

Ngā tauākī pūtea me ngā pūrongo ōtita

Financial
statements
and audit
reports



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.

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 2022.

Signed on behalf of the Board:



Sir Brian Roche

Chair

30 September 2022



Cassandra Crowley

Chair of the Risk and Assurance Committee

30 September 2022

Countersigned by:



Nicole Rosie

Chief Executive

30 September 2022



Howard Cattermole

Chief Financial Officer

30 September 2022

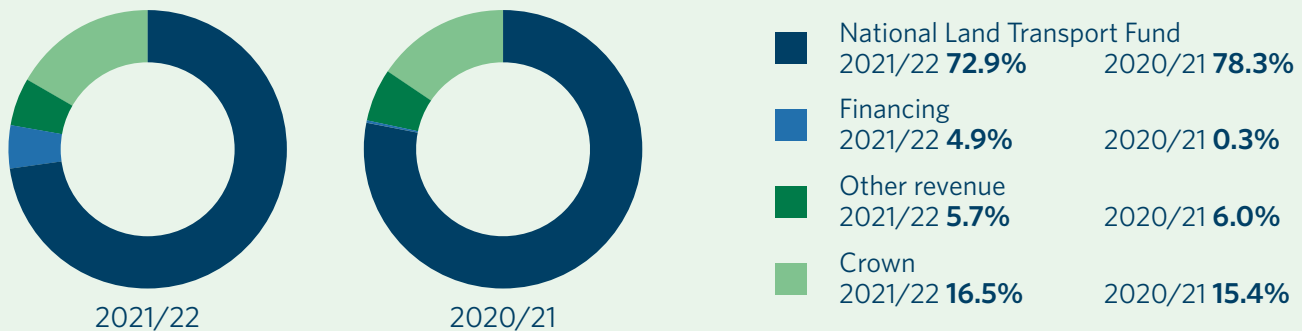
Highlights from our financial statements (unaudited)

Most of Waka Kotahi NZ Transport Agency's income is from the National Land Transport Fund (NLDF). We also receive revenue from the Crown to support our objectives and for specific projects. Most of the Crown revenue funding was for the New Zealand Upgrade Programme and payment of clean vehicle discount rebates. Other revenue comes from licensing and regulatory activities.

\$4.8 billion
total funding
received

(2020/21: \$4.8 billion)

