

Ngā tauākī pūtea me ngā pūrongo ōtita

Financial statements
and audit reports



Statement of responsibility

Under the Land Transport Management Act 2003, the Waka Kotahi NZ Transport Agency Board (the Board) is responsible for the preparation of the National Land Transport Fund 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 the National Land Transport Fund 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 the National Land Transport Fund for the year ended 30 June 2023.

Signed on behalf of the Board:

Countersigned by:



Dr Paul Reynolds, QSO

Chair

29 September 2023



Nicole Rosie

Chief Executive

29 September 2023



Cassandra Crowley

Chair of the Risk and Assurance
Committee

29 September 2023



Howard Cattermole

Chief Financial Officer

29 September 2023

Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2023

	Note	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Revenue inflows*				
Land transport revenue	3	4,338	4,333	4,166
Crown emergency works		250	0	0
Crown Public Transport operating shortfall		140	0	0
Clean car standard revenue		56	0	0
Funding from the Crown - Rail Network Investment Programme		312	284	180
Management of Crown land		39	49	75
Tolling revenue		13	15	12
Interest revenue		5	3	3
Total revenue inflows	2	5,153	4,684	4,436
Outflows				
National Land Transport Programme (NLTP)		4,260	3,783	3,813
Road Policing Programme		415	417	394
Rail Network Investment Programme		455	467	287
Clean car standard expense		54	0	0
Fuel excise duty/road user charges administration		14	14	12
Forecasting and strategy		5	3	4
Total outflows	2	5,203	4,684	4,510
Surplus/(deficit) from current National Land Transport Fund (NLTF) balance		(50)	0	(74)

	Note	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Fair value gain on long-term payables		13	12	8
NLTP expenditure to be funded long-term		(680)	(912)	131
Finance charges		(10)	(10)	(9)
Surplus/(deficit) to be funded from future NLTF revenue	2	(677)	(910)	130
Surplus/(deficit)		(727)	(910)	56

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Statement of financial position as at 30 June 2023

	Note	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Assets				
Cash and cash equivalents	7	49	0	98
Receivables	3/7	613	383	399
Prepayments		0	0	22
Total assets		662	383	519
Liabilities				
Payables	4/7	4,185	5,046	3,369
Provisions	5	54	0	0
Total liabilities		4,239	5,046	3,369
Net assets		(3,577)	(4,663)	(2,850)
General funds		(3,577)	(4,663)	(2,850)
General funds closing balance *	8	(3,577)	(4,663)	(2,850)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Statement of changes in general funds balance for the year ended 30 June 2023

	Note	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
General funds opening balance				
General funds - current		183	0	257
General funds - long-term		(3,033)	(3,753)	(3,163)
Total general funds opening balance		(2,850)	(3,665)	(2,906)
Changes in general funds balance				
Surplus/(deficit) from current NLTF balance		(50)	0	(74)
Surplus/(deficit) to be funded from future NLTF revenue		(677)	(910)	130
Total changes in general funds balance		(727)	(910)	56
General funds closing balance				
General funds - current	8	133	0	183
General funds - long-term	8	(3,710)	(4,663)	(3,033)
Total general funds closing balance *		(3,577)	(4,663)	(2,850)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Statement of cashflows for the year ended 30 June 2023

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Cash flows from operating activities			
Receipts from land transport revenue	4,939	4,616	4,277
Payments to suppliers	(4,988)	(4,616)	(4,466)
Net cash from operating activities	(49)	0	(189)
Net increase/(decrease) in amounts held by the Crown			
Amounts held by the Crown at the beginning of the year	98	0	287
Amounts held by the Crown at the end of the year *	49	0	98

* The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Reconciliation of net surplus/(deficit) to net cash for the year ended 30 June 2023

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Net surplus/(deficit) after tax	(727)	(910)	56
Add/(less) movements in working capital items:			
(Increase)/decrease in receivables and prepayments	(192)	38	(157)
Increase/(decrease) in payables	870	872	(88)
Net movements in working capital items	678	910	(245)
Net cash from operating activities	(49)	0	(189)

Notes to the financial statements

1 | Entity information

Reporting entity

The Land Transport Management Act 2003 includes a requirement for Waka Kotahi to prepare at the end of the financial year an annual report on the National Land Transport Fund (NLTF).

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations, management of Crown land interest, and tolling are accounted for in the NLTF.

