile and platform on which the pavement structure is built. Formation within the different terrain types can be highly variable, the valuation of formation is on an average basis with the unit rates used in the valuation provided by BondCM.
- Brownfield costs: A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway. They include capital works relating to relocation and refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners. Other components of the brownfield cost result from the increased constraints or requirements imposed when constructing in an already-developed location; for example, increased traffic management and security; limitations on available contractor areas for storage, parking, buildings and general operations; noise and dust limitations; and restricted hours of work. BondCM provided a brownfield overhead rate for rural and urban areas that has been applied to the depreciable assets unit cost rates. The urban rate has also been applied to motorway carriageways.

Sensitivity analysis

The following sensitivity analysis represents possible impacts on the state highway network valuation based on changes to estimates of +10 percent.

	Change in optimised depreciated replacement cost (\$M) 2020/21	Change in optimised depreciated replacement cost (\$M) 2019/20
Movement in P&G on-costs by 10% (from 35.0% to 38.5%)	1,053	971
Movement in external professional fees by 10%	425	398
Movement in formation unit costs by 10%	1,432	1,398
Movement in bridge unit costs by 10%	893	839
Movement in unit prices* by 10%	1,795	1,647
Movement in land corridor quantities by 10%	1,661	1,306
Movement in brownfield costs by 10%	198	174
Movement in price index by 10%	3,456	3,375

*Relates to bridges, culverts and pavements (surface and other).

WSP Opus performed simulation analysis on the valuation to quantify the range of valuation outcomes that could occur as a result of changes in the different valuation inputs. WSP Opus concluded that the overall valuation is likely to be between -7.5 percent and +10 percent of the current value.

The sensitivity analysis above is only an indication of the range of possible impacts and should not be interpreted as the likely actual impact.

Work undertaken in recent years has reduced the likelihood of understatement of the state highway networks value. This improvement work is ongoing with a focus on simplifying and improving the quality of the valuation inputs.

Property assets held for sale

Waka Kotahi owns 58 properties valued at \$26.9 million (2019/20: 59 properties valued at \$17.1 million) that have been classified as held for sale. It is expected that these properties will be sold by 30 June 2022.

Held properties are classified as property assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Explanation of major variances against budget

State highway assets were \$58,985.8 million, \$1,661.7 million (3 percent) above budget of \$57,324.1 million due primarily to increases in unit cost rates in particular for drainage, pavement (other), bridges and culverts that were greater than budgeted. Additionally, the new improvements to land corridor valuations through the use of a Geospatial Information System (GIS) and property price inflation during the year resulted in the value of the land corridor exceeding budget expectations.

5 Public-private partnership assets and liabilities

	Actual 2020/21 \$M	Actual 2019/20 \$M
Assets		
Transmission Gully	1,280.4	1,138.9
Pūhoi to Warkworth	875.3	811.3
Total public-private partnership assets	2,155.7	1,950.2
Liabilities		
Transmission Gully	1,049.9	948.3
Pūhoi to Warkworth	792.3	728.3
Total public-private partnership liabilities	1,842.2	1,676.6

Public-private partnership agreements

Waka Kotahi has entered into public-private partnership agreements with the:

- Wellington Gateway Partnership to deliver the Transmission Gully project
- Northern Express Group to deliver the Pūhoi to Warkworth project.

Public-private partnerships for the construction of state highways are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 *Service concession arrangements: grantor*.

During construction, the cumulative cost, including financing, is recognised as an asset. A matching liability represents the obligations of Waka Kotahi under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Before the service commencement date, there are no scheduled payments under the agreements.

On completion, the asset will be remeasured to fair value. Once operational, the public-private partnership assets will be accounted for in accordance with the policies adopted by Waka Kotahi in respect of the rest of the state highway.

Under the agreements, the contractors will finance, design, build, operate and maintain the sections of state highway. Waka Kotahi provided land it owns to the contractors on which to build the state highway.

The operational agreements run for 25 years from the service commencement date, after which the responsibility for ongoing operation and maintenance of both roads will revert to Waka Kotahi. As both state highways are under construction, no depreciation on the assets has been incurred.

This treatment is consistent with the Treasury's public-private partnership accounting guidelines.

At the time the public-private partnership assets become operational, Waka Kotahi will pay the contractor a quarterly unitary charge in arrears subject to satisfactory performance against agreed service levels. The unitary charge has three components:

- A reduction in the service concession liability.
- Finance costs: Under the terms of the agreements, the operators have a provision to re-price the finance costs at intervals during the 25-year period. Waka Kotahi has put in place interest rate swaps to hedge the re-pricing of the finance costs. (See note 11 for details of the interest rate swaps.)
- Service costs: These cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with Waka Kotahi. Some of these costs are indexed to the Consumer Price Index or to other relevant indices and can be varied from time to time.

The reduction in the service concession liability, finance and service costs will be recognised in the period incurred.

Transmission Gully public-private partnership

The COVID-19 lockdown in March and April 2020 was considered an uninsurable event for which Waka Kotahi, the Builder and Wellington Gateway Partnership negotiated a commercial settlement in financial year 2020/21. As the settlement related to COVID-19, the settlement costs are considered operating in nature and not included in the public-private partnership asset above. Operating costs for the COVID-19 settlement recognised in the 2020/21 financial year totalled \$83.4 million (2019/20: \$54.1 million) with a further \$72.5 million disclosed as commitments in note 6. A contingency of \$7.5 million was also recognised.

As part of the settlement, the debt component of the quarterly unitary charges commenced in February 2021, ahead of the proposed road opening in September 2021. The early repayment of the debt component of the quarterly unitary charges totalled \$39.9 million in financial year 2020/21. This payment, in conjunction with the pre-COVID settlement disclosed in financial year 2019/20 of \$190.6 million, results in the value of the public-private partnership asset being greater than the public-private partnership liability at 30 June 2021.

Under the terms of the post-COVID settlement agreement, future risks and costs related to alert levels 1 and 2 are the Builder's responsibility. Waka Kotahi is exposed to risks and costs associated with any future periods at alert levels 3 and 4. See note 14 for further information.

Pūhoi to Warkworth public-private partnership

The COVID-19 lockdown in March and April 2020 was considered an uninsurable event for which Waka Kotahi, the Builder and the Contractor reached a pre-settlement agreement in financial year 2019/20. As the settlement related to COVID-19, the settlement costs are considered operating in nature and not included in the public-private partnership asset above. Operating costs for the COVID-19 settlement recognised in the 2020/21 financial year totalled \$20.1 million (2019/20: \$40.0 million) with a further \$19.9 million disclosed as commitments in note 6. A contingency of \$5.0 million was also recognised.

As part of the settlement the debt component of the quarterly unitary charges commences in February 2022, ahead of the proposed road opening of May 2022. The pre-COVID settlement disclosed in financial year 2019/20 of \$83.0 million is the reason the value of the public-private partnership asset is greater than the public-private partnership liability at 30 June 2021.

Under the terms of the post-COVID settlement agreement, future risks and costs related to alert levels 1 and 2 are the Builder's responsibility. Waka Kotahi is exposed to risks and costs associated with any future periods at alert levels 3 and 4.

Deed of Indemnity

The Crown has issued indemnities to each consortium for all indemnified amounts (as defined in the respective Deeds of Indemnity). In general terms, the indemnified amounts consist of sums payable by Waka Kotahi in the operational phase of the project and defined compensation sums payable in the event of default on payment by Waka Kotahi. If the Crown is required to make a payment under its indemnity, Waka Kotahi must reimburse it under the Reimbursement and Management Agreement.

Commitments

The total estimated capital and operating expenditure to be paid throughout the 25-year period is \$3.3 billion for Transmission Gully and \$2.3 billion for Pūhoi to Warkworth. This includes capital commitments of \$199.8 million, included in note 6, across the two projects for the remaining work in progress, not yet represented by the public-private partnership liability.

Explanation of major variances against budget

Public-private partnership assets were \$2,155.7 million, \$1,209.1 million (128 percent) above budget of \$946.6 million mainly due to the assumption in the budget that the Transmission Gully road would be completed in 2020/21 and the road asset transferred to the state highway network. The remaining variance relates to slower than expected construction progress and an accounting adjustment of \$54.0 million made to the Pūhoi to Warkworth public-private partnership asset.

Public-private partnership liabilities were \$1,842.2 million, \$143.2 million (7 percent) below budget of \$1,985.4 million mainly due to slower than expected construction progress and an accounting adjustment of \$54.0 million made to the Pūhoi to Warkworth public-private partnership liability.

6 Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows.

	Actual As at 30 June 2021 \$M	Restated Actual As at 30 June 2020 \$M
Not later than one year	1,534.2	1,730.7
Later than one year and not later than five years	1,206.6	1,206.5
Later than five years	3.8	41.8
Total capital commitments*	2,744.6	2,979.0

* Included in total capital commitments is \$199.8 million relating to the construction of the public-private partnership assets. In previous periods, Waka Kotahi had disclosed a public-private partnership commitment representing the total construction cost of the projects with no reduction in the commitment as the public-private partnership liability was progressively recognised on the balance sheet. The revised commitment is calculated as the remaining project spend being the difference between the peak liability (being cost plus accrued interest) and the public-private partnership liability recognised at 30 June 2021. The 2019/20 comparative was restated to reflect the change in capital commitment calculations.

7 Waka Kotahi NZ Transport Agency employee costs and employee entitlements

Employee costs (included in the statement of comprehensive revenue and expense)

	Actual 2020/21 \$M	Restated** Actual 2019/20 \$M
Salaries and wages	144.5	130.0
Defined contribution plan employer contributions	5.4	4.0
Other employee costs	3.9	8.9
Total Waka Kotahi NZ Transport Agency employee costs*	153.8	142.9

* Total Waka Kotahi employee costs excluded contractor costs, which are included in note 10.

