

## Section D

# Ngā tauākī pūtea me ngā pūrongo ōtita

Financial statements  
and audit reports



# Insurance and indemnities

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Waka Kotahi has directors and officers liability and professional indemnity insurance cover in respect of the liability or costs of board members and employees. Waka Kotahi has insurance cover for income protection, life insurance and travel-related risk for employees where injury or loss occurs while on Waka Kotahi business.

# Statement of responsibility

The Waka Kotahi NZ Transport Agency Board (the '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 2023.

Signed on behalf of the Board:



**Dr Paul Reynolds, QSO**  
Chair  
29 September 2023

Countersigned by:



**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

# Highlights from our financial statements (unaudited)

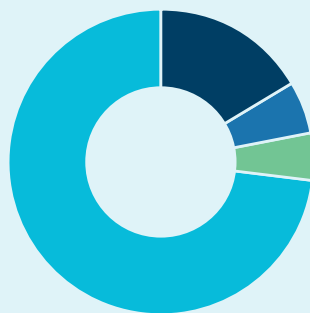
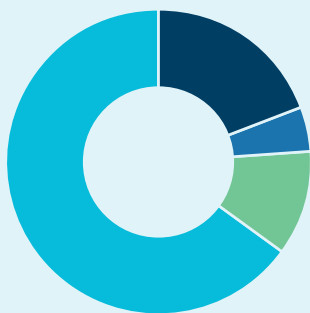
## **\$6.5 billion total funding received** **(2021/22: \$4.8 billion)**

Most of Waka Kotahi NZ Transport Agency's income is from the National Land Transport Fund (NLTF). We also receive revenue from the Crown to support NZ Upgrade Programme and for specific projects.

### Funding received by source

2022/23

2021/22



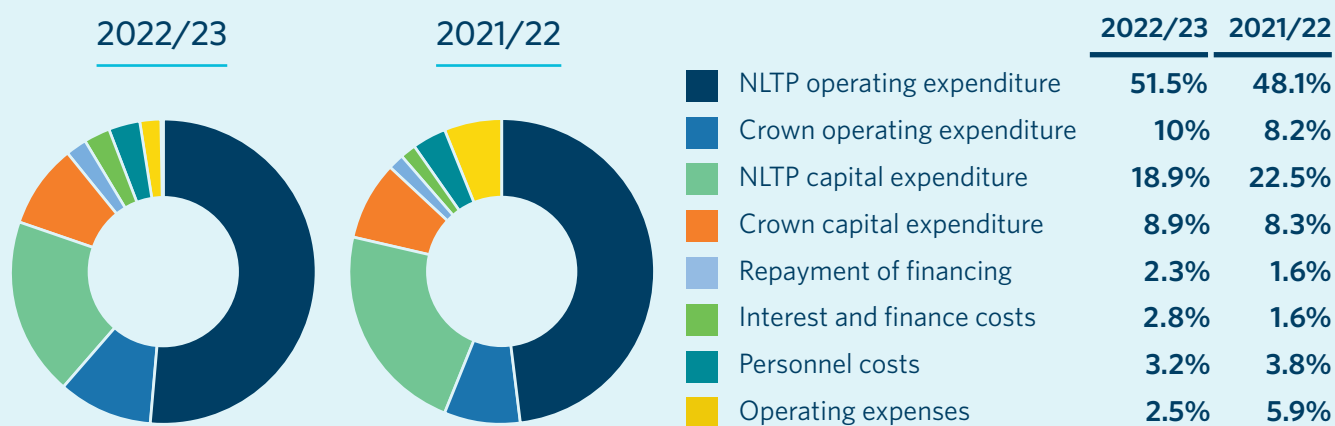
	<u>2022/23</u>	<u>2021/22</u>
■ Crown capital	19.2%	16.5%
■ Other revenue	4.7%	5.7%
■ Financing	11.2%	4.9%
■ National Land Transport Fund	64.9%	72.9%

## \$6.5 billion total funding received

(2021/22: \$4.7 billion)

Our expenses are guided by the Government Policy Statement on land transport and the priorities identified in our Statement of intent 2021-2026. In 2022/23, Over half (62 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. NLTP capital expenses comprised 28 percent of our annual expenditure which includes state highway improvements, renewals and other capital activities where the assets are owned by Waka Kotahi such as certain public transport and walking and cycling assets. Personnel and operating expenses including interest and finance costs made up 10 percent of the annual expenditure.

### Funding spent by type



## \$82.8 billion net assets/equity

(2021/22: \$75.5 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 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Total assets	87,520	89,020	79,340
Less total liabilities	4,765	5,435	3,849
Net assets/equity at end of year	82,755	83,585	75,491

Our statement of financial position reflects the significant value held in the state highway network, with \$87.5 billion of assets and low levels of liabilities. The state highway network accounts for 94 percent of our asset base. In the previous two years, the value increased significantly due to investment in the network and increases in land valuation and other input values. Most of the asset base increase this year relates to: increases in base unit rates reflecting the current costs of construction; the inclusion of the Pūhoi to Warkworth public-private partnership asset now operational on the state highway, and capital expenditure.

# 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
<b>Revenue</b>				
Operating funding from the National Land Transport Fund	2	4,511	4,107	3,332
Operating funding from the Crown	2	676	413	394
Revenue from other activities	2/3	309	204	272
<b>Total revenue</b>		<b>5,496</b>	<b>4,724</b>	<b>3,998</b>
<b>Expense</b>				
Land transport funding		3,750	2,795	2,707
Employee costs	7	218	223	182
Operating expenses	8	169	194	158
Clean vehicle discount rebates		342	166	121
Interest and finance costs	11	178	165	73
Depreciation, amortisation and state highway write-off	4	832	798	749
Assets vested to local authorities	4	0	409	2
<b>Total expense</b>	2	<b>5,489</b>	<b>4,750</b>	<b>3,992</b>
<b>Surplus/(deficit)</b>		<b>7</b>	<b>(26)</b>	<b>6</b>
<b>Other comprehensive revenue and expense</b>				
Gain/(loss) state highway network revaluations	4	6,166	5,911	13,253
Net movement in cash flow hedges	11	84	17	332
<b>Total other comprehensive revenue and expense</b>		<b>6,250</b>	<b>5,928</b>	<b>13,585</b>
<b>Total comprehensive revenue and expense</b>		<b>6,257</b>	<b>5,902</b>	<b>13,591</b>

## Statement of financial position as at 30 June 2023

	Note	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Assets</b>				
Cash and cash equivalents		222	50	180
Debtor Crown		350	198	180
Receivables and other assets		125	110	124
Derivative financial asset	11	35	0	0
Debtor National Land Transport Fund		302	381	310
Debtor National Land Transport Fund – debt related*		3,709	4,665	3,033
Property assets held for sale	4	38	50	32
Public-private partnership assets	5	0	1,025	980
Property, plant, equipment and intangible assets		102	100	80
State highway network	4	82,637	82,441	74,421
<b>Total assets</b>		<b>87,520</b>	<b>89,020</b>	<b>79,340</b>
<b>Liabilities</b>				
Payables	8	891	518	678
Employee entitlements	7	37	39	32
Provisions	10	26	66	46
Derivative financial liability	11	75	341	131
Borrowing and other liabilities	11	1,787	2,554	1,063
Public-private partnership liabilities	5	1,949	1,917	1,899
<b>Total liabilities</b>		<b>4,765</b>	<b>5,435</b>	<b>3,849</b>
<b>Net assets</b>		<b>82,755</b>	<b>83,585</b>	<b>75,491</b>
<b>Equity</b>				
Contributed capital		0	0	0
Retained funds		(19)	(59)	(23)
Equity derived from the state highway network		82,754	83,907	75,578
Cash flow hedge reserve	11	20	(264)	(64)
<b>Total equity</b>		<b>82,755</b>	<b>83,585</b>	<b>75,491</b>

\*Included \$154 million of current debtors related to private-public partnerships unitary charges and other debt repayment funding due from the National Land Transport Fund.



## Statement of changes in equity for the year ended 30 June 2023

	General funds \$M	Retained funds \$M	Memorandum accounts \$M	Equity derived from the state highway network \$M	Cashflow hedge reserve \$M	Total \$M	Budget 2022/23 \$M
<b>Balance at 1 July 2021</b>	0	15	(32)	61,607	(396)	61,194	73,132
Surplus/(deficit)	0	15	(9)	0	0	6	(15)
Other comprehensive revenue and expense							
State highway network revaluations	0	0	0	13,253	0	13,253	1,500
Movement in cash flow hedges	0	0	0	0	332	332	(11)
<b>Total other comprehensive revenue and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,253</b>	<b>332</b>	<b>13,585</b>	<b>1,489</b>
<b>Total comprehensive revenue and expense</b>	<b>0</b>	<b>15</b>	<b>(9)</b>	<b>13,253</b>	<b>332</b>	<b>13,591</b>	<b>1,474</b>
Changes in equity - capital contribution from National Land Transport Fund	0	0	0	706	0	706	1,582
Changes in equity - other adjustments	0	(12)	0	12	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>3</b>	<b>(9)</b>	<b>13,971</b>	<b>332</b>	<b>14,297</b>	<b>3,056</b>
<b>Balance at 30 June 2022/ 1 July 2022</b>	<b>0</b>	<b>18</b>	<b>(41)</b>	<b>75,578</b>	<b>(64)</b>	<b>75,491</b>	<b>76,188</b>
Surplus/(deficit)	0	13	(6)	0	0	7	(26)
Other comprehensive revenue and expense							
State highway network revaluations	0	0	0	6,166	0	6,166	5,911
Movement in cash flow hedges	0	0	0	0	84	84	17
<b>Total other comprehensive revenue and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,166</b>	<b>84</b>	<b>6,250</b>	<b>5,928</b>
<b>Total comprehensive revenue and expense</b>	<b>0</b>	<b>13</b>	<b>(6)</b>	<b>6,166</b>	<b>84</b>	<b>6,257</b>	<b>5,902</b>
Changes in equity - capital contribution from the National Land Transport Fund	0	0	0	1,007	0	1,007	1,495
Changes in equity - other adjustments	0	(3)	0	3	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>10</b>	<b>(6)</b>	<b>7,176</b>	<b>84</b>	<b>7,264</b>	<b>7,397</b>
<b>Balance at 30 June 2023</b>	<b>0</b>	<b>28</b>	<b>(47)</b>	<b>82,754</b>	<b>20</b>	<b>82,755</b>	<b>83,585</b>



## Statement of cash flows for the year ended 30 June 2023

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Cash flows from operating activities</b>			
Receipts from the National Land Transport Fund	4,019	3,322	3,162
Receipts from the Crown	514	423	436
Receipts from other revenue	255	190	283
Payments to employees	(213)	(223)	(179)
Payments to suppliers	(4,077)	(3,089)	(3,039)
Goods and services tax (net)	(9)	0	2
<b>Net cash from operating activities</b>	<b>489</b>	<b>623</b>	<b>665</b>
<b>Cash flows from investing activities</b>			
National Land Transport Fund receipts from sale of state highway-held properties	13	29	51
Purchase of property, plant, equipment and intangible assets	(39)	(40)	(26)
Investment in the state highway network	(1,800)	(2,781)	(1,698)
<b>Net cash from investing activities</b>	<b>(1,826)</b>	<b>(2,792)</b>	<b>(1,673)</b>
<b>Cash flows from financing activities</b>			
Capital contribution from the National Land Transport Fund	305	375	613
Capital contribution from the Crown	521	909	356
Receipts from borrowing	862	1,008	445
Repayment of borrowing	(184)	0	(352)
Interest paid on borrowing	(125)	(123)	(44)
<b>Net cash from financing activities</b>	<b>1,379</b>	<b>2,169</b>	<b>1,018</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>42</b>	<b>0</b>	<b>10</b>
Cash and cash equivalents at the beginning of the year	180	50	170
<b>Cash and cash equivalents at the end of the year</b>	<b>222</b>	<b>50</b>	<b>180</b>