The NLTF is used to manage the funding of the:

- National Land Transport Programme (NLTP) for:
 - activities delivered by approved organisations such as councils
 - state highway, public transport; coastal shipping and walking and cycling activities
 - other Waka Kotahi activities, such as transport planning and sector research.
- New Zealand Police Road Policing Programme
- Rail Network Investment Programme
- Te Manatū Waka Ministry of Transport – for forecasting and strategy
- Collection of road user charges and refunds on fuel excise duty and road user charges
- The clean car standard

NLTF cash funds are held as part of total Crown funds. The Te Manatū Waka is responsible for authorising payments from NLTF and administering appropriations.

The NLTF, being a notional entity, does not hold any physical assets.

The NLTF does not have any employees.

The financial statements for the NLTF are for the year ended 30 June 2023 and were approved by the Waka Kotahi Board on 29 September 2023.

Basis of preparation

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

The NLTF 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. Further details on the use of the going concern assumption are in note 7.

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).

Budget figures

The budget figures are derived from the Waka Kotahi Statement of performance expectations 2022/23 as approved by the board on 17 June 2023. 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.

Explanations of major variances against budget are provided in the notes.

Taxes

All items in the financial statements are stated exclusive of goods and services tax (GST).

The National Land Transport Fund is a notional entity, so is exempt from the payment of income tax.

Accounting for Clean Car Standard

The Clean Car Standard (CCS) is a Crown Scheme which became effective on 1 January 2023. Cars that are imported with a CO₂ level above the CCS standard pay a charge, while cars that are imported with a CO₂ level below the CCS standard receive a credit. The credit can be used by importers to offset a current charge, kept (for a period of time) to offset future charges, or sold to another importer. The money that is received is returned to the Crown and then can be drawn down into the NLTF for use in green projects.

The charges are recorded as revenue and debtors where they haven't been collected. The credits are recorded as expenses and provision for credits where they haven't been used. The basis for recording the credits as a provision and not a creditor is that they can be used to offset future charges, however, there is no certainty of if and when they may be used. If there are more credits than charges, there is a judgement required as to whether there is sufficient certainty as to record a provision or whether the amount is recorded as a contingent liability.

Accounting standards issued and not yet effective

The National Land Transport Fund financial statements have adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory from 1 July 2022.

2 | Statement of inflows, outflows and capital expenditure including the previous two financial years

	Actual 2022/23 \$M	Actual 2021/22 \$M	Actual 2020/21 \$M
Revenue inflows			
Land transport revenue	4,338	4,166	4,275
Funding from the Crown - Rail Network Investment Programme	312	180	0
Management of Crown land	39	75	54
Clean car standard	56	0	0
Crown emergency works	250	0	0
Crown Public Transport operating shortfall	140	0	0
Tolling revenue	13	12	13
Interest revenue	5	3	1
Total revenue inflows	5,153	4,436	4,343
Outflows			
National Land Transport Programme (NLTP)	4,260	3,813	3,804
Road Policing Programme	415	394	376
Rail Network Investment Programme	455	287	0
Fuel excise duty/road user charges administration	14	12	5
Clean car standard	54	0	0
Forecasting and strategy	5	4	3
Total outflows	5,203	4,510	4,188
Surplus/(deficit) from current National Land Transport Fund (NLTF) balance	(50)	(74)	155
Fair value gain on long-term payables	13	8	30
NLTP expenditure to be funded long-term	(680)	131	244
Finance charges	(10)	(9)	(10)
Deficit to be funded from future NLTF revenue	(677)	130	264
Surplus/(deficit)	(727)	56	419

The statement of inflows, outflows, and capital expenditure including the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the management of Crown land and interest is required under the Land Transport Management Act 2003.

Revenue inflows

Revenue is recognised when specific criteria have been met for each of the NLTF activities and the revenue can be reliably measured.

Land transport revenue and tolling revenue have been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23. The nature of these revenue streams is that of taxes and duties. The payment of taxes and duties does not entitle the payer to an equivalent value of services or benefits, because no direct exchange relationship exists between paying taxes and duties and receiving services or benefits from the NLTF.

The interest earned on the nominal cash balance and the management of Crown land has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9.

Outflows

The NLTF accounts for the flow of funds to:

- Waka Kotahi – for the funding of the NLTP, and administration of fuel excise duty and road user charges and administering the Clean Car Standard
- New Zealand Police – which provides the Road Policing Programme
- Te Manatū Waka – for forecasting and strategy
- KiwiRail – for the Rail Network Improvement Programme.