** The 2019/20 balance was restated to reflect the reclassification of salary recharges to make the prior period comparable.

Reconciliation of total employee costs to Waka Kotahi NZ Transport Agency employee costs

	Actual 2020/21 \$M	Actual 2019/20 \$M
Total employee costs	234.0	201.9
<i>Deduct:</i>		
Transport Agency capitalised employee costs allocated to NLTP activities	(53.6)	(26.9)
Transport Agency operating employee costs allocated to NLTP activities	(26.6)	(32.1)
Total Waka Kotahi NZ Transport Agency employee costs*	153.8	142.9

Explanation of major variances against budget

Net employee costs were \$153.8 million, \$34.3 million (29 percent) above budget of \$119.5 million. The increase was due to higher position numbers reflecting the broad range of activity undertaken by Waka Kotahi with higher rates of recruitment, lower staff turnover and staff taking less annual leave than in prior periods. These effects are attributed to the impacts of COVID-19, including employment market conditions and travel restrictions.

Employee entitlements (included in the statement of financial position)

	Actual 2020/21 \$M	Actual 2019/20 \$M
Employee entitlements - current	22.0	17.8
Employee entitlements - non-current	4.2	4.1
Total Waka Kotahi NZ Transport Agency employee entitlements	26.1	21.9

Key management personnel

Key management personnel compensation and board member remuneration have been presented to the nearest thousand dollars (\$000) to provide more meaningful information to the users of the financial statements.

Key management personnel compensation

	Note	Actual 2020/21 \$000	Actual 2019/20 \$000
Board members			
Remuneration		332	287
Number of positions	a	8	7
Leadership team			
Remuneration	b	5,131	5,320
Number of personnel	c	10	15
Total key management personnel compensation		5,463	5,607
Total personnel	d	17	22

a. Reflects the number of positions on the Board during the financial year.

b. Leadership team includes the Chief Executive and key management personnel who report to the Chief Executive and have the authority and responsibility for planning, directing, and controlling the activities of Waka Kotahi.

c. Includes full year remuneration of the leadership team while they were members of the leadership team.

d. The total number of key management personnel at balance date is 15 (2019/20: 17).

Board member remuneration

The total value of remuneration paid or payable to each board member during the year was as follows.

	Appointed	Resigned	Actual 2020/21 \$000	Actual 2019/20 \$000
Sir Brian Roche (Chair)	June 2019		71	75
Cassandra Crowley (Deputy Chair)	September 2019		45	27
David Smol	February 2019		36	33
Catherine Taylor	September 2019		36	27
Ken Rintoul	September 2019		36	27
Patrick Reynolds	September 2019		36	27
Victoria Carter	September 2019		36	27
John Bridgman	July 2020		36	0
Nick Rogers	September 2013	September 2019	0	9
Leo Lonergan	May 2016	September 2019	0	8
Mark Darrow	May 2017	September 2019	0	9
Vanessa van Uden	May 2017	September 2019	0	9
Sheridan Broadbent	February 2019	September 2019	0	9
Total board member remuneration			332	287

No payments were made to committee members appointed by the Board who were not board members during the financial year.

Waka Kotahi has Directors and Officers Liability and Professional Indemnity Insurance cover in respect of the liability or costs of board members and employees. The Board also has insurance cover against personal accident and other travel-related risk for board members and employees where injury or loss occurs while on Waka Kotahi business.

No board members received compensation or other benefits in relation to cessation (2019/20: \$nil).

Employee remuneration

Total remuneration paid or payable	No. of staff 2020/21	No. of staff 2019/20
100,000-109,999	175	100
110,000-119,999	174	140
120,000-129,999	154	107
130,000-139,999	141	95
140,000-149,999	94	67
150,000-159,999	91	52
160,000-169,999	55	42
170,000-179,999	37	26
180,000-189,999	38	25
190,000-199,999	18	12
200,000-209,999	6	13
210,000-219,999	15	6
220,000-229,999	5	7
230,000-239,999	6	6
240,000-249,999	11	7
250,000-259,999	5	5
260,000-269,999	4	4
270,000-279,999	2	2
280,000-289,999	3	2
290,000-299,000	5	1
300,000-309,000	6	2
310,000-319,999	1	1
320,000-329,000	2	2
350,000-359,999	1	0
360,000-369,999	1	0
370,000-379,999	0	0
380,000-389,999	2	0
390,000-399,999	2	1
400,000-409,999	0	1
420,000-429,999	1	3
430,000-439,999	0	2
440,000-449,999	1	0
460,000-469,999	1	1
490,000-499,999	1	0
500,000-509,999	1	1
520,000-529,999	0	1
630,000-639,999	1	0
750,000-759,999	1	0
890,000-899,999	0	1
Total employees	1,061	735

The Chief Executive of Waka Kotahi took a voluntary salary reduction due to COVID-19 for a fixed period at the end of the 2019/20 financial year and the start of the 2020/21 financial year. The remuneration table reflects this temporary decrease in earnings.

The table above contains remuneration information solely on permanent or fixed-term employees of Waka Kotahi who have been paid more than \$100,000 in respect of the financial year in accordance with the requirements of the Crown Entities Act 2004. Contract personnel are not included.

During the year ended 30 June 2021, 24 (2019/20: 24) Waka Kotahi employees received compensation and other benefits in relation to cessation of \$1.6 million (2019/20: \$1.1 million). These costs are excluded from the remuneration table above.

8

Waka Kotahi NZ Transport Agency operating expenses and payables

Operating expenses (included in the statement of comprehensive revenue and expense)

	Note	Actual 2020/21 \$M	Actual 2019/20 \$M
Commissions and transaction costs	a	83.1	66.2
Contractor and professional services		11.3	44.8
Information technology		38.9	37.3
Operating lease expense		12.3	12.9
Office and building management		6.5	7.5
Employee travel		3.7	5.1
Meetings and conferences		0.7	0.7
Fees to principal auditors for:			
– audit of financial statements		0.5	0.5
– other assurance services	b	0.1	0.1
Other operating expenses		9.7	8.9
Waka Kotahi NZ Transport Agency operating expenses		166.8	184.0

a. This category includes payments to agents for driver licensing services, motor vehicle registration and motor vehicle licensing services, personalised plates, card merchant fees and bulk postage transaction costs.

b. Other assurance services by KPMG included a review of the application of the scrutiny principle, a review of the procurement process undertaken for a new human resources system and a review of the establishment of the Te Hau Ora digital portfolio.

Explanation of major variances against budget

Operating expenses were \$166.8 million, \$11.0 million (6 percent) below budget of \$177.8 million mainly due to lower contracting and professional services costs incurred than expected as permanent staff were recruited into roles.

Payables (included in the statement of financial position)

	Actual 2020/21 \$M	Actual 2019/20 \$M
Creditors	687.2	583.7
Income in advance	43.2	34.5
Total Waka Kotahi NZ Transport Agency payables	730.4	618.2
Classified as follows:		
Current	730.4	618.2
Non-current	0.0	0.0
Total	730.4	618.2

Short-term creditors and other payables are recorded at face value. Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of creditors and other payables approximates their fair value.

Included within creditors is \$17.9 million relating to the collection of regional fuel tax that has not yet been passed to Auckland Transport. The cash collected is included in the cash balance of Waka Kotahi, however, it is restricted solely for distribution to Auckland Transport.

Explanation of major variances against budget

Payables were \$730.4 million, \$345.0 million (32 percent) below budget of \$1,075.0 million. This is due to lower than expected claims from suppliers and approved organisations.

9 Operating leases

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows.

	Actual 2020/21 \$M	Actual 2019/20 \$M
Not later than one year	14.7	13.8
Later than one year and not later than five years	51.7	32.9
Later than five years	50.8	12.9
Total non-cancellable operating leases	117.2	59.6

Significant operating leases are limited to buildings for office accommodation. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The increase in 2020/21 is due to the new office lease at 44 Bowen Street, Wellington, commencing on 1 July 2023 for 12 years.

10 Provisions

Movements for each class of provision (included in the statement of financial position) are as follows

	State Highway - current \$M	Onerous Contracts - current \$M	Onerous Contracts - non-current \$M	Total \$M
Balance at 1 July 2019	0.2	1.4	4.0	5.6
Additional provisions made	211.3	0.0	0.0	211.3
Amounts used	0.0	0.0	(1.4)	(1.4)
Unused amounts reversed	0.0	0.0	0.0	0.0
Balance at 30 June 2020 / 1 July 2020	211.5	1.4	2.6	215.5
Additional provisions made	35.4	0	0	35.4
Amounts used	(136.4)	0.0	(1.4)	(137.8)
Unused amounts reversed	(46.7)	0	0	(46.7)
Balance at 30 June 2021	63.8	1.4	1.2	66.4

The state highway provision relates to estimates for expected contractual claims, remaining COVID claims from 2019/20, and additional claims from further lockdowns in 2020/21, where it is probable that Waka Kotahi will be required to settle these claims. Actual costs may vary from the provision estimates.

No cost has been provided for the August 2021 lockdown as this occurred after balance date. Refer to note 14 events after balance date for further information.

The onerous contracts arise from non-cancellable building leases where the unavoidable costs of meeting the lease contract exceeds the economic benefits to be received from it.

Explanation of major variances against budget

Provisions were \$66.4 million, \$66.4 million (100 percent) above a nil budget. This is due to provisions for state highway contractual claims including COVID-19 related claims.

11 Borrowings, financial instruments and financial risk management

Waka Kotahi had the following borrowings outstanding at 30 June 2021.