Funding received by source

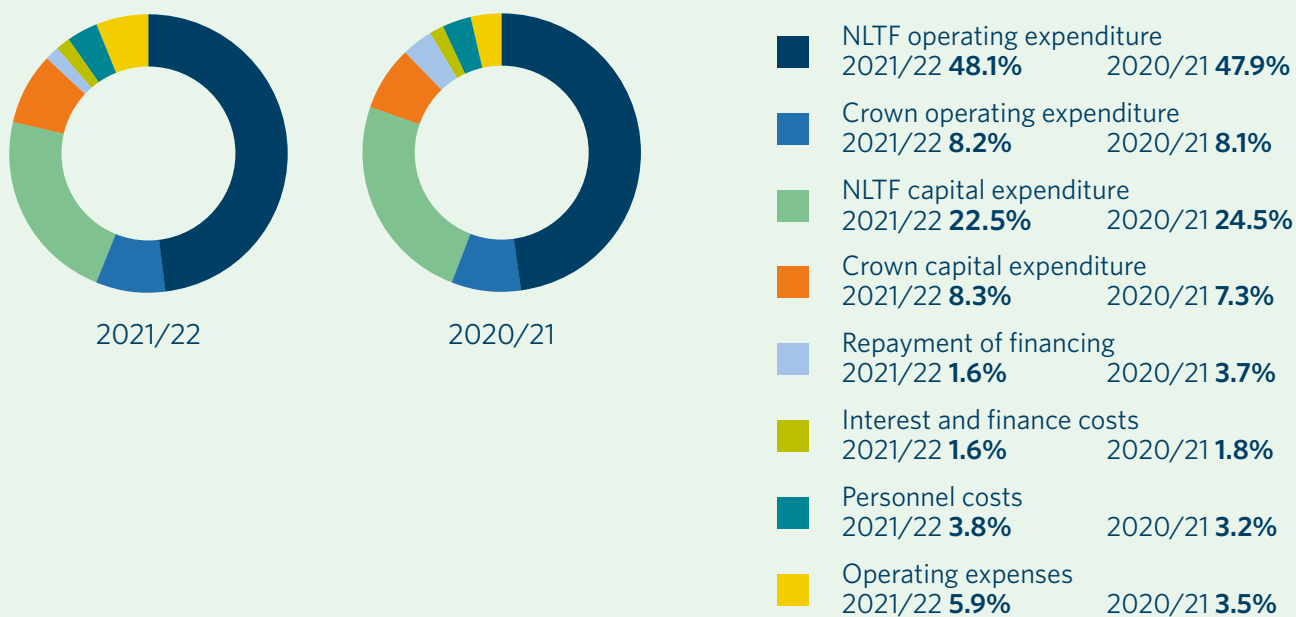


Our expenses are guided by the Government Policy Statement on land transport and the priorities identified in our *2021-2026 statement of intent*. In 2021/22, over half (57 percent) of our expenses directly related to NLTP operating expenses we provided to approved organisations, activities funded from the Crown, and maintenance and operation of the state highway network. NLTP capital expenses comprised 31 percent of our annual expenditure, which included 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 12 percent of the annual expenditure.

\$4.7 billion
total funding
spent

(2020/21: \$4.8 billion)

Funding spent by type



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 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Total assets	79,340	66,017	65,220
Less total liabilities	3,849	4,237	4,026
Net assets/equity at end of year	75,491	61,780	61,194

Our statement of financial position reflects the significant value held in the state highway network, with \$79.3 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 the state highway land corridor value; increases in base unit rates for pavements, bridges and drainage construction; and capital expenditure.

\$75.5 billion
net assets/
equity

(2020/21: \$61.2 billion)

Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2022

	Note	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Revenue				
Operating funding from the National Land Transport Fund	2	3,332	3,270	3,163
Operating funding from the Crown	2	394	110	386
Revenue from other activities	2/3	272	207	283
Total revenue		3,998	3,587	3,832
Expense				
Land transport funding		2,707	2,253	2,777
Employee costs	7	182	164	154
Operating expenses	8	158	187	167
Clean vehicle discount rebates	8	121	0	0
Interest and finance costs	11	73	61	87
Depreciation, amortisation and state highway write-off	4	749	598	647
Assets vested to local authorities	4	2	339	2
Total expense	2	3,992	3,602	3,834
Surplus/(deficit)		6	(15)	(2)
Other comprehensive revenue and expense				
Gain/(loss) state highway network revaluations	4	13,253	1,500	5,794
Net movement in cash flow hedges	11	332	(11)	265
Total other comprehensive revenue and expense		13,585	1,489	6,059
Total comprehensive revenue and expense		13,591	1,474	6,057

Statement of financial position as at 30 June 2022

	Note	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Assets				
Cash and cash equivalents		180	50	170
Debtor Crown		180	53	185
Receivables and other assets		124	155	170
Debtor National Land Transport Fund		310	317	293
Debtor National Land Transport Fund - debt related*		3,033	3,706	3,163
Property assets held for sale	4	32	36	27
Public-private partnership assets	5	980	0	2,156
Property, plant, equipment and intangible assets		80	96	70
State highway network	4	74,421	61,604	58,986
Total assets		79,340	66,017	65,220
Liabilities				
Payables	8	678	447	731
Employee entitlements	7	32	26	26
Provisions	10	46	2	66
Derivative financial liability	11	131	626	478
Borrowing and other liabilities	11	1,063	1,180	883
Public-private partnership liabilities	5	1,899	1,956	1,842
Total liabilities		3,849	4,237	4,026
Net assets		75,491	61,780	61,194
Equity				
Contributed capital		0	0	0
Retained funds		(23)	(43)	(17)
Equity derived from the state highway network		75,578	62,361	61,607
Cash flow hedge reserve	11	(64)	(538)	(396)
Total equity		75,491	61,780	61,194

