

Financial statements and audit reports



Statement of responsibility

Under the Land Transport Management Act 2003, the Waka Kotahi NZ Transport Agency Board (the Board) is responsible for the preparation of the National Land Transport Fund financial statements and statement of performance, and for the judgements made in them.

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

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

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2020.

Signed on behalf of the Board:



Sir Brian Roche

Chair
18 September 2020



Cassandra Crowley

Chair of the Risk and
Assurance Committee
18 September 2020

Countersigned by:



Nicole Rosie

Chief Executive
18 September 2020



Howard Cattermole

Chief Financial Officer
18 September 2020

Financial statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
Revenue inflows*				
Land transport revenue	3	3,790.2	4,077.9	3,854.4
Management of Crown land		22.3	51.0	53.9
Tolling revenue		11.1	10.5	11.3
Interest revenue		3.7	9.0	9.9
Total revenue inflows	2	3,827.3	4,148.4	3,929.5
Outflows				
National Land Transport Programme (NLTP)		3,695.8	3,987.5	3,680.9
Road Policing Programme		362.0	352.1	337.5
Fuel excise duty/road user charges administration		4.8	5.0	4.9
Forecasting and strategy		3.6	1.0	1.0
Total outflows	2	4,066.2	4,345.6	4,024.3
Surplus/(deficit) from current National Land Transport Fund (NLTF) balance		(238.9)	(197.2)	(94.8)
Fair value gain on long-term payables		1.1	8.0	2.8
NLTP expenditure to be funded long-term		(1,197.1)	(495.3)	(670.9)
Finance charges		(8.1)	(8.6)	(7.7)
Deficit to be funded from future NLTF revenue	2	(1,204.1)	(495.9)	(675.8)
Surplus/(deficit)		(1,443.0)	(693.1)	(770.6)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
Assets				
Cash and cash equivalents	6	155.9	89.6	419.0
Receivables	3/6	223.1	321.7	257.2
Prepayments		22.6	0.0	0.0
Total assets		401.6	411.3	676.2
Liabilities				
Payables	4/6	3,727.3	3,062.4	2,558.9
Total liabilities		3,727.3	3,062.4	2,558.9
Net assets		(3,325.7)	(2,651.1)	(1,882.7)
General funds		(3,325.7)	(2,651.1)	(1,882.7)
General funds closing balance *	7	(3,325.7)	(2,651.1)	(1,882.7)

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

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
General funds opening balance			
General funds - current	340.5	59.7	435.3
General funds - long-term	(2,223.2)	(2,017.7)	(1,547.4)
Total general funds opening balance	(1,882.7)	(1,958.0)	(1,112.1)
Changes in general funds balance			
Surplus/(deficit) from current NLTF balance	(238.9)	(197.2)	(94.8)
Surplus/(deficit) to be funded from future NLTF revenue	(1,204.1)	(495.9)	(675.8)
Total changes in general funds balance	(1,443.0)	(693.1)	(770.6)
General funds closing balance			
General funds - current	101.6	(137.5)	340.5
General funds - long-term	(3,427.3)	(2,513.6)	(2,223.2)
Total general funds closing balance *	(3,325.7)	(2,651.1)	(1,882.7)

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

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
Cash flows from operating activities			
Receipts from land transport revenue	3,861.4	4,096.5	3,943.8
Payments to suppliers	(4,124.5)	(4,363.8)	(4,040.3)
Net cash from operating activities	(263.1)	(267.3)	(96.5)
Net increase/(decrease) in amounts held by the Crown	(263.1)	(267.3)	(96.5)
Amounts held by the Crown at the beginning of the year	419.0	356.9	515.5
Amounts held by the crown at the end of the year *	155.9	89.6	419.0

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

RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
Net surplus/(deficit) after tax	(1,443.0)	(693.1)	(770.6)
Add/(less) movements in working capital items:			
(Increase)/decrease in receivables	11.5	(51.9)	14.3
Increase/(decrease) in payables	1,168.4	477.7	659.8
Net movements in working capital items	1,179.9	425.8	674.1
Net cash from operating activities	(263.1)	(267.3)	(96.5)

Notes to the financial statements

1 ENTITY INFORMATION

REPORTING ENTITY

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

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

The National Land Transport Fund is used to manage the funding of the:

- National Land Transport Programme for:
 - activities delivered by approved organisations
 - state highway, rapid transit and walking and cycling activities
 - other Waka Kotahi activities, such as transport planning and sector research.
- New Zealand Police Road Policing Programme
- the Ministry of Transport – for forecasting and strategy.