Name	Total facility \$M	Nominal amount borrowed \$M	Actual 2020/21 \$M	Actual 2019/20 \$M	Interest rate	Final repayment date
Auckland Transport Package	375.0	354.0	309.3	328.6	The interest-free loan was discounted using government bond rates of 2.14% to 3.29%.	June 2027
Housing Infrastructure Fund	357.0	29.0	25.4	10.7	The interest-free loan was discounted using government bond rates of 0.50% to 1.81%.	June 2031
Total interest free borrowing			334.7	339.2		
Tauranga Eastern Link	107.0	107.0	107.0	107.0	\$87.0 million at fixed rates ranging from 4.99% to 5.14%. \$20.0 million at floating rates.	June 2050
Regulatory facility	95.0	33.0	33.5	19.6	Fixed rates ranging from 1.32% to 2.28%.	June 2031
COVID-19 NLTF borrowing facility	425.0	325.0	328.6	125.0	Fixed rates ranging from 1.10% to 1.18%.	July 2027
Short term facility	500.0	75.0	75.0	250.0	Floating rates.	May 2023
Total borrowing			878.8	840.8		
Tolling funds held in trust			4.5	3.1		
Total borrowing and other liabilities			883.3	843.9		
Classified as follows:						
Current			4.5	244.1		
Non-current			878.8	599.8		
Total			883.3	843.9		

Borrowing is initially recognised at fair value plus transaction costs. After initial recognition, all borrowing is measured at amortised cost using the effective interest method.

Interest-free loan movements are as follows:

	Actual 2020/21 \$M	Actual 2019/20 \$M
Opening balance	339.2	338.1
Nominal value of loans issued	17.0	9.0
Fair value adjustment*	(30.2)	(1.0)
Repayments	(1.0)	(15.0)
Amortised interest (at government bond rates)	9.7	8.1
Closing balance	334.7	339.2

*The increase in the fair value adjustment is due to the Auckland Transport Package repayments that fell due in June 2021-June 2024 being deferred to June 2025-June 2027 and the corresponding impact on the discounting calculation and financing costs disclosed in the table below.

Interest and finance costs are recognised as an expense in the financial year in which they are incurred.

Interest and finance costs are as follows:

	Actual 2020/21 \$M	Actual 2019/20 \$M
Interest on borrowings	32.3	5.4
Discount on Debtor National Land Transport Fund - debt related	30.4	1.1
Amortisation of discount on borrowings	9.7	8.1
Ineffective portion of cash flow hedge	15.2	(3.3)
Total interest and finance costs	87.6	11.3

Financial instruments

The carrying amounts of financial assets and liabilities are categorised as follows.

	Actual 2020/21 \$M	Actual 2019/20 \$M
Financial assets measured at amortised cost		
Cash and cash equivalents	169.9	106.0
Debtor National Land Transport Fund and Debtor Crown*	3,641.7	3,860.0
Other receivables and other assets	71.4	56.5
Total financial assets measured at amortised cost	3,883.0	4,022.5
Financial liabilities measured at amortised cost		
Payables	730.4	618.2
Borrowing and other liabilities	883.3	843.9
Public-private partnership liabilities	1,842.2	1,676.6
Total financial liabilities measured at amortised cost	3,455.9	3,138.7
Financial liability at fair value through other comprehensive revenue and expense		
Derivative financial liability	477.9	727.5
Total financial liability at fair value through other comprehensive revenue and expense	477.9	727.5

*There was no indication that Debtor National Land Transport Fund or Debtor Crown were impaired as at 30 June 2021.

Financial risks

Waka Kotahi activities expose it to a variety of risks, including market risk, credit risk and liquidity risk. Waka Kotahi has policies to manage the risks associated with financial instruments and seeks to minimise exposure from these risks.

Market risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure of Waka Kotahi to the risk of changes in market rates relates primarily to interest rates on long-term debt obligations. This is managed by ensuring loans are at fixed interest rates. As at 30 June 2021, approximately 90 percent (2019/20: 69 percent) of loans are either interest free or on a fixed interest rate.

Waka Kotahi has entered into public-private partnership agreements for the construction of Transmission Gully and Pūhoi to Warkworth. The arrangements require that a quarterly unitary charge be paid to the contractors from the time the section of state highway becomes operational (or earlier as per note 6). The unitary charge includes payment for finance costs that the operators have provision to re-price periodically during the 25-year term. Waka Kotahi has entered into interest rate swap contracts to hedge the re-pricing of interest costs. The total amount of forecast payments exposed to interest rate risk is fully hedged.

Details of the interest rate swaps held with the New Zealand Debt Management Office are as follows.

Swap relates to	Notional value of interest rate swap \$M	Commencement date	Maturity date	Interest rate pay leg (fixed)	Interest rate receive leg	Fair value of liability \$M
Transmission Gully	854.3	February 2021	October 2043	5.58%	Floating, with periodic reset	343.5
Pūhoi to Warkworth	765.0	August 2023	August 2045	4.16%	Floating, with periodic reset	134.4
Total derivative financial liability						477.9

The interest rate swaps are accounted for as derivative financial instruments.

Derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently re-measured to fair value at balance date. The fair value of interest rate swaps is determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

The derivatives are considered level 2 on the fair value hierarchy. The fair value of the derivatives is estimated using inputs that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Inputs for the valuation were derived from Bloomberg and are independently valued by Bancorp Treasury Services Limited on a six-monthly basis.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Generally, when market interest rates are below the fixed interest rates of the interest rate swap, then the interest rate swap will be in a liability position.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges, which is recognised in other comprehensive revenue and expense.

The hedge relationship is designated as a cash flow hedge, and Waka Kotahi formally designates and documents the hedge relationship as well as the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which they were designated.

The table below shows the movement of the cash flow hedge reserve.

	Actual 2020/21 \$M	Actual 2019/20 \$M
Balance as at 1 July	(660.7)	(391.6)
Effective cash flow hedge	264.9	(269.1)
Cash flow hedge reserve	(395.8)	(660.7)

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit is \$15.2 million deficit (2019/20: \$3.3 million deficit).

The table below illustrates the sensitivity analysis, which is the potential effect on the surplus or deficit and other comprehensive revenue and expense for reasonably possible market movements, with all other variables held constant, based on financial instrument exposure at balance date.

Effect on surplus or deficit	2020/21		2019/20	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Cash and cash equivalents	1.7	(1.7)	1.1	(1.1)

Effect on other comprehensive revenue and expense	2020/21		2019/20	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Derivative financial liability	200.0	(244.5)	223.2	(334.2)

Effect on surplus or deficit	2020/21		2019/20	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Borrowing	(1.0)	1.0	(2.7)	2.7

Foreign currency denominated transactions are not material. Therefore, the impact of exposure to **currency risk** is minimal.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Waka Kotahi, causing Waka Kotahi to incur a loss.

In the normal course of business, Waka Kotahi is exposed to credit risk from cash and term deposits with banks, debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Waka Kotahi holds all cash and term deposits with Westpac New Zealand Limited. At 30 June 2021, Westpac had a Standard and Poor's credit rating of AA-. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

Waka Kotahi is dependent upon funding from the National Land Transport Fund. In the event of an extended lockdown the NLTF would require Crown financing and/or funding in order to support the forward work programme.

Liquidity risk

Liquidity risk is the risk that Waka Kotahi will encounter difficulty raising funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash reserves or access to funding.

Waka Kotahi manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and maintaining funding facilities of \$250.0 million to manage seasonal variations in cash flow and \$250.0 million to manage unexpected and unfavourable variations in cash flow, \$75.0 of which was drawn down at 30 June 2021.

The table below analyses financial liabilities by relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts below are contractual cash flows that will sometimes differ from the carrying amounts of the relevant liability in the statement of financial position.

	2020/21			
	Less than 1 year	1-2 years	2-5 years	Over 5 years
	\$M	\$M	\$M	\$M
Payables	730.4	0.0	0.0	0.0
Borrowing	9.2	84.2	257.4	675.1
Derivative financial liability	36.5	38.4	138.2	349.4
Public-private partnership liabilities	141.6	82.2	160.4	1,537.1
Total	917.7	204.8	556.0	2,561.5

	2019/20 (Restated*)			
	Less than 1 year	1-2 years	2-5 years	Over 5 years
	\$M	\$M	\$M	\$M
Payables	618.2	0.0	0.0	0.0
Borrowing	249.0	68.2	273.0	390.2
Derivative financial liability	11.6	46.3	173.8	621.0
Public-private partnership liabilities	42.4	142.5	179.5	1,369.2
Total	921.2	257.0	626.3	2,380.4

* Restatement relates to a change in methodology for the public-private partnerships liability maturity calculation.

Explanation of major variances against budget

Cash and cash equivalents were \$169.9 million, \$119.9 million (240 percent) above budget of \$50.0 million. Additional cash was held to meet expected year-end claims from suppliers and approved organisations.

Borrowing was \$883.3 million, \$859.1 million (49 percent) below budget of \$1,742.4 million due to debt funding ("notional borrowing" per the *Statement of performance expectations 2020/21*) not being required due to revenue improving above budget, Crown funding being received for COVID-19 costs and lower spend.

Derivative financial liability was \$477.9 million, \$99.1 million (17 percent) below budget of \$577.0 million due to movements in the fair value of the interest rate swap contracts entered into for the Transmission Gully and Pūhoi to Warkworth public-private partnership agreements. The fair value movements reflect market interest rates that have increased compared with the rates budgeted.

12 Memorandum Accounts

Memorandum accounts

Below are the closing balances of the memorandum accounts by funding activities.

	Note	Actual 2020/21 \$M	Actual 2019/20 \$M
Driver licensing and testing		(27.4)	(9.3)
Regulation of commercial transport operators and the rail transport system	a	(11.5)	(12.1)
Road user charges collection		(2.2)	(1.7)
Vehicle safety and certification	b	8.9	2.7
Total memorandum accounts - other fees and charges		(32.1)	(20.4)

a. Regulation of commercial transport operators and the rail transport system activities includes transport licensing, over dimension permits and rail licensing.

b. Vehicle safety and certification activities includes standards development and certification, certification review, border inspections and motor vehicle licensing.

Below are the movements of the memorandum accounts.