*Including \$75 million of current debtors related to private-public partnerships unitary charges

Statement of changes in equity for the year ended 30 June 2022

	General funds \$M	Retained funds \$M	Memorandum accounts \$M	Equity derived from the state highway network \$M	Cashflow hedge reserve \$M	Total \$M	Budget 2020/21 \$M
Balance at 1 July 2020	0	12	(20)	54,917	(661)	54,248	55,431
Surplus/(deficit)	0	10	(12)	0	0	(2)	(9)
Other comprehensive revenue and expense							
State highway network revaluations	0	0	0	5,794	0	5,794	1,888
Movement in cash flow hedges	0	0	0	0	265	265	21
Total other comprehensive revenue and expense	0	0	0	5,794	265	6,059	1,909
Total comprehensive revenue and expense	0	10	(12)	5,794	265	6,057	1,900
Changes in equity - capital contribution from National Land Transport Fund	0	0	0	889	0	889	1,393
Changes in equity - other adjustments	0	(7)	0	7	0	0	0
Total changes in equity	0	3	(12)	6,690	265	6,946	3,293
Balance at 30 June 2021	0	15	(32)	61,607	(396)	61,194	58,724

Statement of changes in equity for the year ended 30 June 2022 (continued)

	General funds \$M	Retained funds \$M	Memorandum accounts \$M	Equity derived from the state highway network \$M	Cashflow hedge reserve \$M	Total \$M	Budget 2021/22 \$M
Balance at 1 July 2021	0	15	(32)	61,607	(396)	61,194	58,724
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)
Total other comprehensive revenue and expense	0	0	0	13,253	332	13,585	1,489
Total comprehensive revenue and expense	0	15	(9)	13,253	332	13,591	1,474
Changes in equity - capital contribution from the National Land Transport Fund	0	0	0	706	0	706	1,582
Changes in equity - other transfers	0	(12)	0	12	0	0	0
Total changes in equity	0	3	(9)	13,971	332	14,297	3,056
Balance at 30 June 2022	0	18	(41)	75,578	(64)	75,491	61,780

Statement of cash flows for the year ended 30 June 2022

	Actual 2021/22 \$M	Budget 2021/22 \$M	Restated Actual* 2020/21 \$M
Cash flows from operating activities			
Receipts from the National Land Transport Fund	3,162	3,184	3,253
Receipts from the Crown	436	146	311
Receipts from other revenue	283	199	227
Payments to employees	(179)	(159)	(144)
Payments to suppliers	(3,039)	(2,420)	(3,043)
Goods and services tax (net)	2	0	38
Net cash from operating activities	665	950	642
Cash flows from investing activities			
National Land Transport Fund receipts from sale of state highway-held properties	51	4	31
Purchase of property, plant, equipment and intangible assets	(26)	(29)	(18)
Investment in the state highway network	(1,698)	(2,513)	(1,663)
Net cash from investing activities	(1,673)	(2,538)	(1,650)
Cash flows from financing activities			
Capital contribution from the National Land Transport Fund	613	650	697
Capital contribution from the Crown	356	865	365
Receipts from borrowing	445	67	231
Repayment of borrowing	(352)	0	(204)
Interest paid on borrowing	(44)	6	(17)
Net cash from financing activities	1,018	1,588	1,072
Net (decrease)/increase in cash and cash equivalents	10	0	64
Cash and cash equivalents at the beginning of the year	170	50	106
Cash and cash equivalents at the end of the year	180	50	170

* In 2020/21, there is a \$27 million reclassification between investment in the state highway network and repayment of borrowing.