Under section 9(1) of the Land Transport Management Act 2003, the NLTF also funds search and rescue activities, and recreational boating safety and safety awareness and regulatory services.

See section B for details of activities funded by the NLTF.

Explanations of major variances against budget

Revenue inflows

Land transport revenue was \$4,338 million, close to the budget of \$4,333 million.

Outflows

NLTP was \$4,260 million, \$477 million (13 percent) above the budget of \$3,783 million. This was mainly due to additional expenditure supported by crown funding for the North Island Weather Events (\$250m), additional Public Transport operating shortfall expenditure supported by Crown funding (\$140m) and additional emergency works spend primarily in the state highway maintenance and local road maintenance output classes.

NLTP expenditure to be funded long term was (\$680) million, \$232 million (25 percent) below the budget of (\$912) million. This was mainly due to less of the \$2 billion NLTP 2021-24 loan facility being drawn down by Waka Kotahi than was budgeted. The borrowing is expected to be drawn in the 2023/24 year.

3 | Land transport revenue and receivables

	Actual 2022/23 \$M	Actual 2021/22 \$M
Revenue		
Road user charges	1,444	1,904
Fuel excise duty	1,364	1,783
Motor vehicle registration and annual licensing fees	237	235
Temporary tax reduction Crown revenue - road user charges	713	186
Temporary tax reduction Crown revenue - fuel excise duty	697	199
Track user charges	15	7
Total revenue	4,470	4,314
Less refunds		
Road user charges	44	72
Fuel excise duty	72	63
Motor vehicle registration and annual licensing fees	1	1
Other	0	1
Total refunds	117	137
Less bad debt write-off	15	25
Movement in provision for doubtful debts	0	(14)
Total bad and doubtful debts	15	11
Total land transport revenue	4,338	4,166

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty before the duty becomes land transport revenue. This payment was \$33.1 million (2021/22: \$29.6 million). A payment is also made for regulatory services. This payment was \$3.9 million (2021/22: nil).

The total net land transport revenue including additional Crown funding are as follows:

	Actual 2022/23 \$M	Actual 2021/22 \$M
Road user charges*	2,098	2,007
Fuel excise duty*	1,989	1,919
Motor vehicle registration and annual licensing fees	236	233
Track user charges	15	7
Total net land transport revenue	4,338	4,166

* included temporary tax reduction Crown revenue

The total net land transport revenue presents the net position of the Crown revenue after refunds and the deductions above.

Receivables (included in the statement of financial position)

	Actual 2022/23 \$M	Actual 2021/22 \$M
Debtors – fuel excise duty	232	202
Debtors – Crown temporary tax reduction	110	170
Debtors – motor vehicle register/road user charges	80	42
Debtors – Rail Network Investment Programme	17	15
Debtors – track user charges	4	3
Debtors – clean car standard	56	0
Debtors – North Island weather events	7	0
Debtors – public transport shortfall	140	0
Provision for doubtful debt	(33)	(33)
Total receivables	613	399

Receivables are recognised at face value less an allowance for doubtful debt calculated using the expected credit losses (ECLs) model.

Provision for doubtful debt

The provision for doubtful debt relates to road user charges, the ECLs are \$33 million (2021/22: \$33 million). The NLTF applies the simplified approach and recognises lifetime ECLs for these debtors. Lifetime ECLs recognise all possible default events over the expected life of the receivable. ECLs are calculated in two groups, motor vehicle register debtors and road user charges debtors, to reflect the differences in collection and default rate history.

Estimation techniques and assumptions used in calculating the lifetime ECLs did not change during 2022/23.

The movement in ECLs for the year are shown below.

Lifetime ECL – debtors – road user charges

	Actual 2022/23 \$M	Actual 2021/22 \$M
Opening balance as at 1 July	33	47
Movement in doubtful debts provision	0	(14)
Closing balance as at 30 June	33	33

Receivables are written-off when they are deemed uncollectable. The total receivables written-off during the year amounted to \$15 million (2021/22: \$25 million). Of the receivables written-off none were still subject to enforcement activities.

Receivables

Debtor balances relating to fuel excise duty, the Rail Network Investment Programme and track user charges are short term and due from other government agencies (such as government departments and Crown entities). There is no indication that these debtors are impaired as at 30 June 2023 (30 June 2022: nil).