	Actual 2020/21 \$M	Actual 2019/20 \$M
BORDER INSPECTIONS		
Opening balance	4.0	4.8
Revenue	0.7	0.8
Expenditure	0.9	1.7
Net surplus/(deficit)	(0.2)	(0.9)
Other movements	0.0	0.1
Closing balance	3.8	4.0
CERTIFICATION REVIEWS		
Opening balance	(6.2)	(2.8)
Revenue	12.7	11.9
Expenditure	10.0	15.3
Net surplus/(deficit)	2.7	(3.4)
Closing balance	(3.5)	(6.2)
DRIVER LICENSING		
Opening balance	(31.2)	(16.0)
Revenue (Including Crown driver test subsidy)	41.1	37.8
Expenditure	53.3	53.0
Net surplus/(deficit)	(12.2)	(15.2)
Closing balance	(43.4)	(31.2)

	Actual 2020/21 \$M	Actual 2019/20 \$M
DRIVER TESTING		
Opening balance	21.9	16.2
Revenue	26.7	25.7
Expenditure	32.6	20.4
Net surplus/(deficit)	(5.9)	5.3
Other movements	0.0	0.4
Closing balance	16.0	21.9
MOTOR VEHICLE LICENSING		
Opening balance	(2.5)	4.2
Revenue	54.2	50.4
Expenditure	53.7	57.1
Net surplus/(deficit)	0.5	(6.7)
Closing balance	(2.0)	(2.5)
OVERDIMENSION PERMITS		
Opening balance	(1.1)	(1.3)
Revenue	1.0	1.9
Expenditure	0.2	1.7
Net surplus/(deficit)	0.8	0.2
Closing balance	(0.3)	(1.1)
RAIL LICENSING		
Opening balance	(0.4)	0.0
Revenue	1.9	2.5
Expenditure	2.7	2.9
Net surplus/(deficit)	(0.8)	(0.4)
Closing balance	(1.2)	(0.4)
ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT		
Opening balance	(1.7)	0.3
Revenue	15.1	12.8
Expenditure	15.5	14.8
Net surplus/(deficit)	(0.4)	(2.0)
Closing balance	(2.1)	(1.7)
STANDARDS DEVELOPMENT AND CERTIFICATION		
Opening balance	7.4	4.0
Revenue	7.3	7.2
Expenditure	4.1	3.9
Net surplus/(deficit)	3.2	3.3
Other movements	0.0	0.1

	Actual 2020/21 \$M	Actual 2019/20 \$M
Closing balance	10.6	7.4
TRANSPORT LICENSING		
Opening balance	(10.6)	0.3
Revenue	11.4	11.4
Expenditure	10.8	22.5
Net surplus/(deficit)	0.6	(11.1)
Other movements	0.0	0.2
Closing balance	(10.0)	(10.6)
TOTAL MEMORANDUM ACCOUNT - THIRD PARTY FEES AND CHARGES	(32.1)	(20.4)

Memorandum accounts reflect the cumulative surplus or deficit of those services that are intended to be fully recovered from third parties through fees, levies or charges. The balance of each memorandum account is intended to trend to zero over time. Waka Kotahi has commenced a fee and funding review for its regulatory activities, given the significant decline in memorandum account balances and the need to incur significant additional costs to reinforce its regulatory function. The deficit has been financed through additional Crown loans. During financial year 2020/21, Waka Kotahi received Crown funding for the impacts of COVID-19.

13 Contingencies

Contingent liabilities as at 30 June 2021

Roading and other contract disputes

There are claims of \$83.9 million (2019/20: \$75.7 million) relating to a variety of roading and other contract disputes including contractual claims arising from property acquisitions and disposals.

Apart from the above matters, there is continual dialogue between Waka Kotahi and its contractors over technical and commercial matters that may result in material dispute between the parties. As at 30 June 2021, Waka Kotahi has provided for certain contractual matters.

14 Events after balance date

COVID-19 Lockdown

On 17 August 2021, the Ministry of Health announced that a new COVID-19 case had been found in the community in Auckland. As a result, the New Zealand government imposed an alert level 4 lockdown initially for seven days in Auckland and Coromandel and three days for the rest of the country. Lockdowns (at alert level 4 or 3) have been progressively extended. Based on previous lockdowns in 2020, it is expected that the lockdowns will have a material fiscal impact on the National Land Transport Fund position due to reduced revenue and increased costs from COVID-19 related claims from approved organisations, roading contractors and public-private partnership operators as well as a reduced farebox contributions to public transport services.

Waka Kotahi has determined that the restrictions imposed from 17 August 2021 are a non-adjusting post-balance date event. Therefore, no adjustments have been made to the financial statements. Waka Kotahi is assessing the fiscal impact and working with the Ministry of Transport on the likely impact of the lockdowns.

Waka Kotahi has informed the Ministry of Transport that it may require financial support for the National Land Transport Fund and regulatory business to offset the financial impacts of COVID-19 on Waka Kotahi and local authorities (e.g. reduced public transport farebox, and lower land transport revenue into the National Land Transport Fund).

Transmission Gully Public-Private Partnership

On 18 September 2021, it was announced that the proposed road opening day for Transmission Gully of 27 September 2021 will be delayed. Waka Kotahi is currently discussing with Wellington Gateway Partnership, and the Builder on the new roading opening day. Waka Kotahi has determined that this delay is a non-adjusting post balance date event, and therefore no adjustments have been made in the financial statements. Refer to note 5 for details on the previous COVID-19 related settlements.

Crown Financing for National Land Transport Programme 2021-24

In August 2021, the Crown signalled its intention to provide financing of up to \$2 billion to manage funding constraints during the next National Land Transport Programme 2021-24. The additional financing would allow increased investments in several activity classes such as public transport service, walking and cycling, state highway maintenance, and local road maintenance. Waka Kotahi has determined that this is a non-adjusting post-balance date event, and therefore no adjustments have been made in the financial statements.

Supplementary information (unaudited)

This supplementary information contains additional disclosures to the financial statements and provides further information on the business.

In this section you will find:

- a summary of total Waka Kotahi NZ Transport Agency expenditure
- reconciliation between Waka Kotahi inflows and National Land Transport Fund outflows
- information about performance by segment of the business
- details of land transport management (road tolling scheme)
- details of regional fuel tax
- details of borrowing apportionment

This information is consistent with and should be read in conjunction with the financial highlights on pages 79 to 80 and the audited financial statements on pages 141 to 143.

Waka Kotahi NZ Transport Agency expenditure

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual restated 2019/20 \$M
Employee costs	153.8	119.5	142.9
Operating expenses	166.8	177.8	184.0
Depreciation and amortisation expense	16.7	14.5	13.3
Waka Kotahi NZ Transport Agency operating activities expense	337.3	311.8	340.2
Salary recharges	(29.4)	0.0	(7.4)
Waka Kotahi NZ Transport Agency capitalised expenditure and allocated to NLTP	89.4	92.5	44.5
Waka Kotahi NZ Transport Agency activities expenditure	397.3	404.3	384.7
Salary recharges	29.4	0.0	7.4
Waka Kotahi NZ Transport Agency expenditure allocated to National Land Transport Programme activities	56.6	59.2	44.2
Total Waka Kotahi NZ Transport Agency expenditure	483.3	463.5	428.9

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Reconciliation between Waka Kotahi funding inflows and National Land Transport Fund outflows

	Note	Actual 2020/21 \$M	Actual 2019/20 \$M
Waka Kotahi			
National Land Transport Fund operating funding	2	3,162.9	3,090.9
National Land Transport Fund capital funding	2	573.3	1,807.0
Total funding from the National Land Transport Fund		3,734.2	4,897.9
Deduct:			
Borrowing and repayment		175.0	(575.0)
State highway improvements – public-private partnership non-appropriated movement		99.3	(629.3)
Local road improvements – Housing Infrastructure Fund non-appropriated movement		(16.2)	(11.1)
State highway improvements – other non-appropriated movement		(14.3)	18.2
Other National Land Transport Fund revenue		(4.9)	(4.9)
State highway improvements – Crown capital injection for COVID-19		(81.0)	0.0
Public transport – Crown capital injection for COVID-19		(89.9)	0.0
Total National Land Transport Fund outflows*		3,804.2	3,695.8

*As per the statement of comprehensive revenue and expense in the National Land Transport Fund financial statements.

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Performance by segment of the business

The following tables provide detailed financial performance information for each of segment of Waka Kotahi. Segments are as follows:

- Waka Kotahi NZ Transport Agency operations – contracted services and non-third-party fees and charges activities funded by Crown
- Tolling administration – tolling operations funded by tolling third party fees
- Clean car discount – clean car discount scheme funded by Crown
- Clean car standard – clean car standard scheme funded by Crown
- Memorandum accounts – regulatory activities funded from fees and charges
- Land transport funding – activities funded from the National Land Transport Fund
- specific projects funded by the Crown

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Revenue			
Waka Kotahi NZ Transport Agency operations	112.9	114.4	110.0
Tolling - administration	16.9	15.2	14.9
Memorandum account - other fees and charges	172.2	174.2	162.5
Land transport funding	3,154.5	3,388.8	3,024.1
Specific projects funded by the Crown	375.6	68.7	162.9
Total revenue	3,832.1	3,761.3	3,474.4
Expenditure			
Waka Kotahi NZ Transport Agency operations	111.7	118.7	122.1
Tolling - administration	11.0	7.1	17.3
Clean car discount	1.1	0.0	0.0
Clean car standard	0.3	0.0	0.0
Memorandum account - other fees and charges	183.9	188.7	193.4
Land transport funding	3,150.1	3,386.8	3,013.8
Specific projects funded by the Crown	375.6	68.7	162.9
Total expenditure	3,833.7	3,770.0	3,509.5
Surplus/(deficit)			
Waka Kotahi NZ Transport Agency operations	1.2	(4.3)	(12.1)
Tolling - administration	5.9	8.1	(2.4)
Clean car discount	(1.1)	0.0	0.0
Clean car standard	(0.3)	0.0	0.0
Memorandum account - other fees and charges	(11.7)	(14.5)	(30.9)
Land transport funding	4.4	2.0	10.3
Specific projects funded by the Crown	0.0	0.0	0.0
Total surplus/(deficit)	(1.6)	(8.7)	(35.1)

Movement of operations net surplus to equity

The table above shows the net result of the operations of Waka Kotahi. The surplus/(deficit) is separated into three retained funds based on the source of funding.