## Reconciliation of net surplus to net cash from operating activities

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Surplus/(deficit)</b>	<b>7</b>	<b>(26)</b>	<b>6</b>
<b>Add/(deduct) non-cash/non-operating items:</b>			
Depreciation, amortisation and state highway write-off	832	798	749
Losses on disposal of non-financial assets	9	10	8
(Gains)/Losses on FX derivatives	(6)	0	0
Net impact of assets vested to/(from) local authorities	0	409	2
Movement in discounting on receivables	3	2	(1)
Interest on borrowings	155	126	71
Movement in discounting on borrowings	0	10	2
Movement in ineffective portion of cash flow hedge	0	(1)	(15)
<b>Total non-cash/non-operating items</b>	<b>993</b>	<b>1,344</b>	<b>816</b>
<b>Add/(deduct) movements in working capital:</b>			
(Increase)/decrease in Debtor National Land Transport Fund and Debtor Crown	(660)	(745)	(144)
(Increase)/decrease in receivables and other assets	(1)	(5)	47
Increase/(decrease) in creditors and other payables	145	50	(66)
Increase/(decrease) in employee entitlements	5	5	6
<b>Net movements in working capital items</b>	<b>(511)</b>	<b>(695)</b>	<b>(157)</b>
<b>Net cash from operating activities</b>	<b>489</b>	<b>623</b>	<b>665</b>

# Notes to the financial statements

## 1 | Entity information

Waka Kotahi NZ Transport Agency ('Waka Kotahi') 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 2023 and were approved by the Waka Kotahi Board on 29 September 2023.

### 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).

## Budget figures

The budget figures are derived from the Statement of performance expectations 2022/23 as approved by the Board on 17 June 2022. The budget figures were 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 2022/23.

## 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 that is in 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 have considered 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.

There is no indication that Debtor National Land Transport Fund or Debtor Crown are impaired as at 30 June 2023. We have considered the credit risk to Waka Kotahi from the National Land Transport Fund in note 11.

## 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 2022.

## 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.

## 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.

### 2022/23

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
<b>National Land Transport Fund</b>						
Public-private partnerships	0	14	14	0	14	14
State highway improvements	761	123	884	796	127	923
Local road maintenance	1,047	0	1,047	1,047	0	1,047
State highway maintenance	1,211	(49)	1,162	1,278	(49)	1,229
Public transport services	497	0	497	498	0	498
Public transport infrastructure	488	58	546	489	58	547
Local road improvements	120	0	120	134	0	134
Walking and cycling improvements	83	92	175	84	92	176

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
Investment management	65	0	65	67	0	67
Road to zero	165	202	367	165	202	367
Coastal shipping	23	0	23	23	0	23
Local road improvements (Housing Infrastructure Fund)	37	0	37	37	0	37
Road user charges collection, investigation and enforcement	10	0	10	10	0	10
Refund of fuel excise duty	4	0	4	4	0	4
<b>Total National Land Transport Fund funding and expense</b>	<b>4,511</b>	<b>440</b>	<b>4,951</b>	<b>4,632</b>	<b>444</b>	<b>5,076</b>
<b>Total Budget***</b>	<b>4,107</b>	<b>969</b>	<b>5,076</b>	<b>4,127</b>	<b>969</b>	<b>5,096</b>

Classified as follows:

Funding paid to approved organisations

2,432

Waka Kotahi operating expenditure

2,200

**Total National Land Transport Fund expense**

**4,632**

State Highway improvements and state highway maintenance capital expenditure is partly funded from depreciation (operating) funding. All expenditure by approved organisations regardless of whether it is capital in nature to them is an operating expense for Waka Kotahi.

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
<b>Crown</b>						
NZ Upgrade Programme	0	478	478	0	478	478
COVID -19 related funding – public-private partnerships	18	0	18	0	0	0
Half price funding of public transport	134	0	134	134	0	134
Local road improvements (Provincial Growth Fund)	11	0	11	11	0	11

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
<b>Climate Emergency Response Fund</b>						
Bus decarbonisation	1	0	1	1	0	1
Community connect programme	3	0	3	3	0	3
Mode shift - walking and cycling improvements	12	0	12	12	0	12
Mode shift - Public Transport Services	1	0	1	1	0	1
Mode shift - Public Transport Infrastructure	1	0	1	1	0	1
Mode shift - investment management	2	0	2	2	0	2
Retaining and recruiting bus drivers	3	0	3	3	0	3
Ngauranga to Petone walking and cycling path	0	21	21	0	21	21
SuperGold card administration and public transport concessions	34	0	34	34	0	34
Crown (Supporting regions programme)	0	24	24	0	24	24
Eastern busway project	31	0	31	31	0	31
Kaikōura earthquake response	4	(5)	(1)	4	(5)	(1)
Crown infrastructure partners	0	47	47	0	47	47
Clean car discount	347	0	347	347	0	347
Clean car standard	11	11	22	11	11	22
Other Crown funding and expense	63	0	63	55	0	55
<b>Total Crown funding and expense</b>	<b>676</b>	<b>576</b>	<b>1,252</b>	<b>650</b>	<b>576</b>	<b>1,226</b>
<b>Total Budget***</b>	<b>413</b>	<b>908</b>	<b>1,321</b>	<b>410</b>	<b>908</b>	<b>1,318</b>
Classified as follows:						
Funding paid to approved organisations				230		
Waka Kotahi operating expenditure				420		
<b>Total Crown expense</b>				<b>650</b>		



	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
<b>Total funding and expense from fees, charges and other revenue</b>	309	0	309	207	0	207
<b>Total Budget***</b>	204	0	204	213	0	213
<b>Total revenue and expense</b>	5,496	1,016	6,512	5,489	1,020	6,509
<b>Total Budget***</b>	4,724	1,877	6,601	4,750	1,877	6,627

\*Funding from borrowing facilities is included within the funding revenue and capital funding columns. A non-current debtor from the National Land Transport Fund (NLTF) is recognised when borrowing facilities are drawn down to reflect the future obligation of the NLTF to fund Waka Kotahi for the borrowing repayment. The financing component included in 2022/23 is: \$81 million state highway improvements; \$65 million local road maintenance; \$146 million public transport infrastructure; \$6 million public transport services; \$104 million state highway maintenance; \$163 million local road improvements; \$48 million road to zero and \$102 million walking and cycling improvements.

\*\*\*Budgets by output class are included in the output class income and expenditure statements from page 142 to 154.

## 2021/22

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
<b>National Land Transport Fund</b>						
Public-private partnerships	0	200	200	0	160	160
Public-private partnerships - impact of derivative and interest payment funding movements	0	(332)	(332)	0	(332)	(332)
State highway improvements	654	197	851	609	200	810
Local road maintenance	737	0	737	737	0	737
State highway maintenance	781	0	781	837	0	837
Public transport services	431	0	431	431	0	431
Public transport infrastructure	303	47	350	303	47	350
Local road improvements	142	0	142	142	0	142
Walking and cycling improvements	70	64	134	70	72	142
Investment management	60	0	60	58	0	58

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
Road to zero	111	188	299	111	190	301
Local road improvements (Housing Infrastructure Fund)	31	0	31	31	0	31
Road user charges collection, investigation and enforcement	8	0	8	8	0	8
Refund of fuel excise duty	4	0	4	4	0	4
<b>Total National Land Transport Fund funding and expense</b>	<b>3,332</b>	<b>364</b>	<b>3,696</b>	<b>3,341</b>	<b>337</b>	<b>3,678</b>
Classified as follows:						
Funding paid to approved organisations				1,785		
Waka Kotahi operating expenditure				1,556		
<b>Total National Land Transport Fund expense</b>				<b>3,341</b>		
<b>Crown</b>						
NZ Upgrade Programme	6	320	326	6	320	326
COVID-19 related funding - public transport	47	0	47	47	0	47
COVID-19 related funding - public-private partnerships	82	0	82	82	0	82
Return of COVID-19 funding - State highway improvements	(2)	0	(2)	(2)	0	(2)
COVID-19 - protection of core regulatory services**	7	0	7	0	0	0
Half price funding of public transport	26	0	26	26	0	26
Local road improvements (Provincial Growth Fund)	34	0	34	34	0	34
SuperGold card administration and public transport concessions	30	0	30	30	0	30
Crown (Accelerated Regional Roding Programme)	0	4	4	0	4	4
Crown (Supporting regions programme)	2	34	36	2	34	36

	Operating funding revenue* actual 2022/23 \$M	Capital funding contribution actual 2022/23 \$M	Total funding actual 2022/23 \$M	Operating expense actual 2022/23 \$M	Capital expense actual 2022/23 \$M	Total expense actual 2022/23 \$M
Kaikōura earthquake response	2	0	2	2	0	2
Crown infrastructure partners	0	27	27	0	27	27
Clean car discount	126	3	129	126	2	128
Clean car standard	2	4	6	2	4	6
Other Crown funding and expense	32	0	32	33	0	33
<b>Total Crown funding and expense</b>	<b>394</b>	<b>392</b>	<b>786</b>	<b>388</b>	<b>391</b>	<b>779</b>
Classified as follows:						
Funding paid to approved organisations				139		
Waka Kotahi operating expenditure				249		
<b>Total Crown expense</b>				<b>388</b>		
<b>Total funding and expense from fees, charges and other revenue</b>	<b>272</b>	<b>0</b>	<b>272</b>	<b>263</b>	<b>0</b>	<b>263</b>
<b>Total revenue and expense</b>	<b>3,998</b>	<b>756</b>	<b>4,754</b>	<b>3,992</b>	<b>728</b>	<b>4,720</b>

### 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 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 \$505 million (12 percent) above budget. This is primarily due to higher than budgeted state highway maintenance and local road maintenance as a result of the North Island weather events.

Operating expense related to the Crown was \$240 million (59 percent) above budget. This was mainly due to payment of clean vehicle discount scheme rebates that were higher than budget. Also higher than the original budget were additional claims to meet the funding of half price ticketing on public transport.

Capital expense related to the National Land Transport Fund was \$525 million (54 percent) below budget. This was mainly due to the fair value movements of public-private partnership interest rate swaps which impact on the overall expenditure position.

Capital expense related to the Crown was \$332 million (37 percent) below budget. This was the result of lower spend in the NZ Upgrade Programme due to scope revisions that occurred in 2021/22. In particular, the decision to no longer proceed with certain projects.