4 | Payables

	Actual 2022/23 \$M	Actual 2021/22 \$M
Current payable to Waka Kotahi – current balance	302	310
Current payable to KiwiRail	26	26
Current payable to Waka Kotahi – to be funded from future revenue	154	75
Current payable tot Waka Kotahi (for NLTP) – North Island weather events	6	0
Current payable to Waka Kotahi (for the NLTP) – Public transport shortfall	140	0
Non-current payable to Waka Kotahi – to be funded from future revenue	3,557	2,958
Total payables	4,185	3,369

Current payable to Waka Kotahi – current balance is funded from current revenue, non-interest bearing and normally settled by the end of the month following the date of supply. Therefore, the carrying value approximates fair value.

Current payable to KiwiRail – is non-interest bearing and normally settled by the end of the month following the date of supply. Therefore, the carrying value approximates fair value.

Current payable to Waka Kotahi – to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled within one year. Therefore, the carrying value approximates fair value.

Non-current payable to Waka Kotahi – to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled between one year and 30 years.

Non-interest bearing non-current payables are discounted to present value as at 30 June 2023.

5 | Provisions

	Actual 2022/23 \$M	Actual 2021/22 \$M
Provision for clean car standard credits	54	0
Total provisions	54	0

Refer to note 1 for the background and accounting policy on the Clean Car Standard (CCS). The provision for CCS credits relates to credits held by car importers which may be used to offset future charges. At 30 June 2023, there were \$54 million of charges in debtors so the provision has been set to \$54 million on the basis that the credits may be used to fully offset these charges. At June 2023, there were \$138 million of credits held by importers. This means that there are \$84 million of additional credits which are not recorded as a provision but as a Contingency. Refer Note 10 Contingencies for discussion.

6 | Planned outflows

The planned aggregate funding outflows, including both committed and probable outflows, for the NLTF are as follows:

	Actual 2022/23 \$M	Actual 2021/22 \$M
Not later than one year	5,025	4,859
Later than one year and not later than five years	3,024	6,269
Later than five years	5,857	5,859
Total planned outflows	13,906	16,987

7 | Financial instruments and financial risk management

Financial instruments

The carrying amounts of financial assets and liabilities in each of the categories are as follows:

	Actual 2022/23 \$M	Actual 2021/22 \$M
Financial assets measured at amortised cost		
Cash and cash equivalents	49	98
Receivables	613	399
Total financial assets measured at amortised cost	662	497
Financial liabilities measured at amortised cost		
Payables	4,185	3,369
Total financial liabilities measured at amortised cost	4,185	3,369

Financial risks

The NLTF's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The NLTF has policies for managing the risks associated with financial instruments and seeks to minimise exposure from financial instruments.

Market risk

The NLTF's exposure to the risk of changes in market rates relates primarily to interest rates on long-term debt held by Waka Kotahi. The NLTF is obligated to fund Waka Kotahi long-term debt repayments, so is exposed to the underlying interest rate 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.

Interest rate swaps are held by Waka Kotahi to mitigate risks associated with interest rate fluctuations for the underlying debt instruments relating to the public-private partnerships, details of which are in the financial statements in the Waka Kotahi annual report for 2022/23.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the NLTF, causing the NLTF to incur a loss. In the normal course of business, the NLTF is exposed to credit risk from 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.

Credit quality of financial assets

The NLTF is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the NLTF will encounter difficulty raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. The NLTF manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Refer to note 5 for future outflows of NLTF. The Board actively considers the NLTF revenue forecast when planning the NLTP to maintain the liquidity of the NLTF is maintained.

Refer to note 7 for general funds and capital management of the NLTF.

Contractual maturity analysis of financial liabilities

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

	Less than 1 year \$m	1-2 years \$m	2-5 years \$m	Over 5 years \$m
2022/23 payables	724	451	1,817	3,900
2021/22 payables	454	102	800	3,239

The draft Government Policy Statement (GPS) proposes additional revenue sources including new loan facilities as well as reductions to the repayment dates for some of the loan facilities.