The National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The National Land Transport Fund, being a notional entity, does not hold any physical assets.

The National Land Transport Fund does not have any employees.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2020 and were approved by the board on 18 September 2020.

BASIS OF PREPARATION

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

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

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. Further details on the use of the going concern assumption are provided in note 7 and note 11.

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

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

An assessment of the impact of COVID-19 on the National Land Transport Fund's financial performance and financial position is set out below.

Statement of comprehensive revenue and expense item	COVID-19 Assessment	Note
Land transport revenue	There have been significant reductions in fuel excise duty and road user charges revenue against budget due to the COVID-19 lockdown.	3
National Land Transport Programme (NLTP) funded by current general funds	COVID-19 related expenditure has generally been funded by the Crown or borrowing facilities, except for additional public transport costs in 2019/20 that have been funded by the National Land Transport Fund. Repayment of the borrowing facilities will be funded by long-term general funds in the National Land Transport Fund (see Payables).	
National Land Transport Programme expenditure to be funded long-term	Long-term general funds recognises the obligations of the National Land Transport Fund to fund expenditure from future revenue. Expenditure to be funded long-term has increased due to increases in the interest rate swaps net liability and drawdown of borrowing facilities for COVID-19 related expenditure.	
Statement of financial position item	COVID-19 Assessment	Note
Cash and cash equivalents	There has been a reduction in cash due to increased costs and reduced revenue. Some costs have been met by the National Land Transport Fund but are expected to be recovered from the Crown in 2020/21 to enable Waka Kotahi to continue its planned programme of work in the current National Land Transport Programme.	
Receivables	There has been an immaterial increase in bad debts provisions due to COVID-19.	3
Payables	Payables have increased to reflect the additional costs associated with COVID-19 and the increases in debt and debt-related instruments that will be repaid from future National Land Transport Fund revenues.	4

Budget figures

The budget figures are derived from the *Statement of performance expectations 2019/20* as approved by the board on 20 June 2019. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited.

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

Taxes

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

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

Accounting standards issued and not yet effective

The National Land Transport Fund financial statements have adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory from 1 July 2019.

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STATEMENT OF INFLOWS, OUTFLOWS AND CAPITAL EXPENDITURE INCLUDING THE PREVIOUS TWO FINANCIAL YEARS

	Actual 2019/20 \$M	Actual 2018/19 \$M	Actual 2017/18 \$M
Revenue inflows			
Land transport revenue	3,790.2	3,854.4	3,657.6
Management of Crown land	22.3	53.9	53.5
Tolling revenue	11.1	11.3	10.2
Interest revenue	3.7	9.9	11.7
Total revenue inflows	3,827.3	3,929.5	3,733.0
Outflows			
National Land Transport Programme (NLTP)	3,695.8	3,680.9	3,435.1
Road Policing Programme	362.0	337.5	333.0
Fuel excise duty/road user charges administration	4.8	4.9	5.2
Forecasting and strategy	3.6	1.0	0.9
Total outflows	4,066.2	4,024.3	3,774.2
Surplus/(deficit) from current National Land Transport Fund (NLTF) balance	(238.9)	(94.8)	(41.2)
Fair value gain on long-term payables	1.1	2.8	19.6
NLTP expenditure to be funded long-term	(1,197.1)	(670.9)	(557.3)
Finance charges	(8.1)	(7.7)	(5.7)
Deficit to be funded from future NLTF revenue	(1,204.1)	(675.8)	(543.4)
Surplus/(deficit)	(1,443.0)	(770.6)	(584.6)

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

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

Revenue inflows

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

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

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

Outflows

The National Land Transport Fund accounts for the flow of funds to:

- Waka Kotahi – for the funding of the National Land Transport Programme, and administration of fuel excise duty and road user charges
- New Zealand Police – which provides the Road Policing Programme
- the Ministry of Transport – for forecasting and strategy.

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

The various activities are outlined in section B detailed results, pages 263–301.

Explanations of major variances against budget

Revenue inflows

Land transport revenue was \$3,790.2 million, \$287.7 million (seven percent) below budget of \$4,077.9 million mainly due to lower fuel excise duty and road user charges revenue, due to the COVID-19 lockdown.