## 3 | Revenue from other activities

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Fees and Charges</b>		
Motor vehicle licensing fees	54	48
Driver licensing fees	40	35
Driver testing fees	27	23
Road user charges collections	13	13
Certification review fees	11	11
Transport licensing fees	12	10
Standards development fee and certification levies	7	7
Rail licensing fees	2	2
Over dimension and overweight permits	2	2
Border inspection fees	1	1
<b>Total fees and charges</b>	<b>169</b>	<b>152</b>

	Actual 2022/23 \$M	Actual 2021/22 \$M
Recoveries from National Land Transport Programme and other activities*	81	79
Interest and finance income	26	17
Tolling fees and contributions	17	15
Levy on personalised plates for community road safety initiatives	9	8
Miscellaneous revenue	7	1
<b>Total revenue from other activities</b>	<b>309</b>	<b>272</b>

\* Included developer contributions.

## 4 | State highway network

	Actual 2022/23 \$M	Actual 2021/22 \$M
Opening balance	74,421	58,986
Additions*	2,891	2,982
Depreciation**	(797)	(721)
Write-offs**	(18)	(12)
Assets vested to local authorities	0	(2)
Disposals	(21)	(59)
Revaluation of state highway network	6,484	13,324
Impairment through the revaluation reserve	(318)	(71)
Assets transferred from/(to) held for sale	(5)	(6)
<b>Closing balance</b>	<b>82,637</b>	<b>74,421</b>

\*Additions include the transfer of the public-private partnership assets into the state highway. Transmission Gully in 2021/22 and Pūhoi to Warkworth in 2022/23.

\*\*Depreciation, amortisation and state highway write-off balance included in the statement of comprehensive revenue and expense \$16 million (2021/22: \$16 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 cost of constructing the state highway network is recognised as an asset. Subsequent cost is 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 costs 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 the 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 subbase component of pavement are non-depreciable asset classes. Qualified independent valuers carry out the valuation along with support from Waka Kotahi as shown on the table on the following page.

<b>State highway network component</b>	<b>Valuer</b>
Existing network assets: Roads (formation and pavement), bridges, culverts and subways, drainage, traffic facilities and other structures	WSP (a consultant valuation company), based on unit rates provided by BondCM* (a cost estimation company)
New major network assets**	Based on unit rates provided by BondCM* and input from internal project review assessments; reviewed by WSP
Tunnels	Valued by Waka Kotahi and reviewed by WSP
Land (held property)	Darroch (a property management and valuation company)
Land (corridor)	Internally valued by Waka Kotahi, based on an 'across the fence' methodology, that uses inputs from Quotable Value and Land Information NZ data with indexation from Core Logic
Miscellaneous assets	Derived from other values and reviewed by WSP

\* Unit rates are provided by BondCM on a 3-yearly basis and reviewed and indexed annually in intervening years based on indices provided by Stats NZ and reviewed by WSP and BondCM.

\*\* State highway projects with expenditure over \$20 million.

State highway network components	Optimised depreciated replacement cost		Depreciation expense	
	Actual 2022/23 \$M	Actual 2021/22 \$M	Actual 2022/23 \$M	Actual 2021/22 \$M
Land*	23,135	23,486	0	0
Formation	19,648	16,907	0	0
Pavement base course**	11,213	9,769	59	88
Pavement surface	2,002	1,640	233	217
Drainage	3,140	2,615	75	63
Traffic facilities	2,073	1,836	130	107
Bridges	14,572	12,198	179	138
Culverts and subways	974	852	21	17
Tunnels and other structures	5,376	4,680	60	52
Miscellaneous***	504	438	39	39
<b>Total</b>	<b>82,637</b>	<b>74,421</b>	<b>796</b>	<b>721</b>

\*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 \$8 billion mainly due to price movement in unit rates reflecting the current costs of construction, the inclusion of the Pūhoi to Warkworth public-private partnership asset now operational on the state highway and annual capital expenditure on 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 reduce the value of the assets to their estimated residual value over the useful life of the assets. The depreciation expense for 2022/23 is calculated based on the 30 June 2022 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. Any excess is recognised in surplus or deficit.



The main impairment of significance is from the North Island weather events during January and February that resulted in significant damage and/or debris restricting access to the state highway network, particularly in Northland, Coromandel, Gisborne and the Hawkes Bay. After a number of temporary road closures to repair slips in the Brynderwyn Hills in Northland the road is now open to traffic and no impairment has been applied.

For Coromandel the slip has resulted in the write-off of a 110 metre section of road, the rest of the road is functional and no impairment has been applied.

For the east coast regions there were three state highway bridges destroyed and written off with the remaining affected network considered for impairment. While the installation of Bailey bridges has reinstated access, there are limitations and restrictions which limit the full service potential of the highway and numerous underslips and washout sections remain. The level of damage is still being assessed and quantified, therefore the application of a general impairment has been derived based on the value of the affected network. A \$228 million impairment has been applied to recognise the temporary damage and loss of service on the state highways 2, 5, 35 and 38. The cost of recovery and rebuild will be significantly higher than the impairments and write-offs taken.

Significant rain over August 2022 caused several slips under State Highway 1 through the Mangamuku Gorge in Northland that resulted in the closure of the road, and is not expected to reopen until May 2024, while the corridor is reinstated. The reinstatement cost options exceed the carrying value of the Mangamuku Gorge corridor section and with it not being operational, it has been fully impaired.

There are existing impairments on the network relating to pavement issues and several New Zealand Upgrade projects due to changes by the government to either rescope the project or to not progress. Rescoped projects may utilise the work completed to date and those not progressing have been fully impaired excluding land or property purchases. The pavement issues are expected to be resolved during the 2023/24 financial year.

### **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 cost to apply.

Estimates have also been made in impairments particularly from The North Island weather events of early 2023.

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 accuracy of the asset databases and the identification of all costs that should be capitalised through its state highway valuation improvement programme.

The state highway valuation improvement programme for 2022/23 continued the focus on simplifying the valuation process and improving the quality of the valuation input and outputs. The main improvement undertaken for the year was the continued refinement of the land corridor valuation process through the use of a Geospatial Information System (GIS) that was implemented for the first time in 2020/21. Waka Kotahi also continued testing and development of an internal valuation tool with the purpose of providing greater clarity on the valuation movements and compilation of the valuation results.

The table below represents estimated input used in the 2022/23 valuation.

<b>State highway network component</b>	<b>Quantity</b>	<b>Rate</b>	<b>Useful life (years)</b>	<b>Basis of evaluation</b>
Land	Land corridor: 35,406ha Held property	QV rateable values and index Market price	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. Rateable values are indexed between the 3-yearly RV updates. Held properties, which are properties not yet part of corridor land, are based on market prices determined by Darroch Ltd.
Formation (earthworks)	Formation: 105,878,154m <sup>2</sup> Shoulder formation: 21,276,999m <sup>2</sup>	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: 22,122,849m <sup>3</sup> Shoulder basecourse: 3,103,107m <sup>3</sup>	Unit prices and an overhead rate	75-150 for basecourse N/A for subbase which is non-depreciable	Subbase and basecourse quantities are determined from Austroads Pavement Design Guide. Unit rates are provided by BondCM.
Pavement surface	Pavement surface: 120,410,520m <sup>2</sup>	Unit prices and an overhead rate	11-14	Unit rates are provided by BondCM and adjusted for overhead costs.
Drainage	Drainage: 141,594 units Stormwater channel: 15,356,569m	Unit prices and an overhead rate	50	Unit rates are provided by BondCM and adjusted for overhead costs.

State highway network component	Quantity	Rate	Useful life (years)	Basis of evaluation
Traffic facilities	Railings: 2,981,712m Signs: 196,721 units Traffic facilities: 11,796,042m	Unit prices and an overhead rate	10-25	Unit rates are provided by BondCM for railings and signs adjusted for overhead costs. Quantities derived by WSP from a combination of historical cost data and recent construction costs.
Bridges	2,783 bridges	Unit prices and an overhead rate	90-100	Unit rates are provided by BondCM and adjusted for overhead costs.
Culverts and subways	Culverts and subways: 1,626 units and 439,651m	Unit prices and an overhead rate	50-75	Unit rates are provided by BondCM and adjusted for overhead costs.
Other structures	Retaining walls: 828,481m Tunnels: 22 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 BondCM. In 2021, BondCM applied 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 was derived to determine regional rates for each item. The regional weightings are based on costs BondCM has observed in the regions. In 2022, BondCM applied indexation to the 2021 rates as per the cyclical rates review methodology. WSP reviewed the indices and updated for market trends from available information. 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 2023 the regional weightings were changed in favour of a universal rate given there was very little variability between the regional rates. The exception being Wellington which has a +5% adjustment applied to the national rates. The adjustment for the Wellington region is driven by input costs due to limited suitable aggregate supply. Combined with the large number of infrastructure projects in the region competition prices for labour is increased.

## 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. BondCM proposed a 1% increase to the preliminary and general oncost component of the overheads which Waka Kotahi has applied in the valuation. Overheads include the sum of preliminary and general oncost (36 percent) multiplied by professional fees, including Waka Kotahi costs (15 percent), and brownfield costs (15 percent for urban and motorway carriageways and 5 percent for rural carriageways).

## 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. This is because the projects are large and it can take several years to finalise the project and complete the necessary records in the asset management information systems. Typically, large projects are entered into the information systems some years after they are first operational given the complexity of the asset components. The total work in progress included in the valuation is \$12 billion, which is initially recognised at cost, with prior years' work in progress being indexed. This includes the two PPPs as they are newly operational and the asset management systems have not been fully updated. The associated quantities for the work in progress projects are not included in the input table.

## Valuation inputs subject to estimation uncertainty

The valuation input 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 cost for professional services from external consultants and internal cost 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. Cost of building 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. These include capital works relating to the 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 motorways.

## 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 2022/23 \$M	Change in optimised depreciated replacement cost 2021/22 \$M
Movement in P&G on-cost by 10% (from 35.0% to 38.5% 2021/22. 36.0% to 39.6% 2022/23)	1,575	1,321
Movement in external professional fees by 10%	621	430
Movement in formation unit cost by 10%	1,965	1,691
Movement in bridge unit cost by 10%	1,457	1,220
Movement in unit cost* by 10%	2,876	2,446
Movement in land corridor cost by 10%	2,316	2,349
Movement in brownfield cost by 10%	389	245
Movement in price index** by 10%	5,956	4,826

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

\*\*Excludes land.

WSP performed simulation analysis on the valuation to quantify the range of valuation outcomes that could occur as a result of changes in the valuation input. WSP 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.

## Property assets held for sale

Waka Kotahi owns 84 properties valued at \$38 million (2021/22: 48 properties valued at \$32 million) that have been classified as held for sale. It is expected that these properties will be sold by 30 June 2024. 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 cost to sell.

### Explanation of major variances against budget

State highway assets were \$82,637 million, \$196 million (<1 percent) is near the budget of \$82,441.

## 5 | Public-private partnership assets and liabilities

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Assets</b>		
Transmission Gully*	0	0
Pūhoi to Warkworth**	0	980
<b>Total public-private partnership assets</b>	<b>0</b>	<b>980</b>
<b>Liabilities</b>		
Transmission Gully	1,042	1,049
Pūhoi to Warkworth	907	850
<b>Total public-private partnership liabilities</b>	<b>1,949</b>	<b>1,899</b>

\* Transmission Gully became operational in March 2022. At this point the public-private partnership asset was included in the state highway asset at its carrying value of \$1,336 million.