Reconciliation of net surplus to net cash from operating activities

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Surplus/(deficit)	6	(15)	(2)
Add/(deduct) non-cash/non-operating items:			
Depreciation, amortisation and state highway write-off	749	598	647
Losses on disposal of non-financial assets	8	0	13
Net impact of assets vested to/(from) local authorities	2	339	2
Movement in discounting on receivables	(1)	11	21
Interest on borrowings	71	36	32
Movement in discounting on borrowings	2	(7)	(21)
Movement in ineffective portion of cash flow hedge	(15)	6	15
Total non-cash/non-operating items	816	983	709
Add/(deduct) movements in working capital:			
(Increase)/decrease in Debtor National Land Transport Fund and Debtor Crown	(144)	(40)	25
(Increase)/decrease in receivables and other assets	47	(2)	(9)
(Increase)/decrease in prepayments and inventories	0	23	0
Increase/(decrease) in creditors and other payables	(66)	(3)	(85)
Increase/(decrease) in employee entitlements	6	4	4
Net movements in working capital items	(157)	(18)	(65)
Net cash from operating activities	665	950	642

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 2022 and were approved by the Waka Kotahi Board on 30 September 2022.

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).

Certain prior year balances have been reclassified to match current year classifications. These are not material reclassifications and the reasons for the reclassifications are provided in the relevant notes.

Budget figures

The budget figures are derived from the *Statement of performance expectations 2021/22* as approved by the Board on 12 June 2021. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited and certain balances have been reclassified to reflect the actual spend during 2021/22.

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 2022. 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 2021.

PBE IPSAS 41 replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023, with earlier adoption permitted. A detailed assessment of the impact on the financial statements has not been carried out, however the requirements are similar to those contained in PBE IFRS 9.

On 31 August 2020, the New Zealand Accounting Standards Board (NZASB) issued amendments to PBE FRS 48 *Service Performance Reporting* that deferred the effective date from 1 January 2021 until 1 January 2022. PBE FRS 48 aims to establish requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public entities. Waka Kotahi has begun preparing for implementation of this standard. Further information on our preparatory work is found in the output class performance section, page 54.

Critical accounting judgements, estimates and assumptions

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

Waka Kotahi has applied judgement to apportion borrowing between output classes. See debt apportionment table on page 132.

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.

2021/22

	Operating Funding Revenue* Actual 2021/22 \$M	Capital Funding Contribution Actual 2021/22 \$M	Total Funding Actual 2021/22 \$M	Operating Expense Actual 2021/22 \$M	Capital Expense Actual 2021/22 \$M	Total Expense Actual 2021/22 \$M
National Land Transport Fund						
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	809
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
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
Total National Land Transport Fund funding and expense	3,332	364	3,696	3,341	337	3,678
Total Budget***	3,270	972	4,242	3,276	977	4,253
Classified as follows:						
Funding paid to approved organisations				1,785		
Waka Kotahi operating expenditure				1,556		
Total National Land Transport Fund expense				3,341		

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 2021/22 \$M	Capital Funding Contribution Actual 2021/22 \$M	Total Funding Actual 2021/22 \$M	Operating Expense Actual 2021/22 \$M	Capital Expense Actual 2021/22 \$M	Total Expense Actual 2021/22 \$M
Crown						
New Zealand 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
Kaikōura earthquake response	2	0	2	2	0	2
Crown infrastructure partners	0	27	27	0	27	27
Clean vehicle 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
Total Crown funding and expense	394	392	786	388	391	779
Total Budget***	110	863	973	111	863	974
Classified as follows:						
Funding paid to approved organisations				139		
Waka Kotahi operating expenditure				249		
Total Crown expense				388		

	Operating Funding Revenue* Actual 2021/22 \$M	Capital Funding Contribution Actual 2021/22 \$M	Total Funding Actual 2021/22 \$M	Operating Expense Actual 2021/22 \$M	Capital Expense Actual 2021/22 \$M	Total Expense Actual 2021/22 \$M
Total funding and expense from fees, charges and other revenue	272	0	272	263	0	263
Total Budget***	207	0	207	215	0	215
Total revenue and expense	3,998	756	4,754	3,992	728	4,720
Total Budget***	3,587	1,835	5,422	3,602	1,840	5,442

*Funding from borrowing facilities is included within the funding revenue column. The financing component included in 2021/22 is: \$24 million state highway improvements; \$16 million local road maintenance; \$43 million public transport infrastructure; \$2 million public transport services; \$34 million state highway maintenance; \$37 million local road improvements ; \$15 million road to zero and \$30 million walking and cycling improvements.