Outflows

National Land Transport Programme was \$3,695.8 million, \$291.7 million (seven percent) below budget of \$3,987.5 million. This was due to lower than planned payments to approved organisations and lower than budgeted spend across state highway improvements, public transport and rapid transit. As detailed in the statement of performance, \$575.0 million of expenditure was financed by borrowing facilities. This was offset by funding of unbudgeted pre-COVID-19 settlements relating to the two public-private partnerships (\$273.6 million).

National Land Transport Programme expenditure to be funded long-term was \$1,197.1 million, \$701.8 million (142 percent) above budget of \$495.3 million. This balance reflects the expenditure on the Auckland Transport Package, public-private partnerships, Housing Infrastructure Fund, fair value changes of financial instruments, and expenditure that is financed by borrowing facilities. The most significant variance to budget relates to movements in the fair value of financial instruments (interest rate swaps) associated with the public-private partnerships of \$269.1 million and expenditure due to COVID-19 that is financed by borrowing facilities.

3 LAND TRANSPORT REVENUE AND RECEIVABLES

	Actual 2019/20 \$M	Actual 2018/19 \$M
Revenue		
Fuel excise duty	1,936.0	2,040.2
Road user charges	1,773.2	1,726.9
Motor vehicle registration and annual licensing fees	226.5	227.7
Total revenue	3,935.7	3,994.8
Less refunds		
Fuel excise duty	73.7	71.1
Road user charges	57.1	54.3
Motor vehicle registration and annual licensing fees	0.9	1.0
Total refunds	131.7	126.4
Less bad debt write-off	13.8	14.0
Total land transport revenue	3,790.2	3,854.4

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$14.4 million (2018/19: \$13.0 million).

Receivables (included in the statement of financial position)

	Actual 2019/20 \$M	Actual 2018/19 \$M
Debtors - fuel excise duty	192.7	238.2
Debtors - motor vehicle register/road user charges	59.9	42.0
Provision for doubtful debt	(29.5)	(23.0)
Total receivables	223.1	257.2

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

Debtors - motor vehicle register/road user charges

The provision for doubtful debt relates to Debtors - motor vehicle register/road user charges, the ECLs are \$29.5 million (2018/19: \$23.0 million). The National Land Transport Fund applies the simplified approach and recognises lifetime ECLs for these debtors. Lifetime ECLs recognise all possible default events over the expected life of the receivable. The ECLs were calculated in two groups, motor vehicle register debtors and road user charges debtors, to reflect the differences in collection and default rate history.

There have been no changes to the estimation techniques or assumptions used in calculating the lifetime ECLs during 2019/20.

The movement in ECLs for the year are shown in the table below.

	Lifetime ECL - debtors - motor vehicle register/road user charges 2019/20 \$M	Lifetime ECL - debtors - motor vehicle register/road user charges 2018/19 \$M
Opening balance as at 1 July	23.0	16.1
Impairment expensed	20.3	20.9
Amounts written-off	(13.8)	(14.0)
Closing balance as at 30 June	29.5	23.0

Receivables are written-off when they are deemed uncollectable. The total receivables written-off during the year amounted to \$13.8 million (2018/19: \$14.0 million). Of the receivables written-off none were still subject to enforcement activities.

Debtors - fuel excise duty

There was no indication that Debtors - fuel excise duty are impaired as at 30 June 2020.

4 PAYABLES

	Actual 2019/20 \$M	Actual 2018/19 \$M
Current payable to Waka Kotahi - current balance	299.9	335.7
Current payable to Waka Kotahi - to be funded from future revenue	241.0	15.0
Non-current payable to Waka Kotahi - to be funded from future revenue	3,186.4	2,208.2
Total payables	3,727.3	2,558.9

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

Current payable to Waka Kotahi - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled within 1 year. Therefore, the carrying value approximates fair value.

Non-current payable to Waka Kotahi - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled between 1 year and 30 years.

Non-interest bearing non-current payables are discounted to present value as at 30 June 2020.

5 PLANNED OUTFLOWS

The planned aggregate funding outflows, including both committed and probable outflows, for the National Land Transport Fund are as follows.

	Actual 2019/20 \$M	Actual 2018/19 \$M
Not later than one year	3,938.0	4,306.0
Later than one year and not later than five years	3,138.1	4,280.0
Later than five years	6,467.6	6,300.0
Total planned outflows	13,543.7	14,886.0

6 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

	Actual 2019/20 \$M	Actual 2018/19 \$M
Financial assets measured at amortised cost		
Cash and cash equivalents	155.9	419.0
Receivables	223.1	257.2
Total financial assets measured at amortised cost	379.0	676.2
Financial liabilities measured at amortised cost		
Payables	3,727.3	2,558.9
Total financial liabilities measured at amortised cost	3,727.3	2,558.9

Financial risks

The National Land Transport Fund's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The National Land Transport Fund has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments.