\*\* Pūhoi to Warkworth became operational in June 2023. At this point the public-private partnership asset was included in the state highway asset at its carrying value of \$1,056 million.

### Public-private partnership agreements

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

- Wellington Gateway Partnership for the Transmission Gully project
- Northern Express Group for 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. At contract inception there are no scheduled payments before the service commencement date.

Once operational, the public-private partnership assets will be accounted for in as part 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.

At contract inception it was intended that once the public-private partnership assets become operational, Waka Kotahi would 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 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.

Under the settlement agreements agreed between Waka Kotahi and the PPP counterparties in 2021/22, the debt component of the Quarterly payments have commenced before service commencement date. This has occurred for both Transmission Gully and Pūhoi to Warkworth.

### **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. Under the terms of the settlement agreement, risks and costs related to Alert Levels 1 and 2 are the Builder's responsibility. Waka Kotahi was exposed to risks and costs associated with any future periods at Alert Levels 3 and 4. Agreement is still to be reached between the parties of the impacts of the lockdowns on the project. On 25 September, Waka Kotahi received a claim for cost and delay from the Builder, lodged in the High Court, relating to COVID-19 and a number of other matters.

In March 2022, Transmission Gully was opened to traffic in advance of the completion of final required activities by the public-private partnership counterparties. With the opening of the asset to traffic the public private partnership asset became part of the state highway asset.

Refer to note 13 contingencies for further information on Transmission Gully.

### **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 have reached a pre-settlement agreement in financial year 2019/20.

Under the terms of the settlement agreement, 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.

As a result of the 2021 August COVID event and other construction delays, the contractor was not able to achieve service commencement requirements by May 2022 as agreed in the 2020 revised project agreement. There is an ongoing assessment of claims for subsequent COVID-19 lockdowns and similar delay events in accordance with the process set out in the agreements and as



otherwise agreed by the parties. A revised claim for approximately \$253 million was received on 15 September 2023, which has been recognised as a contingent liability. A portion of the claim (\$174 million) has noted as being subject to ongoing assessment and may be revised.

In June 2023, Pūhoi to Warkworth was opened to traffic and the public-private partnership asset became part of the state highway asset.

Refer to the Contingent liabilities note for further information on Pūhoi to Warkworth.

### 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 \$2.5 billion for Transmission Gully and \$1.7 billion for Pūhoi to Warkworth.

#### Explanation of major variances against budget

Public-private partnership assets were nil, \$1,025 million (100 percent) below a \$1,025 million budget due to the assumption in the budget that the Pūhoi to Warkworth road would not open in before 30 June 2023.

Public-private partnership liabilities were \$1,949 million, \$32 million (2 percent) above budget of \$1,917 million mainly due to movements in floating market interest rates and timing of quarterly unitary payments. The interest rate movements are offset by the derivative financial liability which ensures Waka Kotahi pays a fixed interest rate.

## 6 | Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows. These are based upon our committed forward work programmes, which are in some cases not yet fully contracted, but in substance are committed.

	Actual as at 30 June 2023 \$M	Actual as at 30 June 2022 \$M
Not later than one year	1,030	1,384
Later than one year and not later than five years	1,401	996
Later than five years	6	0
<b>Total capital commitments</b>	<b>2,437</b>	<b>2,380</b>

## 7 | Waka Kotahi NZ Transport Agency employee costs and employee entitlements

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

	Note	Actual 2022/23 \$M	Actual 2021/22 \$M
Salaries and wages		204	170
Defined contribution plan employer contributions		7	6
Other employee costs	6	7	6
<b>Total Waka Kotahi NZ Transport Agency employee costs*</b>		<b>218</b>	<b>182</b>

\* Total Waka Kotahi employee costs exclude contractor costs which are included under note 8.

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

	Actual 2022/23 \$M	Actual 2021/22 \$M
Total employee costs	289	262
Deduct:		
Transport Agency capitalised employee costs allocated to NLTP activities	(42)	(44)
Transport Agency operating employee costs allocated to NLTP activities	(29)	(36)
<b>Total Waka Kotahi NZ Transport Agency employee costs*</b>	<b>218</b>	<b>182</b>

\* Total Waka Kotahi employee costs exclude contractor costs which are included under note 8.

#### Explanation of major variances against budget

Net employee costs were \$218 million, which was near the budget of \$223 million (2 percent below budget).

### Employee entitlements (included in the statement of financial position)

	Actual 2022/23 \$M	Actual 2021/22 \$M
Employee entitlements – current	33	28
Employee entitlements – non-current	4	4
<b>Total Waka Kotahi NZ Transport Agency employee entitlements</b>	<b>37</b>	<b>32</b>

## 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 2022/23 \$000	Actual 2021/22 \$000
<b>Board members</b>			
Remuneration		377	353
Number of Board members in the financial year	a	10	10
<b>Leadership team</b>			
Remuneration	c	4,223	4,289
Number of personnel	b	13	12
<b>Total key management personnel compensation</b>		<b>4,600</b>	<b>4,642</b>
<b>Total personnel during the year</b>		<b>23</b>	<b>22</b>

a. Reflects the number of members 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 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 21 (2021/22: 18).

### Board member remuneration

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

	Appointed	Resigned	Actual 2022/23 \$000	Actual 2021/22 \$000
Dr. Paul Reynolds (Chair)	February 2023		29	0
Cassandra Crowley (Deputy Chair)	September 2019		45	45
Catherine Taylor	September 2019		39	39
Patrick Reynolds	September 2019		36	36
Victoria Carter	September 2019		39	39
David Smol	February 2019		36	36
John Bridgman	July 2020		39	39
Ngarimu Blair	November 2021		36	15
Tracey Martin	November 2021		36	21
Sir Brian Roche (Former Chair)	June 2019	January 2023	42	71
Ken Rintoul	September 2019	November 2021	0	12
<b>Total board member remuneration</b>			<b>377</b>	<b>353</b>

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 (2021/22: \$nil).

## Employee remuneration

Total remuneration paid or payable	No. of staff 2022/23	No. of staff 2021/22
100,000-109,999	157	143
110,000-119,999	182	190
120,000-129,999	161	177
130,000-139,999	181	156
140,000-149,999	163	118
150,000-159,999	115	83
160,000-169,999	109	75
170,000-179,999	80	37
180,000-189,999	55	43
190,000-199,999	37	27
200,000-209,999	29	18
210,000-219,999	23	14
220,000-229,999	24	13
230,000-239,999	18	10
240,000-249,999	13	10
250,000-259,999	13	8
260,000-269,999	11	8
270,000-279,999	6	2
280,000-289,999	6	5
290,000-299,000	2	1
300,000-309,000	2	3
310,000-319,999	4	4
320,000-329,000	3	3
330,000-339,999	1	0
340,000-349,999	1	0
350,000-359,999	1	1
360,000-369,999	2	0
370,000-379,999	1	1
380,000-389,999	1	2
390,000-399,999	2	1

<b>Total remuneration paid or payable</b>	<b>No. of staff 2022/23</b>	<b>No. of staff 2021/22</b>
400,000-409,999	1	0
410,000-419,999	1	1
450,000-459,999	1	1
460,000-469,999	2	1
480,000-489,999	0	1
580,000-589,999	0	1
650,000-659,999	0	1
720,000-729,999	2	0
<b>Total employees</b>	<b>1,410</b>	<b>1,159</b>

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.

For the 2022/23 Waka Kotahi provided permanent employees with life, critical illness and income protection insurance. The remuneration above includes the cost of this insurance benefit for permanent employees.

In 2022/23, 27 (2021/22: 11) Waka Kotahi employees received compensation and other benefits in relation to cessation of \$1.4 million (2021/22: \$0.5 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)

	<b>Note</b>	<b>Actual 2022/23 \$M</b>	<b>Actual 2021/22 \$M</b>
Commissions and transaction costs	a	83	75
Contractor and professional services		2	9
Information technology		52	40
Operating lease expense		13	13
Office and building management		8	8
Employee travel		6	2
Meetings and conferences		1	1
Fees to principal auditors for:			
- audit of financial statements		0.6	0.5
- other assurance services	b	0.1	0.1
Other operating expenses		3	9
<b>Waka Kotahi NZ Transport Agency operating expenses</b>		<b>169</b>	<b>158</b>

- 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. These costs have been impacted by lockdowns in both financial years.
- b. Other assurance services fees by KPMG included a review of the application of the scrutiny principle.

### Explanation of major variances against budget

Operating expenses were \$169 million, \$25 million (13 percent) below budget of \$194 million mainly due to savings in contracted and professional services.

### Payables (included in the statement of financial position)

	Actual 2022/23 \$M	Actual 2021/22 \$M
Creditors	851	640
Income in advance	18	38
Goods and services tax payable	22	0
<b>Total Waka Kotahi NZ Transport Agency payables</b>	<b>891</b>	<b>678</b>

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. All creditors are classified as current.

## 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 2022/23 \$M	Actual 2021/22 \$M
Not later than one year	20	15
Later than one year and not later than five years	50	56
Later than five years	38	49
<b>Total non-cancellable operating leases</b>	<b>108</b>	<b>120</b>

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.

## 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 2021	64	1	1	66
Additional provisions made	30	1	0	31
Amounts used	(49)	0	(1)	(50)
Unused amounts reversed	(1)	0	0	(1)
<b>Balance at 30 June 2022/1 July 2022</b>	<b>44</b>	<b>2</b>	<b>0</b>	<b>46</b>
Additional provisions made	20	0	0	20
Amounts used	(11)	(2)	0	(13)
Unused amounts reversed	(27)	0	0	(27)
<b>Balance at 30 June 2023</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>26</b>

The state highway provision relates to estimates for expected contractual claims, where it is probable that Waka Kotahi will be required to settle these claims. Actual costs may vary from the provision estimates.

Refer to note 13 for details on contingent liabilities.

### Explanation of major variances against budget

Provisions were \$26 million, \$40 million (61 percent) below budget of \$66 million mainly due to state highway contractual claims for COVID-19 being finalised.

## 11 | Borrowings, financial instruments and financial risk management

Waka Kotahi had the following borrowings outstanding at 30 June 2023.

Name	Total facility \$M	Nominal amount borrowed \$M	Actual 2022/23 \$M	Actual 2021/22 \$M	Interest rate	Final repayment date
Auckland Transport Package	375	354	326	318	The interest-free loan was discounted using government bond rates of 2.36% to 3.29%.	June 2027
Housing Infrastructure Fund	389	84	66	46	The interest-free loan was discounted using government bond rates of 0.50% to 4.54%.	June 2033
<b>Total interest free borrowing</b>			<b>392</b>	<b>364</b>		



Name	Total facility \$M	Nominal amount borrowed \$M	Actual 2022/23 \$M	Actual 2021/22 \$M	Interest rate	Final repayment date
Tauranga Eastern Link	107	107	107	110	\$87 million at fixed rates ranging from 4.99% to 5.14%. \$20 million at floating rates.	June 2050
Regulatory facility	95	60	63	52	Fixed rates ranging from 1.32% to 3.07%.	December 2032
COVID-19 NLTF borrowing facility	425	325	332	332	Fixed rates ranging from 1.10% to 1.18%.	June 2027
Short term facility	500	375	375	0	Floating rates.	Not applicable
2021-24 NLTP facility*	2,000	500	514	302	Fixed rate of 3.63%.	April 2032*
<b>Total borrowing</b>			<b>1,783</b>	<b>1,059</b>		
Tolling funds held in trust			4	4		
<b>Total borrowing and other liabilities</b>			<b>1,787</b>	<b>1,063</b>		
Classified as follows:						
Current			129	4		
Non-current			1,658	1,059		
<b>Total</b>			<b>1,787</b>	<b>1,063</b>		

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.