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

***Budgets by output class are included in the output class income and expenditure statements on page 133-149.

2020/21

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Revenue Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
National Land Transport Fund						
Public-private partnerships	0	205	205	0	205	205
Public-private partnerships - impact of derivative and interest payment funding movements	0	(305)	(305)	0	(305)	(305)
State highway improvements	678	245	923	646	250	896
Local road maintenance	667	0	667	667	0	667
State highway maintenance	545	194	739	579	195	774
Public transport	520	102	622	520	102	622
Local road improvements	255	0	255	255	0	255
Transitional rail	160	0	160	160	0	160
Walking and cycling improvements	111	81	192	111	83	194
Investment management	67	0	67	65	0	65
Regional improvements	63	49	112	63	49	112
Road safety promotion and demand management	55	2	57	56	2	58
Rapid transit	21	0	21	22	0	22
Local road improvements (Housing Infrastructure Fund)	16	0	16	16	0	16
Road user charges collection, investigation and enforcement	4	0	4	4	0	4
Refund of fuel excise duty	1	0	1	1	0	1
Total National Land Transport Fund funding and expense	3,163	573	3,736	3,165	581	3,746
Classified as follows:						
Funding paid to approved organisations				1,869		
Waka Kotahi operating expenditure				1,296		
Total National Land Transport Fund expense				3,165		

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Revenue Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
Crown						
New Zealand Upgrade Programme	0	267	267	0	267	267
COVID-19 related funding - public transport	138	0	138	138	0	138
COVID-19 related funding - public-private partnerships	115	0	115	115	0	115
COVID-19 revenue shock and cost pressure funding - State highway improvements	19	0	19	19	0	19
Return of COVID-19 funding - State highway improvements	0	(20)	(20)	0	(20)	(20)
COVID-19 related funding - state highway maintenance	9	0	9	9	0	9
COVID-19 - protection of core regulatory services**	5	0	5	0	0	0
COVID-19 related funding - other	1	0	1	1	0	1
Local road improvements (Provincial Growth Fund)	46	0	46	46	0	46
New Zealand Upgrade programme - regional	0	33	33	0	33	33
SuperGold card administration and public transport concessions	30	0	30	30	0	30
Accelerated Regional Roding Programme	0	30	30	0	30	30
Regional improvements (Provincial Growth Fund)	0	9	9	0	9	9
Kaikōura earthquake response	7	24	31	7	24	31
Crown infrastructure partners	0	4	4	0	4	4
Investment management (Provincial Growth Fund)	3	0	3	3	0	3
Enhanced road maintenance	2	0	2	2	0	2
Urban Cycleways Programme	1	0	1	1	0	1
Clean vehicle discount	0	0	0	1	0	1
Clean car standard	0	0	0	0	0	0
Other Crown funding and expense	10	0	10	12	0	12
Total Crown funding and expense	386	347	733	384	347	731
Classified as follows:						
Funding paid to approved organisations				219		
Waka Kotahi operating expenditure				165		
Total Crown expense				384		

	Operating Funding Revenue* Actual 2020/21 \$M	Capital Funding Contribution Actual 2020/21 \$M	Total Funding Actual 2020/21 \$M	Operating Expense Actual 2020/21 \$M	Capital Expense Actual 2020/21 \$M	Total Expense Actual 2020/21 \$M
Total funding and expense from fees, charges and other revenue	283	0	283	285	0	285
Total revenue and expense	3,832	921	4,753	3,834	928	4,762

Funding from the National Land Transport Fund and the Crown

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

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

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

Funding from fees, charges and other revenue

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

Land transport funding

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

Explanation of major variances against budget

Operating expense related to the National Land Transport Fund was \$65 million (2 percent) above budget. This is due to higher than budgeted claims from approved organisations for various activity classes including local road maintenance and public transport services.