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Land transport management (road tolling scheme)

This supplementary information has been provided to fulfil the disclosure requirements for the Northern Gateway, Tauranga Eastern Link and Takitimu Drive toll roads.

Tolling disclosures are presented to the nearest thousand (000) to provide more meaningful information to the users of the financial statements.

Toll road traffic volumes and revenue for the year ended 30 June 2021

	Toll revenue (portion designated for repayment of Crown debt)			Traffic volumes (number of vehicles)		
	Actual 2020/21 \$000	Budget 2020/21 \$000	Forecast 2021/22 \$000	Actual* 2020/21 000	Budget* 2020/21 000	Forecast* 2021/22 000
Northern Gateway toll road - light vehicles	9,469	8,462	9,541	6,887	6,129	6,932
Northern Gateway toll road - heavy vehicles	2,138	1,872	2,420	611	540	698
Tauranga Eastern Link toll road - light vehicles	4,139	3,520	4,135	3,747	3,150	3,695
Tauranga Eastern Link toll road - heavy vehicles	1,828	1,778	2,046	478	466	536
Takitimu Drive toll road - light vehicles	3,916	3,229	3,771	4,173	3,451	4,018
Takitimu Drive toll road - heavy vehicles	2,696	2,458	3,051	739	673	836

*Light vehicle traffic volumes include a small amount of unidentifiable number plates and exempt vehicles.

The following table shows the breakdown between tolling revenues used to repay debt and to operating the tolling business.

Tolling revenues for the year ended 30 June 2021

	Tolling revenue used to repay debt/interest		Tolling revenue used to operate the business		Total Tolling revenue	
	Actual 2020/21 \$000	Actual 2019/20 \$000	Actual 2020/21 \$000	Actual 2019/20 \$000	Actual 2020/21 \$000	Actual 2019/20 \$000
Northern Gateway toll road	11,607	10,497	5,057	4,595	16,664	15,092
Tauranga Eastern Link toll road	5,967	5,361	2,829	2,508	8,796	7,869
Takitimu Drive toll road	6,612	5,719	3,340	2,842	9,952	8,561
Total	24,186	21,577	11,226	9,945	35,412	31,522

Debt and other financial obligations

	Actual 2020/21 \$000	Budget 2020/21 \$000	Forecast 2021/22 \$000
Debt and other financial obligations			
Tauranga Eastern Link toll road borrowing	107,000	107,000	107,000
Total	107,000	107,000	107,000
Toll revenue inflow to the National Land Transport Fund for repayment of debt			
Tauranga Eastern Link toll road	5,967	5,298	6,181
Takitimu Drive toll road	6,528	5,016	5,016
Total	12,495	10,314	11,197

Waka Kotahi does not hold any debt in relation to Takitimu Drive. Waka Kotahi paid \$65 million for the road to Tauranga City Council, which it is recovering with interest from toll revenues.

Waka Kotahi does not include Northern Gateway tolling revenue in its financial statements. The tolling revenue is collected and passed to the Crown to repay the debt and interest the Crown holds.

Feasible, untolled alternative routes for the toll roads remain available to road users as follows:

- Northern gateway on State Highway 17 via Orewa
- Tauranga Eastern Link on the Te Puke highway via Te Puke
- Takitimu Drive via Cameron Road or Cambridge–Moffat Roads.

The table below shows the equity account movement for Tauranga Eastern Link debt repayment. If the equity account is in a surplus position (cumulative tolling revenue exceeds the cumulative interest on the \$107 million loan), then the surplus funds will be used to repay the Crown debt.

	Actual 2020/21 \$000	Actual 2019/20 \$000
Opening balance	(1,482)	(2,086)
Tolling revenue used to repay debt	5,967	5,361
Interest expenditure on \$107 million loan	4,637	4,757
Net surplus/(deficit)	1,330	604
Closing balance	(152)	(1,482)

Financial statements for Waka Kotahi road tolling operations

Statement of comprehensive revenue and expense for the year ended 30 June 2021

	Note	Actual 2020/21 \$000	Budget 2020/21 \$000	Actual 2019/20 \$000
Revenue				
Toll fees	a	16,945	15,244	14,868
Total revenue		16,945	15,244	14,868
Expenditure		11,006	7,114	17,260
Net surplus/(deficit)		5,938	8,130	(2,392)

a. Toll fees includes \$11.226 million of tolling revenue used to operate the business (2019/20: \$9.945 million) and \$5.719 million of customer toll payment notice revenue (2019/20: \$4.923 million). Toll fees excludes tolling revenue used to repay debt. The tolling revenue used to repay debt is included in the Northern Gateway, Tauranga East Link and Takitimu Drive information on the previous pages.

Statement of financial position as at 30 June 2021

	Actual 2020/21 \$000	Budget 2020/21 \$000	Restated Actual 2019/20 \$000
Assets			
Current assets	14,614	15,000	13,214
Non-current assets	6,808	6,717	8,916
Total assets	21,422	21,717	22,130
Liabilities	14,299	9,328	10,805
Net assets/equity	7,123	12,389	11,325

Statement of cash flows for the year ended 30 June 2021

	Actual 2020/21 \$000	Budget 2020/21 \$000	Actual 2019/20 \$000
Net cash from operating activities	31,342	21,320	22,671
Net cash from financing activities	(22,352)	(20,465)	(22,903)
Net increase in cash and cash equivalents	8,990	855	(232)
Cash and cash equivalents at the beginning of the year	11,905	11,905	12,137
Cash and cash equivalents at the end of the year	20,895	12,760	11,905

Waka Kotahi tolling memorandum account

The table below shows the movement of the tolling administration memorandum account within retained funds in equity.

	Actual 2020/21 \$000	Actual 2019/20 \$000
Opening balance	350	2,742
Revenue	16,945	14,868
Expenditure	11,006	17,260
Net surplus/(deficit)	5,939	(2,392)
Closing balance	6,289	350

Tolling provision for doubtful debts

	Actual 2020/21 \$000	Actual 2019/20 \$000
Opening balance as at 1 July	1,633	1,837
Movement in doubtful debts provision	476	(204)
Closing balance as at 30 June	2,109	1,633

The tolling provision for doubtful debts is netted against the Waka Kotahi receivables balance in the statement of financial position.

Tolling bad debt write-off

	Actual 2020/21 \$000	Actual 2019/20 \$000
Bad debt write-off	1,345	1,425

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Regional Fuel Tax

Waka Kotahi is mandated to administer and manage the collection of the regional fuel tax. Currently, the only regional fuel tax is for Auckland. Proceeds are remitted to Auckland City Council, and Waka Kotahi is paid a fee for the services provided.

This supplementary information has been provided to fulfil the disclosure requirements under section 65Y of Land Transport Management Act 2003.

Statement of comprehensive revenue and expense for the year ended 30 June 2021

	Actual 2020/21 \$M	Actual 2019/20
Revenue		
Regional fuel tax	160.4	151.8
Rebates	(6.9)	(5.9)
Crown funds retained	0.0	0.0
Interest received	0.0	0.1
Total revenue	153.5	145.8
Distributed to:		
Auckland City Council	152.7	145.0
Waka Kotahi administration cost	0.8	0.8
Total distributions	153.5	145.8
Net surplus/(deficit)	0.0	0.0

Statement of financial position as at 30 June 2021

	Actual 2020/21 \$M	Actual 2019/20
Assets		
Cash and cash equivalents	17.9	13.2
Total assets	17.9	13.2
Liabilities		
Payables	16.4	11.7
Regional fuel tax rebate reserve	1.5	1.5
Total liabilities	17.9	13.2
Net assets/equity	0.0	0.0

Statement of cash flows for the year ended 30 June 2021

	Actual 2020/21 \$M	Actual 2019/20
Net cash from operating activities	4.7	(5.7)
Net (decrease)/increase in cash and cash equivalents	4.7	(5.7)
Cash and cash equivalents at the beginning of the year	13.2	18.9
Cash and cash equivalents at the end of the year	17.9	13.2

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Borrowing apportionment

Out of the \$575.0 million of borrowing that was apportioned in 2019/20, the \$175.0 million borrowing facility was repaid and the remaining \$400.0 million is apportioned as follows:

Output Class	\$75.0 million borrowing facility \$M	\$325.0 million borrowing facility \$M	Total
State highway improvements	26.0	158.3	184.3
State highway maintenance	49.0	88.9	137.9
Public transport	0.0	77.8	77.8
TOTAL APPORTIONMENT	75.0	325.0	400.0

Further detail on the impact of the borrowing on the National Land Transport Fund is contained in the National Land Transport Fund financial statements.

This supplementary information does not form part of the Waka Kotahi audited financial statements.