\*Under the draft GPS, the NLTP facility loan is proposed to be restructured into a table mortgage loan with repayments commencing in 2024.

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance</b>	<b>364</b>	<b>334</b>
Face value of loans issued	28	28
Fair value adjustment	(10)	(7)
Repayments	0	0
Amortised interest (at government bond rates)	10	9
<b>Closing balance</b>	<b>392</b>	<b>364</b>

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 2022/23 \$M	Actual 2021/22 \$M
Interest on borrowings	30	12
Interest on public-private partnerships	117	21
Interest rate swap net payment	8	37
Discount on Debtor National Land Transport Fund – debt related	13	9
Amortisation of discount on borrowings	10	9
Ineffective portion of cash flow hedge	0	(15)
<b>Total interest and finance costs</b>	<b>178</b>	<b>73</b>

## Financial instruments

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

	Category	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Financial assets</b>			
Cash and cash equivalents	A	222	180
Debtor National Land Transport Fund and Debtor Crown	A	4,361	3,523
Other receivables and other assets	A	67	41
Derivative financial asset	C	28	0
Foreign exchange forward contracts asset	B	7	0
<b>Total financial assets</b>		<b>4,685</b>	<b>3,744</b>
<b>Financial liabilities</b>			
Payables	A	891	678
Borrowing and other liabilities	A	1,787	1,063
Public-private partnership liabilities	A	1,949	1,899
Derivative financial liability	C	75	131
<b>Total financial liabilities</b>		<b>4,702</b>	<b>3,771</b>

A: Measured at amortised cost

B: At fair value through profit or loss

C: Fair value through other comprehensive revenue and expense

The cash and non-cash movements for financial liabilities are shown below.

	Actual 2021/22 \$M	Cash inflows \$M	Cash outflows \$M	Non-cash \$M	Changes in fair value \$M	Other \$M	Actual 2022/23 \$M
<b>Financial liabilities measured at amortised cost</b>							
Borrowings	1,063	862	(170)	0	1	31	1,787
Public-private partnership liabilities	1,899	0	(131)	99	0	82	1,949
<b>Financial liability at fair value through other comprehensive revenue and expense</b>							
Derivative liabilities	131	0	(8)	0	(41)	(7)	75
<b>Total</b>	<b>3,093</b>	<b>862</b>	<b>(309)</b>	<b>99</b>	<b>(40)</b>	<b>106</b>	<b>3,811</b>
<b>Financial liabilities measured at amortised cost</b>							
Borrowings	883	445	(279)	0	2	12	1,063
Public-private partnership liabilities	1,842	0	(77)	160	0	(26)	1,899
<b>Financial liability at fair value through other comprehensive revenue and expense</b>							
Derivative liabilities	478	0	(42)	0	(309)	4	131
<b>Total</b>	<b>3,203</b>	<b>445</b>	<b>(398)</b>	<b>160</b>	<b>(307)</b>	<b>(10)</b>	<b>3,093</b>

## 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 having loans that are at fixed interest rates. As at 30 June 2023, approximately 78 percent (2021/22: 98 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 5). 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	848	February 2021	October 2043	5.58%	Floating, with periodic reset	75
Pūhoi to Warkworth	765	August 2023	August 2045	4.16%	Floating, with periodic reset	(28)
<b>Total</b>						<b>47</b>

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 2022/23 \$M	Actual 2021/22 \$M
Balance as at 1 July	(64)	(396)
Effective cash flow hedge	84	332
<b>Cash flow hedge reserve</b>	<b>20</b>	<b>(64)</b>

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit is nil (2021/22: \$15 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.

	2022/23		2021/22	
	+1% \$M	-1% \$M	+1% \$M	-1% \$M
<b>Effect on surplus or deficit</b>				
Cash and cash equivalents	2.2	(2.2)	1.8	(1.8)
<b>Effect on other comprehensive revenue and expense</b>				
Derivative financial liability	5.9	(84.8)	145.9	(170.8)
<b>Effect on surplus or deficit</b>				
Borrowing	(0.2)	0.2	(0.2)	0.2

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 2023, 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.

## 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 million to manage seasonal variations in cash flow (\$125 million draw down at 30 June 2023) and \$250 million to manage unexpected and unfavourable variations in cash flow (fully drawn down at 30 June 2023). Waka Kotahi has access to the facilities to support the NLTF and the regulatory function.

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.

	Less than 1 year \$M	1-2 years \$M	2-5 years \$M	Over 5 years \$M
<b>2022/23</b>				
Payables	891	0	0	0
Borrowing	53	171	1,042	925
Derivative financial liability	(2)	(6)	25	46
Public-private partnership liabilities	198	286	749	2,929
<b>Total</b>	<b>1,140</b>	<b>451</b>	<b>1,816</b>	<b>3,900</b>
<b>2021/22</b>				
Payables	678	0	0	0
Borrowing	17	17	526	731
Derivative financial liability	17	12	43	122
Public-private partnership liabilities	110	73	231	2,386
<b>Total</b>	<b>822</b>	<b>102</b>	<b>800</b>	<b>3,239</b>

### Explanation of major variances against budget

Cash and cash equivalents were \$222 million, \$172 million (344 percent) above budget of \$50 million. Additional cash was held to meet expected year end claims from suppliers and approved organisations.

Borrowing was \$1,787 million, \$767 million (30 percent) below budget of \$2,554 million due to lower than expected use of the 2021-24 NLTP facility primarily due to additional crown funding.

Derivative financial liability was net of \$48 million, \$293 million (86 percent) below budget of \$341 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 in the year.

## 12 | Regulatory equity accounts

### Regulatory equity accounts

Regulatory equity accounts are notional accounts (sometimes known as memorandum accounts) that record the accumulated balance of surpluses and deficits incurred for third-party-funded regulatory outputs. These are for 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 grouped various fees, charges and appropriations into its memorandum regulatory equity accounts to group revenue and costs by summary product level.

Included is new revenue provided under section 9(1)(A) of the Land Transport Management Act and the transfer of surplus funds to be used to repay regulatory loans that provided interim funding for the operating deficit until the full implementation of the fees and funding review recently approved by Cabinet.

The Regulatory equity account regime and categories are expected to change from 2023/24 following Cabinet approval of new fees and funding to better reflect the regulatory activities. Not all regulatory equity accounts were covered by the fees and funding review.

As part of the fees and funding change, the combined deficit from the existing regulatory equity accounts will be ringfenced from the new regulatory equity accounts and separately recorded as debt. Additional revenue collected from fee payers will then be used to repay the debt over time.

Amounts are in millions to one decimal point.

### Total regulatory equity accounts movements

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance</b>	<b>(40.9)</b>	<b>(32.1)</b>
Operating revenue	178.2	161.4
Expenditure	184.5	170.2
<b>Net surplus/(deficit)</b>	<b>(6.3)</b>	<b>(8.8)</b>
<b>Closing balance before transfer to ring fenced debt account</b>	<b>(47.2)</b>	<b>(40.9)</b>
Transfer of balance to Debt	47.2	0.0
<b>Total regulatory equity account group after transfer to debt</b>	<b>0.0</b>	<b>(40.9)</b>

## Ringfenced regulatory equity account debt

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance - ringfenced debt</b>	<b>0.0</b>	<b>0.0</b>
New debt*	(47.2)	0.0
Transfer from regulatory equity accounts to debt	0.0	0.0
<b>Closing balance - ringfenced debt</b>	<b>(47.2)</b>	<b>0.0</b>

\* The regulatory equity accounts show a negative balance. Waka Kotahi has access to up to \$95 million of regulatory loans to provide interim funding for the operating deficit until the full implementation of a fees and charges review recently approved by Cabinet. The new fees and charges are forecast to commence from October 2023.

The regulatory funding activities undergo a substantial change as part of the reset following implementation caused by the fees and funding proposal. As part of that change, the combined deficit from the existing regulatory equity accounts is ringfenced from the new regulatory equity accounts. Additional revenue collected from fee payers and consulted on is then used to repay the debt over time.

## Breakdown of third party account groupings

The below activities are ringfenced within equity and are tracked as memorandum accounts.

	Actual 2022/23 \$M	Actual 2021/22 \$M
Driver licensing and testing	0.0	(39.9)
Regulation of commercial transport operators	a	(11.0)
Vehicle safety and certification	b	13.4
Road user charges collections	0.0	(2.3)
<b>Total covered by fees and funding*</b>	<b>0.0</b>	<b>(39.8)</b>
<b>Other regulatory items covered by fees and funding</b>		
Rail	0.0	(1.1)
Tolling	13.4	11.2
Fuel excise duty refunds	0.0	0.0
Road user charges refunds	(0.5)	(0.1)
Road user charges investigations and enforcement	0.6	0.5
Community road safety programme	23.7	21.1
<b>Total third-party equity groups</b>	<b>37.2</b>	<b>(8.2)</b>

\*A nil balance reflects shifting the accumulated deficits to a ring-fenced account.

a. Regulation of commercial transport operators activities include transport licensing, and over dimension permits.

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



## 13 | Contingencies

### 13 Contingent liabilities as at 30 June 2023

#### Roading and other contract disputes

There are claims of \$275 million (2021/22: \$353 million) relating to a variety of roading and other contract disputes including contractual claims arising from property acquisitions and disposals. The most significant contingent liability relates to Pūhoi to Warkworth.

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 2023, Waka Kotahi has provided for certain contractual matters. Refer to note 10 provisions.

#### Public-private partnership claims

Waka Kotahi is a party to two public-private partnerships. Transmission Gully, north of Wellington and Pūhoi to Warkworth north of Auckland.

They have both had previous disputes and settlements. The most recent settlements have been in relation to the COVID related lockdowns of 2020.

In relation to progress and delays on the works since the 2020 settlements, Waka Kotahi has received a claim for Pūhoi to Warkworth comprising current and estimated future elements, totalling approximately \$253 million. The claim is moving to binding arbitration, with a decision required within 24 months of the service commencement date (June 2025). Included in the \$253million is \$92 million that Waka Kotahi has paid on account that would offset the amount of any successful claim. In the event the arbitration determined that no money was payable then the \$92 million would be returned to Waka Kotahi. Waka Kotahi has not been presented with any evidence to indicate that a claim of that size would be supported by an independent reviewer. The net contingent liability is \$161 million.

In addition to the quantifiable legal disputes, on 25 September 2023, Waka Kotahi received a claim for cost and delay from the Transmission Gully PPP builder, relating to COVID-19 and a number of other matters. The claim does not immediately establish the dollar value claimed by the builder, however based on discussions to date we expect this could be a material figure. Waka Kotahi's position remains that, based on discussions and documentation received from the builder prior to its claim in the High Court, no liability exists for Waka Kotahi. There is also substantial work required on the road for the builder to meet the contractual conditions.