Market risk

The National Land Transport Fund's exposure to the risk of changes in market rates relates primarily to interest rates on long-term debt held by Waka Kotahi. The National Land Transport Fund has the obligation to fund Waka Kotahi long-term debt repayments, so is exposed to the underlying interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Credit risk

Credit risk is the risk that a third party will default on its obligation to the National Land Transport Fund, causing the National Land Transport Fund to incur a loss. In the normal course of business, the National Land Transport Fund is exposed to credit risk from debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Credit quality of financial assets

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

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the National Land Transport Fund will encounter difficulty raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. The National Land Transport Fund manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Refer to note 5 for future outflows of National Land Transport Fund. The Board actively considers the National Land Transport Fund revenue forecast when planning the National Land Transport Programme to ensure the liquidity of the National Land Transport Fund is maintained.

Contractual maturity analysis of financial liabilities

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

	2019/20			
	Less than 1 year \$M	1-2 years \$M	2-5 years \$M	Over 5 years \$M
Payables	731.3	173.7	886.1	3,516.7
	2018/19			
	Less than 1 year \$M	1-2 years \$M	2-5 years \$M	Over 5 years \$M
Payables	356.0	243.0	661.0	2,670.0

7 GENERAL FUNDS AND CAPITAL MANAGEMENT

	Actual 2019/20 \$M	Actual 2018/19 \$M
General funds – current	101.6	340.5
Total general funds – current	101.6	340.5
National Land Transport Programme to be funded long-term		
Auckland Transport Package	(355.0)	(370.0)
Housing Infrastructure Fund	(14.1)	(3.0)
Public-private partnerships*	(2,407.3)	(1,783.5)
NLTF borrowing facility for short-term advances	(250.0)	0.0
COVID-19 NLTF borrowing facility**	(325.0)	0.0
Tauranga Eastern Link	(107.0)	(107.0)
Fair value changes in financial instruments	31.1	40.3
Total general funds – non-current	(3,427.3)	(2,223.2)
Total general funds closing balance	(3,325.7)	(1,882.7)

* Included related interest rate swaps

** Reflects total expenditure that is financed by the COVID-19 National Land Transport Fund borrowing facility at 30 June 2020, which comprises of \$125 million drawn down in June and \$200 million drawn down in July 2020 to meet creditor payments accrued in June but paid in July. The repayment of the debt will be funded through future National Land Transport Fund revenue and will be recognised as a reduction against the general fund current balance.

The National Land Transport Fund has a negative general funds balance due to programmes that were accelerated and debt funding sourced from the Crown. The funding received has been recognised as long-term payables that are not due until 1 year to 30 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the Waka Kotahi Board considers the going concern assumption valid because:

- the Fund's liquidity is actively managed
- the Fund has a positive cash balance of \$155.9 million as at 30 June 2020 (2018/19: \$419.0 million)
- the Fund's forecasts demonstrate its ability to repay its obligations when they fall due
- the Fund's main revenue source is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years and is forecast to be sufficient to meet all future outgoings and commitments

- the Fund has the option to slow expenditure on the National Land Transport Programme
- the Fund has the option to utilise the short-term borrowing facility of \$75 million to cover any revenue or expenditure shocks, or utilise the short-term borrowing facility of \$175 million to meet seasonal cash-flow cycles, note both of these were fully drawn at 30 June 2020. The repayment of these facilities has been included in the Fund's forecasts
- the government approved an additional \$425 million COVID-19 borrowing facility for Waka Kotahi during 2019/20, \$125 million of this was drawn at 30 June 2020, with a further \$200 million drawn down in July 2020
- in July 2020 the government approved additional funding up to \$600 million and signaled its intention to allow Waka Kotahi to raise additional financing up to \$300 million to manage ongoing COVID-19 impacts, to continue financial support for public transport and to allow the delivery of the remainder of the 2018–21 National Land Transport Programme
- the government has provided financial support to meet the additional costs associated with the COVID-19 claims from the two Waka Kotahi public-private partnership contracts
- the scenario analysis of possible fiscal impacts resulting from the post balance date COVID-19 Alert Level 3 restrictions in Auckland shows that there is still sufficient funding and financing to allow the delivery of the remainder of the 2018–21 National Land Transport Programme in most reasonable scenarios
- a debt management framework is in place to determine a sustainable and efficient level of future liabilities and is based on the expected level of Fund inflows and forward commitments and comprises measures and target operating ranges to guide decision making.