Output class income and expenditure (unaudited)

Investment management

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (Crash Analysis System)	0.8	0.8	0.8
Crown (Provincial Growth Fund)	3.0	3.8	5.5
National Land Transport Fund	67.1	81.8	79.8
Other	1.0	0.0	0.9
Total operating revenue	71.9	86.4	87.0
Operating expenses			
Transport Agency (Crash Analysis System)	3.8	0.8	3.2
Transport Agency (ministerial services)	1.8	0.0	1.8
Funding to approved organisations (Provincial Growth Fund)	3.0	3.8	5.5
Funding to approved organisations	24.5	32.4	24.5
Transport Agency operating activities	38.8	49.3	52.0
Total operating expenses	71.9	86.4	87.0
Surplus/(deficit)	0.0	0.0	0.0
Capital funding			
National Land Transport Fund capital contribution	0.1	0.0	0.9
Total capital funding	0.1	0.0	0.9
Capital expenditure			
Capital investment	0.1	0.0	0.9
Total capital expenditure	0.1	0.0	0.9
Net capital movement	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

Revenue collection and administration

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (protection of core regulatory functions – road user charges)	2.2	0.0	0.5
National Land Transport Fund (refund of fuel excise duty)	0.6	0.7	0.6
National Land Transport Fund (investigation and enforcement)	3.8	3.8	3.8
National Land Transport Fund (road user charges refund)	0.5	0.5	0.5
Fees and charges (tolling)	16.9	15.2	14.9
Fees and charges (road user charges)	12.9	13.8	12.3
Regional fuel tax administration	0.8	0.8	0.8
Other (refund of fuel excise duty)	0.1	0.5	0.1
Total operating revenue	37.8	35.3	33.5
Operating expenses			
Refund of fuel excise duty	0.7	5.9	0.7
Regional fuel tax administration	0.8	0.3	1.2
Tolling	11.0	7.1	17.3
Transport Agency operating activities (investigation and enforcement)	3.5	1.5	1.1
Transport Agency operating activities (road user charges refund)	0.5	0.1	3.3
Transport Agency operating activities (collections)	16.4	14.1	14.9
Total operating expenses	32.9	29.0	38.5
Surplus/(deficit)	4.9	6.3	(5.0)

State highway improvements

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
National Land Transport Fund	665.7	1,059.9	715.7
Crown (COVID-19 Response and Recovery Fund)	134.0	0.0	94.1
Crown infrastructure partners	4.1	0.0	0.0
Crown – Palmerston North operating funding	0.7	0.0	0.0
National Land Transport Fund (tolling)	12.6	11.3	11.1
Developer contributions	5.1	2.0	0.0
Interest and finance income	37.4	7.9	7.9
Other income	13.4	0.0	1.5
Total operating revenue	872.9	1,081.1	830.3
Operating expenses			
Assets vested to local authorities	1.6	333.0	0.0
Depreciation and state highway write-offs	645.7	570.0	620.3
Interest on Tauranga Eastern Link borrowings	30.1	0.0	5.3
Other interest and finance costs	52.7	96.1	4.7
Crown (COVID-19 Response and Recovery Fund)	132.9	0.0	175.1
Crown infrastructure partners	4.1	0.0	0.0
Crown – Palmerston North operating expenditure	0.7	0.0	0.0
Other expenses	0.0	80.0	24.9
Total operating expenses	867.8	1,079.1	830.3
Surplus/(deficit)	5.1	2.0	0.0
Capital funding			
Crown (Accelerated Regional Roding Programme)	29.7	35.9	26.9
Crown (New Zealand Upgrade Programme)	251.4	298.8	18.4
Crown (COVID-19 Response and Recovery Fund)**	(19.7)	0.0	0.0
Crown infrastructure partners	4.1	0.0	0.0
Crown (Palmerston North leasehold improvements)	0.0	0.0	2.1
National Land Transport Fund capital contribution	213.8	78.2	522.9
National Land Transport Fund (public-private partnerships)	165.6	293.7	633.8
National Land Transport Fund (public-private partnerships – interest rate swap movement)	(264.9)	0.0	269.1
National Land Transport Fund (state highway disposals)	31.1	22.0	2.4
Depreciation funding utilised for investment in the state highway network	645.7	570.0	620.3
Net non-cash funding for losses/(income) utilised for investment in state highway network	1.6	333.0	0.0
Total capital funding	1,058.4	1,631.6	2,095.9

Capital expenditure			
Crown investment (Accelerated Regional Roding Programme)	29.7	35.9	26.9
Crown investment (New Zealand Upgrade Programme)	251.4	298.8	18.4
Crown (COVID-19 Response and Recovery Fund)	(19.7)	0.0	0.0
Crown infrastructure partners	4.1	0.0	0.0
Public-private partnerships	165.6	293.7	633.8
Public-private partnerships - interest rate swap movement*	(264.9)	0.0	269.1
Capital investment in the state highway network	807.9	918.2	1,103.2
Transport Agency capitalised expenditure	89.4	87.0	44.5
Total capital expenditure	1,063.5	1,633.6	2,095.9
Net capital movement	(5.1)	(2.0)	0.0
Borrowing funding			
National Land Transport Fund (seasonal borrowing facility)	62.9	0.0	0.0
National Land Transport Fund (public-private partnership quarterly unitary payment)	39.9	0.0	0.0
National Land Transport Fund (Auckland Transport Package)	1.0	69.5	15.0
Total borrowing funding	103.8	69.5	15.0
Borrowing repayment			
Repayment of the seasonal borrowing facility	62.9	0.0	0.0
Repayment public-private partnership quarterly unitary payment	39.9	3.5	0.0
Repayment of borrowing (Auckland Transport Package)	1.0	66.0	15.0
Total borrowing repayment	103.8	69.5	15.0
Net borrowing	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

* The movement in the public-private partnership interest rate swaps was due to increases in market interest rates in 2020/21 compared with decreases in rates in 2019/20.

** Represents return of COVID-19 funding to the Crown in 2020/21.

State highway maintenance

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (Kaikōura earthquake response)	7.0	8.4	7.3
Crown (COVID-19 Response and Recovery Fund)	8.8	0.0	0.0
National Land Transport Fund	522.0	443.0	513.7
National Land Transport Fund (rental and interest income)	22.6	16.0	19.9
Other revenue*	36.1	1.0	23.2
Total operating revenue	596.5	468.4	564.1
Operating expenses			
Maintenance of the state highway network (Kaikōura earthquake response)	7.0	8.4	7.3
Crown (COVID-19 Response and Recovery Fund)	8.8	0.0	0.0
Maintenance of the state highway network	495.5	399.4	492.4
Maintenance and operation of Transmission Gully	0.0	5.2	0.0
Works funded by third party contributions	32.6	0.0	20.3
Transport Agency operating activities	50.4	43.7	43.9
Interest and finance costs	0.0	11.7	0.0
Other expense	1.6	0.0	0.0
Total operating expenses	595.9	468.4	563.9
Surplus/(deficit)	0.6	0.0	0.2
Capital funding			
Crown (Kaikōura earthquake response)	23.5	19.6	30.8
National Land Transport Fund capital contribution	194.5	257.0	208.6
Total capital funding	218.0	276.6	239.4
Capital expenditure			
Crown investment (Kaikōura earthquake response)	23.5	19.6	30.8
Capital investment	195.1	257.0	208.8
Total capital expenditure	218.6	276.6	239.6
Net capital movement	(0.6)	0.0	(0.2)
Borrowing funding			
National Land Transport Fund (seasonal borrowing facility)	35.3	0.0	0.0
Total borrowing funding	35.3	0.0	0.0
Borrowing repayment			
Repayment of the seasonal borrowing facility	35.3	0.0	0.0
Total borrowing repayment	35.3	0.0	0.0
Net borrowing	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

* Includes contributions from third parties of \$32.6 million (2019/20: \$20.3 million).

Walking and cycling

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (Urban Cycleways Programme)	0.5	0.4	5.0
Crown (COVID-19 Response and Recovery Fund)	0.3	0.0	0.0
National Land Transport Fund	110.8	71.2	44.1
Developers contributions	0.9	0.0	0.0
Total operating revenue	112.5	71.6	49.1
Operating expenses			
Crown (COVID-19 Response and Recovery Fund)	0.3	0.0	0.0
Funding to approved organisations (Urban Cycleways Programme)	0.5	0.4	5.0
Funding to approved organisations	109.3	69.7	44.1
Transport Agency operating activities	1.5	1.5	0.0
Total operating expenses	111.6	71.6	49.1
Surplus/(deficit)	0.9	0.0	0.0
Capital funding			
Crown (Urban Cycleways Programme)	0.0	0.0	4.2
Crown (New Zealand Upgrade Programme)	15.8	0.0	9.6
National Land Transport Fund capital contribution	80.7	51.6	26.4
Other capital funding	1.2	0.0	0.0
Total capital funding	97.7	51.6	40.2
Capital expenditure			
Capital investment (Urban Cycleways Programme)	0.0	0.0	4.2
Capital investment (New Zealand Upgrade Programme)	15.8	0.0	9.6
Capital investment	82.8	51.6	26.4
Total capital expenditure	98.6	51.6	40.2
Net capital movement	(0.9)	0.0	0.0
Total movement	0.0	0.0	0.0

Public transport

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (COVID-19 Response and Recovery Fund)	138.4	0.0	0.0
National Land Transport Fund	520.4	596.5	641.1
Developer contributions	0.0	0.0	0.5
Total operating revenue	658.8	596.5	641.6
Operating expenses			
Crown (COVID-19 Response and Recovery Fund)	138.4	0.0	0.0
Funding to approved organisations*	519.1	591.1	641.0
Transport Agency operating activities	1.3	3.1	0.0
Interest and finance costs	0.0	2.3	0.0
Total operating expenses	658.8	596.5	641.0
Surplus/(deficit)	0.0	0.0	0.6
Capital funding			
National Land Transport Fund capital contribution	102.1	63.1	74.8
National Land Transport Fund (borrowing facility)	0.0	49.0	0.0
Total capital funding	102.1	112.1	74.8
Capital expenditure			
Capital investment	102.1	112.1	75.4
Total capital expenditure	102.1	112.1	75.4
Net capital movement	0.0	0.0	(0.6)
Borrowing funding			
National Land Transport Fund (seasonal borrowing facility)	30.9	0.0	0.0
Total borrowing funding	30.9	0.0	0.0
Borrowing repayment			
Repayment of the seasonal borrowing facility	30.9	0.0	0.0
Total borrowing repayment	30.9	0.0	0.0
Net borrowing	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

*An \$89.9 million Crown capital injection was received in 2020/21 to reimburse 2019/20 COVID-19 costs.