## 14 | Events after balance date

There were no significant events after balance date aside from notification from the Crown of additional funding for North Island weather events of \$171 million and the revised claim on the Pūhoi to Warkworth and Transmission Gully public-private partnership which is disclosed in the Contingencies note.

# 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 funding inflows and National Land Transport Fund outflows
- information about performance by segment of the business
- clean vehicle discount scheme
- details of land transport management (road tolling scheme)
- details of regional fuel tax

This information is consistent with and should be read in conjunction with the financial highlights from page 90 to 91 and the audited financial statements from page 92 to 131.

## Waka Kotahi agency expenditure

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Employee costs	218	223	182
Operating expenses	169	194	158
Depreciation and amortisation expense	17	15	16
<b>Waka Kotahi agency operating expenditure</b>	<b>404</b>	<b>432</b>	<b>356</b>
Waka Kotahi agency expenditure recharged to projects*	(55)	(47)	(34)
Waka Kotahi agency expenditure allocated to the NLTP**	136	91	100
<b>Waka Kotahi agency activities expenditure***</b>	<b>485</b>	<b>476</b>	<b>422</b>

\*Projects are funded by tolling, NLTF, Crown or regulatory fees and charges.

\*\* Allocation is done through direct charges and overheads allowances, primarily towards capital projects.

\*\*\* Waka Kotahi agency expenditure excludes direct expenditure on NLTP activities such as road safety promotion, tackling unsafe speed, clean vehicle discount and the national ticketing solution.

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

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Waka Kotahi</b>		
National Land Transport Fund Operating funding	4,511	3,332
National Land Transport Fund Capital funding	440	364
<b>Total funding from the NLTF</b>	<b>4,951</b>	<b>3,696</b>
Deduct:		
Repayment/(Borrowing) (shock/seasonal facilities)	(376)	75
Repayment/(Borrowing) 2021-24 NLTP facility	(302)	(201)
Repayment/(Borrowing) - public-private partnerships and related interest rate swap	57	141
State highway improvements - public-private partnerships non-appropriated movement	(21)	164
State highway improvements - other non-appropriated movement	(1)	(17)
Local road improvements - Housing Infrastructure Fund non-appropriated movement	(37)	(31)
Other National Land Transport Fund revenue	(11)	(14)
<b>Total National Land Transport Fund (NLTP) outflows</b>	<b>4,259</b>	<b>3,813</b>

## Performance by segment of the business

The following tables provide detailed financial performance information for each of segment of Waka Kotahi. Segments area 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 vehicle discount - clean vehicle 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 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Revenue</b>			
Waka Kotahi NZ Transport Agency operations	210	179	167
Tolling - administration	17	18	15
Clean vehicle discount	347	174	126
Clean car standard	11	12	2
Memorandum account - other fees and charges	178	156	161
Land transport funding	4,036	3,967	3,273
Specific projects funded by the Crown	696	218	254
<b>Total revenue</b>	<b>5,495</b>	<b>4,724</b>	<b>3,998</b>
<b>Expenditure</b>			
Waka Kotahi NZ Transport Agency operations	201	174	166
Tolling - administration	14	10	10
Clean vehicle discount	347	174	126
Clean car standard	11	12	2
Memorandum account - other fees and charges	184	196	170
Land transport funding	4,035	3,972	3,264
Specific projects funded by the Crown	696	212	254
<b>Total expenditure</b>	<b>5,488</b>	<b>4,750</b>	<b>3,992</b>
<b>Surplus/(deficit)</b>			
Waka Kotahi NZ Transport Agency operations	9	5	1
Tolling - administration	3	8	5
Clean vehicle discount	0	0	0
Clean car standard	0	0	0
Memorandum account - other fees and charges	(6)	(40)	(9)
Land transport funding	1	(5)	9
Specific projects funded by the Crown	0	6	0
<b>Total surplus/(deficit)</b>	<b>7</b>	<b>(26)</b>	<b>6</b>

## Clean vehicle discount scheme

This supplementary information has been provided to fulfil the disclosure requirements under section 9A of the Land Transport Clean Vehicles Amendment Act 2022.

Below is the movement of the Crown clean vehicle discount memorandum account.

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance</b>	10	(1)
<b>Revenue</b>		
Fees from high emission vehicles	169	25
Crown grant Revenue*	167	114
<b>Total revenue</b>	<b>336</b>	<b>139</b>
<b>Expenditure</b>		
Clean vehicle rebates	342	121
Scheme administration	4	3
Project implementation	0	4
<b>Total expenditure</b>	<b>346</b>	<b>128</b>
<b>Net surplus/(deficit)</b>	<b>(10)</b>	<b>11</b>
<b>Closing balance</b>	<b>0</b>	<b>10</b>

\*A \$302 million Crown grant was provided for the establishment of the scheme, administration costs and payment of rebates from 1 July 2021. A further \$100 million was provided in late 2022/23. Since the full scheme went live from 1 April 2022, the intent has been to use fees generated from high emission vehicles to pay for rebates, rather than use the Crown grant. The unspent portion of the Crown grant (\$120m) continues to be available if the fees generated are not enough to cover the payment of rebates.

The table below shows Waka Kotahi's situation regarding the Crown grant.

	Actual life to date 2022/23 \$M	Actual life to date 2021/22 \$M
Life to date revenue received by Waka Kotahi from charges paid**	196	15
Less: life to date rebates paid and administration costs	475	129
<b>Total deficit funded by the Crown grant</b>	<b>(279)</b>	<b>(114)</b>

\*\*Waka Kotahi can only draw down sufficient funding from fees and the Crown grant to meet payment of rebates and administration costs.

The Crown grant is repayable to Crown once the amount of revenue generated (from high emission vehicles) is \$15 million above the amount required to pay rebates (to low emission vehicles) and administer the scheme. Waka Kotahi has not repaid any of the Crown grant at 30 June 2023.

## 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 2023

	Toll revenue (portion designated for repayment of Crown debt)			Traffic volumes (number of vehicles)		
	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M	Actual* 2022/23 M	Budget* 2022/23 M	Actual* 2021/22 M
Northern Gateway toll road - light vehicles	9.1	10.2	9.9	6.5	7.2	6.8
Northern Gateway toll road - heavy vehicles	2.0	2.3	2.3	0.6	0.7	0.6
Tauranga Eastern Link toll road - light vehicles	4.1	4.7	4.6	3.7	4.4	3.9
Tauranga Eastern Link toll road - heavy vehicles	1.9	2.1	2.1	0.5	0.9	0.5
Takitimu Drive toll road - light vehicles	4.1	4.3	4.5	4.4	4.4	4.4
Takitimu Drive toll road - heavy vehicles	2.9	3.0	3.2	0.8	0.8	0.8

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

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

### Tolling revenues for the year ended 30 June 2023

	Tolling revenue used to repay debt		Tolling revenue used to operate the business		Total Tolling revenue	
	Actual 2022/23 \$M	Actual 2021/22 \$M	Actual 2022/23 \$M	Actual 2021/22 \$M	Actual 2022/23 \$M	Actual 2021/22 \$M
Northern Gateway toll road	11.1	9.9	5.0	4.3	16.1	14.2
Tauranga Eastern Link toll road	6.0	5.5	2.9	2.7	8.9	8.2
Takitimu Drive toll road	7.0	6.4	3.5	3.2	10.5	9.6
<b>Total</b>	<b>24.1</b>	<b>21.8</b>	<b>11.4</b>	<b>10.2</b>	<b>35.5</b>	<b>32.0</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Debt and other financial obligations</b>			
Tauranga Eastern Link toll road borrowing	107.0	107.0	107.0
<b>Total</b>	<b>107.0</b>	<b>107.0</b>	<b>107.0</b>
<b>Toll revenue inflow to the National Land Transport Fund for repayment of debt</b>			
Tauranga Eastern Link toll road	5.8	6.7	6.6
Takitimu Drive toll road	6.8	7.3	7.7
<b>Total</b>	<b>12.6</b>	<b>14.0</b>	<b>14.3</b>

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 notional 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 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 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance</b>	<b>0.6</b>	<b>(0.2)</b>
Tolling revenue used to repay debt	6.0	5.6
Interest expenditure on \$107 million loan	5.4	4.8
Net surplus/(deficit)	0.6	0.8
<b>Closing balance</b>	<b>1.2</b>	<b>0.6</b>

## Financial statements for Waka Kotahi road tolling operations

### 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
<b>Revenue</b>				
Toll fees	a	16.9	17.7	14.9
<b>Total revenue</b>		<b>16.9</b>	<b>17.7</b>	<b>14.9</b>
Expenditure		14.7	18.1	10.0
<b>Net surplus</b>		<b>2.2</b>	<b>(0.4)</b>	<b>4.9</b>

a. Toll fees includes \$11.0 million of tolling revenue used to operate the business (2021/22: \$10.0 million) and \$5.0 million of customer toll payment notice revenue (2021/22: \$5.0 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 2023

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Assets</b>			
Current assets	22.1	22.5	20.7
Non-current assets	5.6	7.8	5.0
<b>Total assets</b>	<b>27.7</b>	<b>30.3</b>	<b>25.7</b>
Liabilities	14.3	15.4	14.5
<b>Net assets/equity</b>	<b>13.4</b>	<b>14.9</b>	<b>11.2</b>

### Statement of cash flows for the year ended 30 June 2023

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
Net cash from operating activities	23.1	27.1	22.0
Net cash from financing activities	(23.4)	(26.2)	(21.6)
<b>Net increase in cash and cash equivalents</b>	<b>(0.3)</b>	<b>1.0</b>	<b>0.4</b>
Cash and cash equivalents at the beginning of the year	13.1	12.9	12.7
<b>Cash and cash equivalents at the end of the year</b>	<b>12.8</b>	<b>13.9</b>	<b>13.1</b>

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



## Waka Kotahi tolling equity account

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

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance</b>	<b>11.2</b>	<b>6.3</b>
Revenue	16.9	14.9
Expenditure	14.7	10.0
Net surplus/(deficit)	2.2	4.9
<b>Closing balance</b>	<b>13.4</b>	<b>11.2</b>

## Tolling provision for doubtful debts

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Opening balance as at 1 July</b>	<b>2.1</b>	<b>2.1</b>
Movement in doubtful debts provision	0.3	0.0
<b>Closing balance as at 30 June</b>	<b>2.4</b>	<b>2.1</b>

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 2022/23 \$M	Actual 2021/22 \$M
<b>Bad debt write-off</b>	<b>1.5</b>	<b>1.6</b>

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 2023

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Revenue</b>		
Regional fuel tax	159	146
Rebates	(7)	(6)
Crown funds retained	0	0
Interest received	0	0
<b>Total revenue</b>	<b>152</b>	<b>140</b>
Distributed to:		
Auckland City Council	151	139
Transport Agency administration fee	1	1
<b>Total distributions</b>	<b>152</b>	<b>140</b>
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>

### Statement of financial position as at 30 June 2023

	Actual 2022/23 \$M	Actual 2021/22 \$M
<b>Assets</b>		
Cash and cash equivalents	17	17
<b>Total assets</b>	<b>17</b>	<b>17</b>
<b>Liabilities</b>		
Payables	15	15
Regional fuel tax rebate reserve	2	2
<b>Total liabilities</b>	<b>17</b>	<b>17</b>
<b>Net assets/equity</b>	<b>0</b>	<b>0</b>

## Statement of cash flows for the year ended 30 June 2023

	Actual 2022/23 \$M	Actual 2021/22 \$M
Net cash from operating activities	0	(1)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>0</b>	<b>(1)</b>
Cash and cash equivalents at the beginning of the year	17	18
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>17</b>

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

## Borrowing apportionment

\$500 million of the \$2 billion NLTP 2021-24 loan facility has been drawn down and funding has been apportioned across output classes as follows:

Output class	2021-24 NLTP facility \$M	Short-term borrowing (seasonal portion) \$M	Short-term borrowing (shock portion) \$M	Total
State highway improvements	60	15	30	105
Local road improvements	93	23	46	162
Public transport services	5	1	2	8
Public transport infrastructure	107	27	54	188
Walking and cycling improvements	75	19	37	131
State highway maintenance	85	10	43	138
Local road maintenance	40	21	20	81
Road to zero	35	9	18	62
<b>Total apportionment</b>	<b>500</b>	<b>125</b>	<b>250</b>	<b>875</b>

Drawdowns from the \$2 billion 2021-24 NLTP facility have been apportioned based on the output class investment targets set by the Board.