8 | General funds and capital management

	Actual 2022/23 \$M	Actual 2021/22 \$M
General funds – current	133	183
Total general funds – current	133	183
National land transport programme to be funded long-term		
Auckland Transport Package	(354)	(354)
Housing Infrastructure Fund	(98)	(62)
Public-private partnerships*	(1,992)	(2,015)
NLTF borrowing facility for short-term advances	(375)	0
COVID-19 NLTF borrowing facility	(325)	(325)
Tauranga Eastern Link	(107)	(107)
NLTP 2021-24 loan	(504)	(201)
Fair value changes in financial instruments	45	31
Total general funds – long term	(3,710)	(3,033)
Total general funds closing balance	(3,577)	(2,850)

* Included related interest rate swaps.

Note 8

The NLTF has a negative general funds balance due to programmes that were accelerated with debt funding sourced from the Crown or through public-private partnerships. The funding received has been recognised as long-term payables that are due up to 30 years from balance date.

Although the NLTF has a negative general funds balance, the Board considers for the purposes of financial reporting the going concern assumption is valid for the following reasons:

- The NLTF's liquidity is actively managed.
- The NLTF has a positive cash balance of \$49 million as at 30 June 2023 (30 June 2022: \$98 million).
- The NLTF's forecasts demonstrate its ability to repay its obligations when they fall due for a period of at least one year from the date of these financial statements.
- The NLTF's main revenue source is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years (aside from the impact of COVID-19) and Transport revenue and crown sources for the funding and financing is forecast to be sufficient to meet all committed future outgoings.
- The NLTF has the option to slow expenditure on the NLTP.
- The NLTF has a short-term borrowing facility of \$250 million to cover revenue or expenditure shocks or to use the short-term borrowing facility of \$250 million to meet seasonal cash-flow cycles. The shock facility is fully drawn down with \$250 million, and \$125 million is drawn down from the seasonal facility post-balance date.

- The Crown has previously taken action to help deliver on the NLTP including additional funding, financing and proposed increases to fuel taxes.
- The Crown approved an additional \$425 million COVID-19 borrowing facility for Waka Kotahi during 2019/20, of which \$125 million was drawn down at 30 June 2021 and \$200 million drawn down in July 2020. Final repayments of the facility fall in 2027/28. The facility is no longer available to be drawn down.
 - In July 2020, the Crown approved additional funding up to \$600 million to manage ongoing COVID-19 impacts, continue financial support for public transport, and allow the delivery of the remainder of the 2018–21 National Land Transport Programme. Out of the \$600 million funding available, Waka Kotahi used \$319 million.
 - The Crown approved the deferment of \$277 million of Auckland Transport Package debt, which included \$65 million that was due on 30 June 2021. The residual \$212 million was deferred from 2021–24 to 2024–27.
 - The Crown provided financial support to meet the additional costs associated with the COVID-19 claims from the two Waka Kotahi public-private partnership contracts.
 - In 2021, the Crown signalled its intention to provide financing up to \$2 billion to support the delivery of the 2021–24 NLTP due to the investment gap between the NLTP and forecast land transport revenue. The loan agreement was signed in December 2021.
- A debt management framework is used to determine a sustainable and efficient level of future liabilities. The framework is based on the expected level of fund inflows and forward commitments and comprises measures and target operating ranges to guide decision making.

The cost of financing will be met from future flows into the NLTF. The Board actively manages the forward work programme of Waka Kotahi, within the Government Policy Statement on land transport, to manage the liquidity of the NLTF. It remains the Board's view that under present economic settings including the draft GPS, the NLTF continues to be able to fund repayment of financing and to meet the Waka Kotahi forward work programme for at least a year from the signing of these financial statements.

The Crown provided additional funding of \$390 million in 2022/23 as well as funding for emergency works and resilience. The Crown has also provided and is also providing future funding of over \$1 billion for North Island Weather Events.

In August 2023, the Crown published a draft GPS. The draft GPS signals its intent to increase revenue sources and additional funding and financing totalling \$6 billion to support the 2024–27 NLTP.

The Board recognises that as carbon reducing activities increase then the method of funding transport will need to adapt. There is increased demand for the NLTF with rail, transport regulation and improving and sustaining the transport network. More activity (cost) is required to improve the condition of the state highway network to avoid higher costs in the future, reduce deaths and serious injuries and improve access. The Board does not believe that under current revenue settings it will be possible to achieve all of the above particularly if significant projects require funding such as light rail projects.

Capital management

The NLTF's capital is its general funds. General funds are represented by net assets.

The NLTF is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

Waka Kotahi actively manages the National Land Transport Fund general funds through prudent management of revenues, expenses, liabilities and general financial management.

9 | Related party transactions

The National Land Transport Fund 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.