SuperGold card administration and public transport concessions

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown	30.2	30.7	30.7
Total operating revenue	30.2	30.7	30.7
Operating expenses			
Funding to approved organisations	30.1	30.7	30.6
Transport Agency operating activities	0.1	0.0	0.1
Total operating expenses	30.2	30.7	30.7
Surplus/(deficit)	0.0	0.0	0.0

Local road improvements

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (COVID-19 Response and Recovery Fund)	0.1	0.0	0.0
National Land Transport Fund	254.8	308.6	258.2
National Land Transport Fund (Housing Infrastructure Fund)	16.2	20.0	11.1
Crown (Provincial Growth Fund)	46.3	25.4	20.4
Interest and finance income	2.6	3.4	1.2
Total operating revenue	320.0	357.4	290.9
Operating expenses			
Crown (COVID-19 Response and Recovery Fund)	0.1	0.0	0.0
Funding to approved organisations	254.8	308.6	258.2
Funding to approved organisations (Housing Infrastructure Fund)	16.2	20.0	11.1
Funding to approved organisations (Provincial Growth Fund)	46.3	25.4	20.4
Interest and finance costs	2.6	3.4	1.2
Total operating expenses	320.0	357.4	290.9
Surplus/(deficit)	0.0	0.0	0.0
Borrowing funding			
National Land Transport Fund (seasonal borrowing facility)	12.7	0.0	0.0
Total borrowing funding	12.7	0.0	0.0
Borrowing repayment			
Repayment of the seasonal borrowing facility	12.7	0.0	0.0
Total borrowing repayment	12.7	0.0	0.0
Net borrowing	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

Local road maintenance

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (COVID-19 Response and Recovery Fund)	0.7	0.0	0.0
National Land Transport Fund	666.9	668.9	617.7
Total operating revenue	667.6	668.9	617.7
Operating expenses			
Crown (COVID-19 Response and Recovery Fund)	0.7	0.0	0.0
Funding to approved organisations	666.8	668.8	617.7
Transport Agency operating activities	0.1	0.1	0.0
Total operating expenses	667.6	668.9	617.7
Surplus/(deficit)	0.0	0.0	0.0
Borrowing funding			
National Land Transport Fund (seasonal borrowing facility)	33.2	0.0	0.0
Total borrowing funding	33.2	0.0	0.0
Borrowing repayment			
Repayment of the seasonal borrowing facility	33.2	0.0	0.0
Total borrowing repayment	33.2	0.0	0.0
Net borrowing	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

Regional improvements

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
National Land Transport Fund	62.8	42.3	30.2
Total operating revenue	62.8	42.3	30.2
Operating expenses			
Funding to approved organisations	62.8	42.3	30.2
Total operating expenses	62.8	42.3	30.2
Surplus/(deficit)	0.0	0.0	0.0
Capital funding			
Crown (Provincial Growth Fund)	9.1	49.9	5.2
Crown (NZ Upgrade Programme Regional Package)	33.2	70.1	0.8
National Land Transport Fund capital contribution	48.8	81.5	66.5
Total capital funding	91.1	201.5	72.5
Capital expenditure			
Funding to approved organisations (Provincial Growth Fund)	9.1	49.9	5.2
Capital investment (NZ Upgrade Programme Regional Package)	33.2	70.1	0.8
Capital investment	48.8	81.5	66.5
Total capital expenditure	91.1	201.5	72.5
Net capital movement	0.0	0.0	0.0
Total movement	0.0	0.0	0.0

Regulation of the rail transport system

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (protection of core regulatory functions)*	(0.5)	0.0	0.9
Fees and charges	2.4	3.0	1.6
Total operating revenue	1.9	3.0	2.5
Operating expenses			
Fees and charges funded activities	2.7	3.1	2.9
Total operating expenses	2.7	3.1	2.9
Surplus/(deficit)	(0.8)	(0.1)	(0.4)

*Represents the return of Crown funding in 2020/21.

Road safety promotion and demand management

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
National Land Transport Fund	54.8	56.3	46.5
Community Road Safety Programme	5.8	3.8	3.9
Other	0.5	0.0	0.6
Total operating revenue	61.1	60.1	51.0
Operating expenses			
Transport Agency (Community Road Safety Programme)	2.6	1.9	1.5
Funding to approved organisations	55.1	52.8	45.4
Transport Agency (vehicle impoundment)	0.0	0.3	0.2
Transport Agency operating activities	0.8	3.2	1.4
Total operating expenses	58.5	58.2	48.5
Surplus/(deficit)	2.6	1.9	2.5
Capital funding			
National Land Transport Fund capital contribution	1.5	1.5	1.6
Total capital funding	1.5	1.5	1.6
Capital expenditure			
Capital investment	1.5	1.5	1.6
Total capital expenditure	1.5	1.5	1.6
Net capital movement	0.0	0.0	0.0
Total movement	2.6	1.9	2.5

Driver licensing and testing

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (protection of core regulatory functions)*	(3.1)	0.0	4.2
Crown (driver licensing stop orders)	0.1	0.1	0.1
Crown (driver test subsidy)	2.1	1.4	2.1
Crown (drug and alcohol assessments)	0.4	1.0	0.5
Crown (ministerial advice and official correspondence)	0.5	0.5	0.5
Crown – Palmerston North building operating funding	0.8	0.0	0.0
Fees and charges	67.1	64.7	57.1
Total operating revenue	67.9	67.7	64.5
Operating expenses			
Drug and alcohol assessments	0.6	1.1	1.1
Ministerial advice and official correspondence	1.8	2.7	1.8
Crown – Palmerston North building operating expenses	0.8	0.0	0.0
Fees and charges funded activities	86.0	86.1	73.3
Other	0.8	0.0	2.7
Total operating expenses	90.0	89.9	78.9
Surplus/(deficit)	(22.1)	(22.2)	(14.4)
Capital funding			
Crown – Palmerston North leasehold improvements	0.0	0.0	2.2
Total capital funding	0.0	0.0	2.2
Capital expenditure			
Palmerston North leasehold improvements capital expenditure	0.0	0.0	2.2
Total capital expenditure	0.0	0.0	2.2
Net capital movement	0.0	0.0	0.0
Total movement	(22.1)	(22.2)	(14.4)

*Represents the return of Crown funding in 2020/21.

Vehicle safety and certification

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (protection of core regulatory functions)	4.5	0.0	1.8
Crown (rules development)	0.8	0.8	0.8
Fees and charges	70.4	77.3	68.5
Total operating revenue	75.7	78.1	71.1
Operating expenses			
Rules development	0.4	3.2	0.9
Fees and charges funded activities	68.3	65.6	78.0
Total operating expenses	68.7	68.8	78.9
Surplus/(deficit)	7.0	9.3	(7.8)

Regulation of commercial transport operators

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Crown (protection of core regulatory functions)	1.4	0.0	0.7
Fees and charges	11.0	13.9	12.6
Total operating revenue	12.4	13.9	13.3
Operating expenses			
Transport Agency operating activities	10.9	19.7	24.0
Total operating expenses	10.9	19.7	24.0
Surplus/(deficit)	1.5	(5.8)	(10.7)

Rapid transit

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
National Land Transport Fund	20.9	0.0	32.3
Other revenue	0.7	0.0	0.0
Total operating revenue	21.6	0.0	32.3
Operating expenses			
Impairment expense	0.0	0.0	32.3
Operating expense	19.5	0.0	0.0
Transport Agency operating activities	2.1	0.0	0.0
Total operating expenditure	21.6	0.0	32.3
Surplus/(deficit)	0.0	0.0	0.0
Capital funding			
National Land Transport Fund capital contribution	0.0	42.8	0.0
Total capital funding	0.0	42.8	0.0
Capital expenditure			
Capital investment	0.0	42.8	0.0
Total capital expenditure	0.0	42.8	0.0
Net capital movement	0.0	0.0	0.0
Total Movement	0.0	0.0	0.0

Transitional rail

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
National Land Transport Fund	160.4	100.0	64.6
Total operating revenue	160.4	100.0	64.6
Operating expenses			
Funding to approved organisations	160.4	100.0	64.6
Total operating expenses	160.4	100.0	64.6
Surplus/(deficit)	0.0	0.0	0.0

Clean Car Discount

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Fees and charges	0.0	0.0	0.0
Total operating revenue	0.0	0.0	0.0
Operating expenses			
Transport Agency operating activities*	1.1	0.0	0.0
Total operating expenses	1.1	0.0	0.0
Surplus/(deficit)	(1.1)	0.0	0.0

*Establishment and implementation costs for the immediate rebates from Clean Car Discount Scheme, available from 1 July 2021.

Clean Car Standard

	Actual 2020/21 \$M	Budget 2020/21 \$M	Actual 2019/20 \$M
Operating revenue			
Fees and charges	0.0	0.0	0.0
Total operating revenue	0.0	0.0	0.0
Operating expenses			
Transport Agency operating activities*	0.3	0.0	0.0
Total operating expenses	0.3	0.0	0.0
Surplus/(deficit)	(0.3)	0.0	0.0

*Establishment costs for Clean Car Standard Scheme.

Independent auditor's report

To the readers of Waka Kotahi NZ Transport Agency's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Waka Kotahi NZ Transport Agency ("Waka Kotahi"). The Auditor-General has appointed me, Ed Loudon, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information, of Waka Kotahi on his behalf.

Opinion

We have audited:

- the financial statements of Waka Kotahi on pages 81 to 116, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of Waka Kotahi on pages 28 to 75.