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

### Investment management

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (Crash Analysis System)	1	0	1
Crown (Mode shift)	2	0	0
National Land Transport Fund	65	89	60
Other	5	0	1
<b>Total operating revenue</b>	<b>73</b>	<b>89</b>	<b>62</b>
<b>Operating expenses</b>			
Transport Agency (Crash Analysis System)	1	0	1
Transport Agency (Ministerial services)	1	0	1
Transport Agency (Mode shift)	2	0	0
Funding to approved organisations	25	39	5
Transport planning	16	0	10
Sector training and research	3	0	4
Investment in the funding allocation system	25	50	41
<b>Total operating expenses</b>	<b>73</b>	<b>89</b>	<b>62</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Revenue collection and administration

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (administration of tax reduction)	3	0	0
Section 9(2) LTMA funding refund of fuel excise duty	4	4	4
Section 9(2) LTMA funding road user charges investigation	7	7	5
Section 9(2) LTMA funding road user charges refund	3	3	3
Fees and charges (tolling)	17	18	15
Fees and charges (road user charges)	13	11	13
Regional fuel tax administration	1	1	1
Other (refund of fuel excise duty and road user charges)	1	0	0
<b>Total operating revenue</b>	<b>49</b>	<b>45</b>	<b>41</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating expenses</b>			
Refund of fuel excise duty	4	3	4
Regional fuel tax administration	1	1	2
Tolling	14	10	10
Road user charges investigation and enforcement	7	4	5
Road user charges refund	4	4	3
Road user charges collections	23	30	13
<b>Total operating expenses</b>	<b>53</b>	<b>52</b>	<b>37</b>
<b>Surplus/(deficit)</b>	<b>(4)</b>	<b>(7)</b>	<b>4</b>

### State highway improvements

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
National Land Transport Fund	748	828	642
Crown (COVID-19 public-private partnerships funding)	18	3	82
Crown (COVID-19 Response and Recovery Fund)	0	0	(2)
Crown infrastructure partners	20	0	27
Crown (NZ Upgrade Programme)	0	0	6
Crown (Supporting Regions Programme)	1	1	2
National Land Transport Fund (public-private partnerships)	0	107	0
National Land Transport Fund (tolling)	13	15	12
Developer contributions	4	0	4
Interest and finance income	6	9	7
Other income	11	0	8
<b>Total operating revenue</b>	<b>821</b>	<b>962</b>	<b>788</b>
<b>Operating expenses</b>			
Assets vested to local authorities	0	409	0
Depreciation and state highway write-offs	524	430	550
Other interest and finance costs	154	119	60
Crown (COVID-19 public-private partnerships funding)	78	3	82
Crown (COVID-19 Response and Recovery Fund)	0	0	(2)
Crown infrastructure partners	20	0	27
Crown (NZ Upgrade Programme)	0	0	6
Crown (Supporting Regions Programme)	1	1	2
Other expenses	40	0	60
<b>Total operating expenses</b>	<b>817</b>	<b>962</b>	<b>785</b>
<b>Surplus/(deficit)</b>	<b>4</b>	<b>6</b>	<b>3</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Capital funding</b>			
Crown (New Zealand Upgrade Programme)	478	790	306
Crown (Accelerated Regional Roding Programme)	0	0	4
Crown (Supporting Regions Programme)	24	49	34
Crown infrastructure partners funding utilised for investment	20	61	27
National Land Transport Fund capital contribution	29	0	122
National Land Transport Fund (2021-24 NLTP facility)	81	109	24
National Land Transport Fund (public-private partnerships)	98	53	200
National Land Transport Fund (public-private partnerships - interest rate swap movement)	(84)	0	(332)
National Land Transport Fund (state highway disposals)	13	29	51
Depreciation funding utilised for investment in the state highway network	524	430	646
Net non-cash funding for losses/(income) utilised for investment in state highway network	0	409	2
<b>Total capital funding</b>	<b>1,183</b>	<b>1,930</b>	<b>986</b>
<b>Capital expenditure</b>			
Crown investment (New Zealand Upgrade Programme)	478	790	306
Crown (Accelerated Regional Roding Programme)	0	0	4
Crown (Supporting Regions Programme)	24	49	34
Crown infrastructure partners	20	61	27
Public-private partnerships	98	53	160
Public-private partnerships - interest rate swap movement*	(84)	0	(332)
Capital investment	563	891	671
Transport Agency capitalised expenditure	88	86	80
<b>Total capital expenditure</b>	<b>1,187</b>	<b>1,930</b>	<b>950</b>
<b>Net capital movement</b>	<b>(4)</b>	<b>0</b>	<b>36</b>
<b>Borrowing funding</b>			
National Land Transport Fund (borrowing facility)	0	0	26
National Land Transport Fund (public-private partnership quarterly unitary payment)	49	76	104
<b>Total borrowing funding</b>	<b>49</b>	<b>76</b>	<b>130</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Borrowing repayment</b>			
Repayment of borrowing facility	0	0	26
Repayment public-private partnership quarterly unitary payment	49	76	104
<b>Total borrowing repayment</b>	<b>49</b>	<b>0</b>	<b>130</b>
<b>Net borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total movement</b>	<b>0</b>	<b>0</b>	<b>36</b>
<b>Total operating and capital expenditure</b>	<b>1,460</b>	<b>2,053</b>	<b>1,158</b>

\* The movement in the public-private partnership interest rate swaps was due to increases in market interest rates in 2022/23 compared to decreases in rates in 2021/22.

### State highway maintenance

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (Kaikōura earthquake response)	4	4	2
National Land Transport Fund	986	770	723
National Land Transport Fund (North Island weather events)	94	0	0
National Land Transport Fund (2021-24 NLTP facility)	104	155	34
National Land Transport Fund (rental and interest income)	27	20	24
Other revenue	67	0	57
<b>Total operating revenue</b>	<b>1,282</b>	<b>949</b>	<b>840</b>
<b>Operating expenses</b>			
Maintenance of the state highway network (Kaikōura earthquake response)	4	4	2
Depreciation on state highway renewals	300	353	194
Maintenance of the state highway network	886	511	577
Maintenance and operation of Transmission Gully and Pūhoi to Warkworth	8	7	0
Transport Agency operating activities	80	68	65
Interest and finance costs	4	6	2
<b>Total operating expenses</b>	<b>1,282</b>	<b>949</b>	<b>840</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital funding</b>			
Crown (Kaikōura earthquake response)	(5)	0	0
Depreciation funding utilised for investment in state highway renewals	251	353	194
<b>Total capital funding</b>	<b>246</b>	<b>353</b>	<b>194</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Capital expenditure</b>			
Crown investment (Kaikōura earthquake response)	(5)	0	24
Capital investment	251	353	194
<b>Total capital expenditure</b>	<b>246</b>	<b>353</b>	<b>194</b>
<b>Net capital movement</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Borrowing funding</b>			
National Land Transport Fund (borrowing facility)	0	0	49
<b>Total borrowing funding</b>	<b>0</b>	<b>0</b>	<b>49</b>
<b>Borrowing repayment</b>			
Repayment of borrowing facility	0	0	49
<b>Total borrowing repayment</b>	<b>0</b>	<b>0</b>	<b>49</b>
<b>Net borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total movement</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total operating and capital expenditure</b>	<b>1,228</b>	<b>949</b>	<b>840</b>

### Walking and cycling improvements

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (Mode shift)	12	36	0
National Land Transport Fund	33	27	54
National Land Transport Fund (2021-24 NLTP facility)	51	68	15
Developers contributions	0	0	8
Other revenue	0	0	1
<b>Total operating revenue</b>	<b>96</b>	<b>131</b>	<b>78</b>
<b>Operating expenses</b>			
Funding to approved organisations (Mode shift)	12	36	0
Funding to approved organisations	71	87	68
Transport Agency operating activities	10	2	2
Interest and finance costs	3	5	
<b>Total operating expenses</b>	<b>96</b>	<b>131</b>	<b>70</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>8</b>



	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Capital funding</b>			
Crown (Mode shift)	0	1	0
Crown (Ngauranga to Petone)	21	0	0
Crown (NZ Upgrade Programme)	0	0	13
National Land Transport Fund capital contribution	41	46	50
National Land Transport Fund (NLTP 2021-24 loan)	51	68	15
Other capital funding	0	0	0
<b>Total capital funding</b>	<b>113</b>	<b>114</b>	<b>78</b>
<b>Capital expenditure</b>			
Crown investment (Mode shift)	0	1	0
Crown (Ngauranga to Petone)	21	0	0
Crown (NZ Upgrade Programme)	0	0	13
Capital investment	92	113	73
<b>Total capital expenditure</b>	<b>113</b>	<b>114</b>	<b>86</b>
<b>Net capital movement</b>	<b>0</b>	<b>0</b>	<b>(8)</b>
<b>Total movement</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total operating and capital expenditure</b>	<b>209</b>	<b>245</b>	<b>156</b>

## Public transport services

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (Half price fares)	134	0	26
Crown (COVID-19 Response and Recovery Fund)	0	0	47
Crown (SuperGold card)	34	31	30
Crown (Community Connect Programme)	3	25	0
Crown (Bus decarbonisation)	1	4	0
Crown (Mode shift)	1	36	0
Crown (Retaining and recruiting bus drivers)	3	0	0
Crown (Public transport subsidy)	141	27	0
National Land Transport Fund	350	449	429
National Land Transport Fund (NLTP 2021-24 loan)	6	8	2
<b>Total operating revenue</b>	<b>673</b>	<b>580</b>	<b>534</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating expenses</b>			
Crown (Half price fares)	134	0	26
Crown (COVID-19 Response and Recovery Fund)	0	0	47
Crown (SuperGold card and administration)	34	31	30
Crown (Community Connect Programme)	3	25	0
Crown (Bus decarbonisation)	1	4	0
Crown (Mode shift)	1	36	0
Crown (Retaining and recruiting bus drivers)	3	0	0
Crown (Public transport subsidy)	141	27	0
Funding to approved organisations	356	457	431
<b>Total operating expenses</b>	<b>673</b>	<b>580</b>	<b>534</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Public transport infrastructure