In the event of future extended lockdown periods, further financing or funding and/or reduction in expenditure may be required in order to prudently manage the National Land Transport Fund. The Waka Kotahi Board believes the above facilities and management programmes provide sufficient headroom that any such additional support can be procured in advance of being required.

The cost of financing will be met from future inflows into the National Land Transport Fund. The Waka Kotahi Board actively manages the forward work programme of Waka Kotahi, within Government Policy Statement on land transport parameters, to manage the liquidity of the National Land Transport Fund and it remains the Board's view that under present economic settings the National Land Transport Fund continues to be able to fund repayment of financing and continue to meet the Waka Kotahi forward work programme.

Capital management

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

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

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

Waka Kotahi has policies in place to ensure the viability of the long-term position of the National Land Transport Fund as well as ensuring the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

8 RELATED PARTY TRANSACTIONS

The National Land Transport Fund is a wholly owned entity of the Crown

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

9 CONTINGENCIES

The National Land Transport Fund has no contingent liabilities or assets (2018/19: \$nil).

The National Land Transport Fund may have exposure to those contingent liabilities of Waka Kotahi arising from the delivery of the National Land Transport Programme.

10 COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act 2008 requires disclosure of expenditure incurred from the 2008/09 financial year to date, in fulfilling the Crown's commitment to certain specified activities as per the Act.

	LTMA Commitment \$M	Total expenditure to 30 June 2020 \$M
Wellington land transport (Western Corridor)	625.0	379.2
Bay of Plenty	135.0	134.2
Total	760.0	513.4

All regional commitments were approved for payment from the National Land Transport Fund within the timeframes specified in the Land Transport Management Amendment Act 2008.

Wellington land transport (Western Corridor) relates to improvements in the corridor from Wellington to Kapiti.

Bay of Plenty relates to SH30 Eastern Corridor Improvements and SH30A Urban Revitalisation.

11 EVENTS AFTER THE BALANCE DATE

COVID-19 restrictions

After 102 days free of community transmission, COVID-19 cases were found outside a managed isolation or quarantine facility. As a result, the New Zealand Government announced on 11 August 2020 that Auckland was to move to Alert Level 3 restrictions and the rest of the country was to move to Alert Level 2. These restrictions are likely to have a material fiscal impact on the National Land Transport Fund position due to reduced revenue and increased costs from COVID-19 related claims from approved organisations, roading contractors and public-private partnership operators. Waka Kotahi has determined that the restrictions imposed from 11 August 2020 are a non-adjusting post balance date event, and therefore no adjustments have been made in the financial statements for this event.

COVID-19 National Land Transport Fund funding for cost pressures and revenue shocks

In July 2020, the Crown approved additional funding of \$600 million to manage ongoing revenue shock and cost pressure on the National Land Transport Fund as a result of COVID-19. The National Land Transport Fund provides the main source of revenue for Waka Kotahi. The Crown also signaled its intention to allow Waka Kotahi to raise additional financing of up to \$300 million to enable delivery of the National Land Transport Programme, subject to joint minister (Minister of Finance and Minister of Transport) approval.

Statement of performance

OUTPUT CLASS FUNDING TO WAKA KOTAHI

	Actual 2019/20 \$M	Budget 2019/20 \$M	Actual 2018/19 \$M
Investment management	80.7	70.7	60.1
Public transport	607.1	592.0	509.8
Walking and cycling	70.5	104.5	57.3
Road safety promotion and demand management	48.1	55.9	44.7
Local road improvements	245.5	272.0	225.7
Local road maintenance	584.5	666.0	677.0
Regional improvements	96.7	134.0	138.5
State highway improvements	1,296.8	1,101.9	1,231.2
State highway maintenance	569.0	653.5	707.5
Rapid transit	32.3	180.0	9.9
Transitional rail	64.6	157.0	19.2
Funding to Waka Kotahi - current	3,695.8	3,987.5	3,680.9
Road policing	362.0	352.1	337.5
Total output class funding	4,057.8	4,339.6	4,018.4
Auckland Transport Package	(15.0)	(15.0)	12.5
Housing Infrastructure Fund	11.1	41.0	3.0
Public-private partnerships	629.2	471.0	724.3
Reinstatement of earthquake-damaged roads in Christchurch	0.0	0.0	(23.6)
NLTF borrowing facility for shocks/seasonal costs	250.0	0.0	0.0
COVID-19 National Land Transport Fund borrowing facility	325.0	0.0	0.0
Fair value changes in financial instruments to surplus or deficit	(3.2)	(1.7)	(45.3)
Total output class funding (long-term)	1,197.1	495.3	670.9

The output class funding (current) above is net of borrowing used to finance activities carried out by Waka Kotahi.