In our opinion:

- the financial statements of Waka Kotahi on pages 81 to 116:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the performance information on pages 28 to 75:
 - presents fairly, in all material respects, the performance of Waka Kotahi for the year ended 30 June 2021, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts

- included in the statement of performance expectations for the financial year; and
- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter – State Highway valuation

Without modifying our opinion, we draw your attention to Note 4 in the financial statements which describes the accounting policy, the valuation inputs and estimates made in determining the fair value of the State Highway network. The State Highway network is a significant asset of Waka Kotahi and changes in valuation inputs and estimates can have a material impact on the financial statements. Note 4 also provides a sensitivity analysis to highlight such impacts. We consider the disclosures about the valuation of the State Highway network to be adequate.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of Waka Kotahi for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of Waka Kotahi for assessing ability of Waka Kotahi to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of Waka Kotahi, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Waka Kotahi statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control at Waka Kotahi.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Waka Kotahi framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Waka Kotahi to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Waka Kotahi to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 6 to 25, 28 to 75 (excluding position, service delivery and investment performance measures), 78 to 80, 117 to 140, 144 to 145 and 150 to 203, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of Waka Kotahi in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out other assurance-type engagements over the application of the Scrutiny Principle, the procurement process undertaken for a new human resources system and the establishment of the Te Hau Ora digital portfolio, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in Waka Kotahi.



Ed Loudon

KPMG Wellington

On behalf of the Auditor-General
Wellington, New Zealand

Putting the scrutiny principle into practice

Report on the implementation of systems and procedures to give effect to the scrutiny principle

Legislative requirement and control objective

The Land Transport Management Act 2003 (section 96(1)(d)(ii)) states that Waka Kotahi must ensure that:

it gives, when making decisions in respect of land transport planning and funding ..., the same level of scrutiny to its own proposed activities and combinations of activities as it would give to those proposed by approved organisations. Waka Kotahi refers to this requirement as the "Scrutiny Principle".

Waka Kotahi must, among other things, develop systems and procedures to give effect to this scrutiny principle and must report on its implementation of those systems and procedures in its annual report. This section meets that requirement.

Systems and procedures

Waka Kotahi has implemented systems and procedures to give effect to the scrutiny principle. The three sets of procedures to support compliance are:

- operational procedures – to support individuals to apply the appropriate level of scrutiny when making decisions
- managerial procedures – to oversee the application of the scrutiny principle
- monitoring and reporting procedures – to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable staff and board members of Waka Kotahi to know when and how to comply with the principle in relation to individual decisions, including:

- following the same procedure for similar types of activities
- applying equivalent evaluation criteria
- requiring an equivalent level of information
- applying the same level of rigour to analysis

- applying the same level of tolerance to cost estimates
- having staff with equivalent seniority and experience involved with equivalent decisions.

The main system Waka Kotahi uses to manage the National Land Transport Programme is the web-based Transport Investment Online (TIO). TIO contains all the activities proposed for funding and sets out for all applicants (both approved organisations and Waka Kotahi for its own activities) the evidence supporting investment decisions. TIO records the decisions made by Waka Kotahi, including any conditions applied to funding. The system is transparent with approved organisations able to see the details of their proposals and Waka Kotahi recommendations and decisions and provides transparency of the operational aspects of decision making. TIO holds all relevant information and documentation including: cost estimates, confirmation and sign off from senior staff, minutes of committee and Board minutes etc.

The Planning and Investment Knowledge Base (PIKB) is a web-based portal that sets out the policies, principles and processes for all investment in land transport from the National Land Transport Fund with similar rules applied in relation to assessing and evaluating all activities seeking funding.

Controls in the systems and procedures

To give effect to the requirement of the Act, within Waka Kotahi systems and procedures the following controls have been implemented and operated effectively throughout the year to 30 June 2021 across all funding applications:

- all funding applications are managed in Transport Investment Online;
- all new funding applications are supported by a business case and cost benefit analysis;

- a peer review is required for all improvement activity business cases with an expected implementation cost greater than \$15 million;
- all funding applications are assessed and approved in line with a delegations policy approved by the Waka Kotahi Board. The amount and type of application determines the levels of approval that are required. All funding applications with an expected implementation cost exceeding \$50 million are approved by the Waka Kotahi Board.
- The Business case and funding decisions committee (also referred to as the Delegations Committee) considers all funding applications, both from Waka Kotahi and approved organisations. There is representation from the staff involved in assessing funding applications from Waka Kotahi and approved organisations to ensure that a consistent approach is applied to consideration of funding applications and recommendations and funding decisions.
- Post approval reviews are conducted annually on a selection of investment approvals to check that investment decisions meet the requirements of PIKB based on the evidence in TIO.
- Internal monitoring and reporting on the length of time between funding applications and investment decisions enables tracking and identification of any variation in the processing time of funding applications from Waka Kotahi as compared to approved organisations.

The post approval review covering the annual period ending 30 June 2021 identified several investment decisions did not meet required process standards in some respects. These related to process issues, such as incomplete information within TIO, or omission to gain confirmation of funding availability before consideration of funding approval. Waka Kotahi is satisfied that the matters identified have not had a material impact on the application of the Scrutiny Principle during the year to 30 June 2021. Steps have been taken to mitigate these process issues and to inform investment advisors and project managers to ensure processes are met.

Additional information

We publish our detailed approach to giving effect to the scrutiny principle on our website.¹ A webpage lists the systems and procedures in place to apply the scrutiny principle and provides links to the procurement manuals and Planning and Investment Knowledge Base where the systems and procedures are detailed.

The webpage also has links to two other webpages that contain minutes of all funding decisions made by the Waka Kotahi Board² and lists all decisions delegated to Waka Kotahi staff³ since 1 August 2008.⁴ Both pages are updated regularly once the Board's decisions have been confirmed.

1 www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/201821-nltp/planning-and-investment-principles-and-policies/investment-principles/planning-and-investment-principles/#scrutiny-principle

2 Waka Kotahi NZ Transport Agency. 2020. Board funding decisions. <https://nzta.govt.nz/about-us/about-waka-kotahi-nz-transport-agency/our-board/board-meeting-minutes/>

3 Waka Kotahi NZ Transport Agency. 2020. Delegated funding decisions. www.nzta.govt.nz/planning-and-investment/funding-and-investing/investment-decisions/delegated-decisions/

4 The prescribed date in the Land Transport Management Act 2003 for reporting on these decisions is 1 October 2008

Independent limited assurance report

Independent Limited Assurance Report to the Readers of the Waka Kotahi NZ Transport Agency Report "Putting the Scrutiny Principle into Practice" for the period ended 30 June 2021

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that, in all material respects, Waka Kotahi NZ Transport Agency's ("Waka Kotahi") "Putting the Scrutiny Principle into Practice" report (the "report") is not fairly presented, in that:

- the controls were not suitably designed to achieve the control objective specified in section 96(1)(d)(ii) of the Land Transport Management Act 2003 (the "Act") being, Waka Kotahi giving, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, the same level of scrutiny to its own proposed activities and combinations of activities as it would give to those proposed by approved organisations throughout the period 1 July 2020 to 30 June 2021;
- the description does not fairly present the systems and procedures as designed, throughout the period 1 July 2020 to 30 June 2021; and
- the controls, necessary to achieve the control objective, did not operate effectively as designed, throughout the period from 1 July 2020 to 30 June 2021.

Information subject to assurance

We have undertaken a limited assurance engagement on:

- the design of controls within the systems and procedures of Waka Kotahi, throughout the period 1 July 2020 to 30 June 2021, relevant to the control objective specified in section 96(1)(d)(ii) of the Act, that Waka Kotahi give, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, the same level of scrutiny to its own proposed activities and combinations of activities as it would give to those proposed by approved organisations;
- the Waka Kotahi description of its systems and procedures at pages 144 to 145 (the 'description'); and

- the operating effectiveness of those controls.

The Auditor-General is the auditor of Waka Kotahi. The Auditor-General has appointed me, Ed Loudon, using the staff and resources of KPMG, to carry out this work on his behalf.

Criteria

An assurance engagement to report on the design, description and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives, the completeness, accuracy and method of presentation of the description of the systems and procedures and the operating effectiveness of controls throughout the period.

Standards we followed

We conducted our work in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) Assurance Engagements other than audits or reviews of historical financial information and Standard on Assurance Engagements 3150 Assurance Engagements on Controls. In accordance with those standards we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the Statement is free from material misstatement, whether due to fraud or error; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the controls.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

How to interpret limited assurance and material misstatement

A limited assurance engagement is restricted primarily to enquiries and other relevant procedures as described above.

Misstatements, including omissions, within the report are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the report.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objective may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that we have assured operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Directors' responsibility

The Directors of Waka Kotahi are responsible for:

- the implementation of systems and procedures that enable Waka Kotahi to give, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, the same level of scrutiny to its own proposed activities and combinations of activities, as it would give to those proposed by other approved organisations;
- identifying the control objective;
- identifying the risks that threaten achievement of the control objective;
- designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objective;
- preparing the description and report at pages 144 to 145, including the completeness, accuracy and method of presentation of the description and report; and
- operating those controls effectively as designed throughout the period.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Waka Kotahi report regarding the suitability of the design of controls to achieve the control objective, the presentation of the description of the systems and procedures and the operating effectiveness of the controls within the Waka Kotahi systems and procedures, based on our procedures.

Our independence and quality control

When carrying out the limited assurance engagement we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (NZAuASB) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the External Reporting Board.

Our firm has also performed the annual statutory audit of Waka Kotahi and carried out other assurance-type engagements over the procurement process undertaken for a new human resources system and the establishment of the Te Hau Ora digital portfolio. Subject to certain restrictions, partners and employees of our firm may also deal with Waka Kotahi on normal terms within the ordinary course of trading activities of the business of Waka Kotahi. These matters have not impaired our independence as assurance providers of Waka Kotahi for this engagement. The firm has no other relationship with, or interest in, Waka Kotahi.



Ed Louden

KPMG Wellington

On behalf of the Auditor-General

30 September 2021