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (Eastern busway project)	31	0	0
Crown (Mode shift)	1	36	0
Crown infrastructure partners (North western bus improvement)	27	0	0
National Land Transport Fund	342	211	260
National Land Transport Fund (NLTP 2021-24 loan)	146	194	43
Other revenue	1	0	0
<b>Total operating revenue</b>	<b>548</b>	<b>441</b>	<b>303</b>
<b>Operating expenses</b>			
Funding to approved organisations	465	388	272
Crown (Eastern busway project)	31	0	0
Crown (Mode shift)	1	36	0
Crown infrastructure partners (North western bus improvement)	27	0	0
Other operating expenses	10	0	22
Transport Agency operating activities	9	9	9
Interest and finance costs	5	8	0
<b>Total operating expenses</b>	<b>548</b>	<b>441</b>	<b>303</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Capital funding</b>			
Crown (Mode shift)	0	1	0
Crown infrastructure partners funding utilised for investment	27	0	0
National Land Transport Fund capital contribution	59	60	47
<b>Total capital funding</b>	<b>85</b>	<b>61</b>	<b>47</b>
<b>Capital expenditure</b>			
Capital investment	59	60	47
Crown investment (Mode shift)	0	1	0
Capital investment (North western bus improvement)	27	0	0
<b>Total capital expenditure</b>	<b>85</b>	<b>61</b>	<b>47</b>
<b>Net capital movement</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total operating and capital expenditure</b>	<b>606</b>	<b>502</b>	<b>350</b>

## Local road improvements

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
National Land Transport Fund	(5)	19	105
National Land Transport Fund (Housing Infrastructure Fund)	37	44	31
National Land Transport Fund (NLTP 2021-24 loan)	125	168	37
Crown (Supporting Regions Programme)	11	15	34
Interest and finance income	14	13	9
<b>Total operating revenue</b>	<b>182</b>	<b>259</b>	<b>216</b>
<b>Operating expenses</b>			
Funding to approved organisations	117	180	142
Funding to approved organisations (Housing Infrastructure Fund)	37	44	31
Funding to approved organisations (Supporting Regions Programme)	11	15	34
Interest and finance costs	17	20	9
<b>Total operating expenses</b>	<b>182</b>	<b>259</b>	<b>216</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Local road maintenance

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
National Land Transport Fund	825	702	720
National Land Transport Fund (North Island weather events)	157	0	0
National Land Transport Fund (NLTP 2021-24 loan)	65	72	16
<b>Total operating revenue</b>	<b>1,047</b>	<b>774</b>	<b>736</b>
<b>Operating expenses</b>			
Funding to approved organisations	1,045	771	736
Interest and finance costs	2	3	0
<b>Total operating expenses</b>	<b>1,047</b>	<b>774</b>	<b>736</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Coastal shipping

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
National Land Transport Fund	23	10	0
<b>Total operating revenue</b>	<b>23</b>	<b>10</b>	<b>0</b>
<b>Operating expenses</b>			
Funding to approved organisations	23	10	0
<b>Total operating expenses</b>	<b>23</b>	<b>10</b>	<b>0</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Regulation of the rail transport system

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (protection of core regulatory functions)	1	0	1
Fees and charges	2	2	2
<b>Total operating revenue</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>Operating expenses</b>			
Fees and charges funded activities	3	4	3
<b>Total operating expenses</b>	<b>3</b>	<b>4</b>	<b>3</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>(2)</b>	<b>0</b>

## Road to Zero

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
National Land Transport Fund	164	138	111
Community Road Safety Programme	10	8	8
Other revenue	1	0	2
<b>Total operating revenue</b>	<b>175</b>	<b>146</b>	<b>121</b>
<b>Operating expenses</b>			
Community Road Safety Programme	7	8	5
Funding to approved organisations	133	109	94
Transport Agency operating activities	31	26	17
Interest and finance costs	1	3	
<b>Total operating expenses</b>	<b>172</b>	<b>146</b>	<b>116</b>
<b>Surplus/(deficit)</b>	<b>3</b>	<b>0</b>	<b>5</b>
<b>Capital funding</b>			
National Land Transport Fund capital contribution	154	187	174
National Land Transport Fund (NLTP 2021-24 loan)	48	65	14
<b>Total capital funding</b>	<b>202</b>	<b>252</b>	<b>188</b>
<b>Capital expenditure</b>			
Capital investment	202	252	190
<b>Total capital expenditure</b>	<b>202</b>	<b>252</b>	<b>190</b>
<b>Net capital movement</b>	<b>0</b>	<b>0</b>	<b>(2)</b>
<b>Total movement</b>	<b>3</b>	<b>0</b>	<b>2</b>
<b>Total operating and capital expenditure</b>	<b>374</b>	<b>398</b>	<b>61</b>

## Drivers licensing and testing

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (protection of core regulatory functions)	0	0	5
Crown (driver test subsidy and driver licensing stop orders)	1	2	2
Crown (drug and alcohol assessments)	0	1	0
Crown (Equitable access to driver licences)	1	4	0
Crown (ministerial advice and official correspondence)	1	1	1
Crown (Palmerston North building operating funding)	1	2	1
Fees and charges	68	68	58
Section 9(1A) LTMA funding to support the regulatory function	4	0	0
Other revenue	0	0	1
<b>Total operating revenue</b>	<b>76</b>	<b>78</b>	<b>68</b>
<b>Operating expenses</b>			
Drug and alcohol assessments	0	1	0
Equitable access to driver licences	1	4	0
Ministerial advice and official correspondence	1	0	1
Palmerston North building operating expenses	1	2	1
Fees and charges funded activities	64	64	78
Other	0	0	5
<b>Total operating expenses</b>	<b>67</b>	<b>71</b>	<b>85</b>
<b>Surplus/(deficit)</b>	<b>9</b>	<b>7</b>	<b>(17)</b>

## Vehicle safety and certification

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (protection of core regulatory functions)	0	0	2
Fees and charges	75	63	68
<b>Total operating revenue</b>	<b>75</b>	<b>63</b>	<b>70</b>
<b>Operating expenses</b>			
Fees and charges funded activities	81	85	66
<b>Total operating expenses</b>	<b>81</b>	<b>85</b>	<b>66</b>
<b>Surplus/(deficit)</b>	<b>(6)</b>	<b>(22)</b>	<b>4</b>

## Regulation of commercial transport operators

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (protection of core regulatory functions)	0	0	1
Fees and charges	13	10	11
<b>Total operating revenue</b>	<b>13</b>	<b>10</b>	<b>12</b>
<b>Operating expenses</b>			
Fees and charges funded activities	12	13	12
<b>Total operating expenses</b>	<b>12</b>	<b>13</b>	<b>12</b>
<b>Surplus/(deficit)</b>	<b>1</b>	<b>(3)</b>	<b>0</b>

## Low emission vehicles

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Operating revenue</b>			
Crown (grant clean vehicle rebates)	167	166	111
Crown (clean vehicle discount fees)	175	0	15
Crown (clean vehicle discount administration)	5	8	0
Crown (clean car standard administration)	11	12	2
Crown (clean car upgrade)	1	0	0
Crown (social leasing scheme trial)	1	0	0
<b>Total operating revenue</b>	<b>360</b>	<b>186</b>	<b>128</b>
<b>Operating expenses</b>			
Clean vehicle discount rebates	342	166	121
Clean car standard	11	12	2
Clean car upgrade	1	0	0
Social leasing scheme trial	1	0	0
Transport Agency operating activities	5	8	5
<b>Total operating expenses</b>	<b>360</b>	<b>186</b>	<b>128</b>
<b>Surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital funding</b>			
Clean vehicle discount	0	0	3
Clean car standard	11	7	4
<b>Total capital funding</b>	<b>11</b>	<b>0</b>	<b>7</b>

	Actual 2022/23 \$M	Budget 2022/23 \$M	Actual 2021/22 \$M
<b>Capital expenditure</b>			
Capital investment - clean vehicle discount	0	0	2
Capital investment - clean car standard	11	7	4
<b>Total capital expenditure</b>	<b>11</b>	<b>0</b>	<b>6</b>
<b>Net capital movement</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total movement</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total operating and capital expenditure</b>	<b>371</b>	<b>193</b>	<b>134</b>



# 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 2023**

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 92 to 131, that comprise the statement of financial position as at 30 June 2023, 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 86.

In our opinion:

- the financial statements of Waka Kotahi on pages 92 to 131:
  - 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 performance information on pages 28 to 86:
  - presents fairly, in all material respects, the performance of Waka Kotahi 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.

### **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.

### **Emphasis of matter - Inherent uncertainties in the measurement of greenhouse gas emissions**

Waka Kotahi has chosen to include a measure of greenhouse gas (GHG) emissions from the land transport system in its performance information. Without further modifying our opinion and considering the public interest in climate change related information, we draw attention to the narrative accompanying the ENV1 measure on page 43 of the annual report, which outlines the methodology for reporting the GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

## **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 responsible for the other information. The other information comprises the information included on pages 3 to 27, 28 to 86 (excluding system outcomes and results measures), 132 to 154, and 164 to 218, 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 an other assurance-type engagement over the application of the Scrutiny Principle, which is compatible with those independence requirements. Other than the audit and that engagement, we have no relationship with or interests in Waka Kotahi.



Ed Loudon  
KPMG Wellington  
On behalf of the Auditor-General  
29 September 2023

# 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 2023**

### **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 2022 to 30 June 2023;
- the description does not fairly present the systems and procedures as designed, throughout the period 1 July 2022 to 30 June 2023; and
- the controls, necessary to achieve the control objective, did not operate effectively as designed, throughout the period from 1 July 2022 to 30 June 2023.

## 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 2022 to 30 June 2023, 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 164 to 166 (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 page 161 to 163, 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. 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 Loudon  
KPMG Wellington  
On behalf of the Auditor-General  
29 September 2023

# 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 2023 across all funding applications:

- all funding applications are managed in Transport Investment Online;
- all new funding applications are supported by a business case (or equivalent) 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.
- a business case and funding decisions committee, also referred to as the Value Outcomes Scope (VOS) Committee, considers all significant funding applications, both from Waka Kotahi and approved organisations. There is representation from Waka Kotahi 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

The post approval review covering the annual period ending 30 June 2023 identified some inconsistencies in the documentation and recording of information supporting investment decisions. 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 2023. We have a continuous improvements programme underway aimed at addressing these issues to ensure that processes are completed correctly.

## Additional information

We publish our detailed approach to giving effect to the scrutiny principle on our website.<sup>6</sup> 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 Board<sup>7</sup> and lists all decisions delegated to Waka Kotahi staff<sup>8</sup> since 1 August 2008.<sup>9</sup> Both pages are updated regularly once the Board's decisions have been confirmed

## Insurance and indemnities

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 Waka Kotahi 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.

<sup>6</sup> <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/202124-nltp/202124-nltp-principles-and-policies/assessment/scrutiny-and-transparency-policy/>

<sup>7</sup> <https://www.nzta.govt.nz/planning-and-investment/funding-and-investing/investment-decisions/board-decisions/>

<sup>8</sup> <https://www.nzta.govt.nz/planning-and-investment/funding-and-investing/investment-decisions/delegated-decisions/>

<sup>9</sup> The prescribed date in the Land Transport Management Act 2003 for reporting on these decisions is 1 October 2008.