10 | Contingencies

Contingent liability

The NLTF has \$84 million of contingent liabilities (June 2022: nil).

In addition, the NLTF may have exposure to those contingent liabilities of Waka Kotahi arising from the delivery of the NLTP.

The \$84 million of contingent liabilities relates to the Clean Car Standard (CCS). Refer to note 1 for the background and accounting policy on CCS. At June 2023, there were \$138 million of credits held by importers. Of this total, \$54 million is recorded as a provision on the basis that the credits may be used to offset \$54 million of current charges (shown in debtors). The remaining \$84 million of credits are recorded as a contingent liability. Our view is that, under the current policy settings of the scheme, it is more probable than not that the \$84 million of credits will not be used to offset future credits. This is based on our view that the current import trends (with more imported cars receiving credits than incurring charges) will not sufficiently reverse to enable use of the current level of credits. The full amount is recorded as a contingent liability.

11 | Events after the balance date

There are no material post balance date events requiring disclosure.

Statement of performance

Output class funding to Waka Kotahi

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Investment management	65	89	60
Public transport services	491	449	429
Public transport infrastructure	399	271	304
Walking and cycling improvements	74	73	104
Local road improvements	(5)	18	105
Local road maintenance	982	702	720
State highway improvements	856	1,055	1,010
State highway maintenance	1,057	791	796
Road to Zero	317	325	285
Coastal shipping	23	0	0
Funding to Waka Kotahi - current	4,259	3,783	3,813
Road policing programme	415	417	394
Rail network	455	467	287
Total output class funding	5,129	4,667	4,494
Output class funding (long-term)			
Local road improvements - Housing Infrastructure Fund	37	44	31
State highway improvements - public-private partnerships	21	38	(164)
State highway improvements - repayment for public-private partnerships	(57)	(76)	(141)
NLTF borrowing facility for shocks/seasonal costs	376	0	(75)
NLTP 2021-24 loan	302	905	201
Fair value changes in financial instruments to surplus or deficit	1	1	17
Total output class funding (long-term)	680	912	(131)

The output class funding (current) above is net of borrowing used to finance activities Waka Kotahi carries out. The use of the NLTP 2021-24 loan is additional spend to the total output class funding (current) of \$300 million above.

Where borrowing facilities are used to fund expenditure, rather than a specific project, the debt is apportioned across activity classes. This effectively is a change between current expenditure and long-term expenditure. The facilities drawn down in the period were apportioned based on the three-year investment targets the Board set. This breakdown is as follows.

	NLTP 2021- 24 Loan \$M	Short-term borrowing \$M
State highway improvements	36	45
Local road improvements	56	70
Public transport services	3	3
Public transport infrastructure	64	81
Walking and cycling improvements	45	56
State highway maintenance	51	64
Local road maintenance	24	30
Road to Zero	21	26
Total apportionment	300	375

For explanations of major variances against budget see the Use of the NLTF graphs on page 248 to 260, the graphs include both the output class funding (current) and use of the NLTP 2021-24 loan.

The output class funding (long-term) reflects the expenditure on public-private partnerships, the Housing Infrastructure Fund and fair value changes of financial instruments, and expenditure that is financed by borrowing facilities.

Independent auditor's report

Independent auditor's report to the readers of National Land Transport Fund's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of National Land Transport Fund (the "NLTF"). 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 the NLTF on his behalf.

Opinion

We have audited:

- the financial statements of the NLTF on pages 263 to 278, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in general funds balance 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 service delivery and investment performance measures included in the performance information of the NLTF on pages 232 to 260.

In our opinion:

- the financial statements of the NLTF on pages 263 to 278:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 service delivery and investment performance measures included in the performance information of the NLTF on pages 232 to 260:
 - presents fairly, in all material respects, the NLTF’s performance for the year ended 30 June 2023, 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 29 September 2023. 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.

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

The Board is responsible on behalf of the NLTF 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 the NLTF for assessing the NLTF’s ability 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 the NLTF, 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 NLTF's 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 the NLTF's internal control.
- 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 NLTF's 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 NLTF's ability 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 the NLTF 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 220 to 231, 232 to 258 (excluding system outcomes and results measures), 260 and 279 to 280 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 the NLTF 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.

Other than in our capacity as auditor, we have no relationship with, or interests, in the NLTF.



Ed Loudon
KPMG Wellington
On behalf of the Auditor-General
Wellington, New Zealand