During the year Waka Kotahi used \$175.0 million in borrowing that is due to be repaid within one year; \$75.0 million in borrowing that is due to be repaid within three years, and \$125.0 million from a \$425.0 million facility due to be repaid in seven years. A further \$200.0 million of the \$425.0 million facility was drawn down in July 2020 to finance June 2020 creditor payments made in July (\$325.0 million of the \$425.0 million facility has now been used). All of these borrowings will ultimately be repaid from the National Land Transport Fund and will appear in the output class funding (current) on repayment. The same accounting treatment applies to Auckland Transport Package, Housing Infrastructure Fund, and public-private partnerships.

The borrowings have been apportioned across output classes per the table below.

OUTPUT CLASS	\$175.0 million borrowing facility \$M	\$75.0 million borrowing facility \$M	\$325.0 million borrowing facility \$M	TOTAL \$M
State highway improvements	62.8	26.0	158.3	247.1
State highway maintenance	35.3	49.0	88.9	173.2
Public transport	31.0	0.0	77.8	108.8
Local road maintenance	33.2	0.0	0.0	33.2
Local road improvements	12.7	0.0	0.0	12.7
Total apportionment	175.0	75.0	325.0	575.0

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Local road maintenance was \$81.5 million (12 percent) below budget. The underspend was primarily due to lower expenditure in April and May as a result of the COVID-19 lockdown.

State highway improvements were \$194.9 million (18 percent) above budget. This is due to pre-COVID-19 settlements for claims made in relation to the Transmission Gully public-private partnership (\$190.6 million) and Pūhoi to Warkworth public-private partnership (\$83.0 million). There was \$247.1 million of state highway improvements spend which was financed by borrowing facilities and therefore does not appear in the state highway improvements class until repayment occurs. A note showing the spend by Waka Kotahi that was financed by the Crown via borrowing is shown in the Waka Kotahi annual report, output class income and expenditure summary.

State highway maintenance was \$84.5 million (13 percent) below budget. This was because \$173.2 million of the spend was financed by borrowing facilities rather than being funded through the National Land Transport Fund. Without financing, the spend would have exceeded budget due to higher emergency works costs, increased growth in the network, and increases in contract prices.

Rapid transit was \$147.7 million (82 percent) below budget. The underspend is a result of delays to allow for an evaluation process by the Ministry of Transport of an unsolicited bid from NZ Super Fund on the Auckland Light Rail project, alongside the proposal developed by Waka Kotahi.

Transitional rail was \$92.4 million (59 percent) below budget. This was a new output class in the 2018–21 National Land Transport Programme. Expenditure to date has been lower than budget due to project delays. In addition, some of the projects that were intended to be funded from this output class are now to be funded by the Crown as part of the New Zealand Upgrade Programme.

Public-private partnerships were \$158.2 million (34 percent) above budget as a result of the fair value movements of related financial instruments.

Independent auditor's report



TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited:

- the financial statements of the NLTF on pages 327 to 341, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in general funds balance and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 263 to 301.

In our opinion:

- the financial statements of the NLTF on pages 327 to 341:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 263 to 301:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2020, 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 18 September 2020. 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 – Impact of Covid-19

Without modifying our opinion, we draw your attention to the disclosures about the impact of Covid-19 on the NLTF as set out in note 1 to the financial statements.

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

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

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

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

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

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

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



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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the NLTF's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NLTF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NLTF to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.



Other information

The Board is responsible for the other information. The other information comprises the information included on pages 252 to 263, 264 to 301 (excluding service delivery and investment performance measures), 302 to 326, and 342 to 343 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

A handwritten signature in black ink, appearing to read 'Ed Loudon', with a long, sweeping flourish extending to the right.

Ed Loudon

KPMG Wellington

On behalf of the Auditor-General
Wellington, New Zealand