Operating expense related to the Crown was \$277 million (249 percent) above budget. This was mainly due to payment of clean vehicle discount scheme rebates that were not included in the original budget. Also not in the original budget were additional claims to meet the shortfall in farebox revenue for public transport services during the COVID-19 lockdown and the funding of half price ticketing on public transport.

Capital expense related to the National Land Transport Fund was \$640 million (65 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 and a technical accounting change where state highway renewals in the state highway maintenance output class were funded by inflows that cover depreciation rather than National Land Transport capital funding. The budget had assumed mainly capital funding.

Capital expense related to the Crown was \$472 million (55 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 2021/22 \$M	Actual 2020/21 \$M
Fees and charges		
Motor vehicle licensing fees	48	51
Driver licensing fees	35	38
Driver testing fees	23	29
Road user charges collections	13	13
Certification review fees	11	12
Transport licensing fees	10	10
Standards development fee and certification levies	7	7
Rail licensing fees	2	2
Over dimension and overweight permits	2	1
Border inspection fees	1	1
Total fees and charges	152	164
Recoveries from National Land Transport Programme and other activities*	79	54
Tolling fees and contributions	15	17
Interest and finance income	17	40
Levy on personalised plates for community road safety initiatives	8	6
Administration fee from Accident Compensation Corporation	0	1
Miscellaneous revenue	1	1
Total revenue from other activities	272	283

* Including developer contributions.

4 State highway network

	Actual 2021/22 \$M	Actual 2020/21 \$M
Opening balance	58,986	52,191
Additions	2,982	1,679
Depreciation*	(721)	(608)
Write-offs*	(12)	(25)
Assets vested to local authorities	(2)	(2)
Disposals	(59)	(33)
Revaluation of state highway network	13,324	5,853
Impairment through the revaluation reserve	(71)	(59)
Assets transferred from/ (to) held for sale	(6)	(10)
Closing balance	74,421	58,986

*Depreciation, amortisation and state highway write-off balance in the statement of comprehensive revenue and expense included \$16 million (2020/21: \$14 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 costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential will be realised, and the cost can be measured reliably. Repairs and maintenance costs are expensed during the financial period in which they are incurred.

Valuation

The state highway network (excluding land and formation) is valued using an optimised depreciated replacement cost methodology based on the estimated current cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age, condition and performance of the assets. The estimated current cost is expected to change over time. The land corridor is valued using 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 sub-base component of pavement are non-depreciable asset classes. Qualified independent valuers carry out the valuation along with support from Waka Kotahi as shown in the table below.

State highway network component	Valuer
Existing network assets: Roads (formation and pavement), bridges, culverts and subways, drainage, traffic facilities and other structures	WSP, based on unit rates provided by BondCM**
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 Ltd
Land (corridor)	Internally valued by Waka Kotahi from QV data with indexation from Core Logic
Miscellaneous assets	Derived from other values and reviewed by WSP

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

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

State highway network components	Optimised depreciated replacement cost		Depreciation expense	
	Actual 2021/22 \$M	Actual 2020/21 \$M	Actual 2021/22 \$M	Actual 2020/21 \$M
Land*	23,486	18,489	0	0
Formation	16,907	14,257	0	0
Pavement base course**	9,769	6,978	88	78
Pavement surface	1,640	1,347	217	154
Drainage	2,615	2,246	63	50
Traffic facilities	1,836	1,709	107	95
Bridges	12,198	8,934	138	128
Culverts and subways	852	648	17	18
Tunnels and other structures	4,680	4,033	52	52
Miscellaneous***	438	345	39	33
Total	74,421	58,986	721	608

*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 \$15 billion mainly due to price movements in unit rates reflecting the current costs of construction and increases from the land revaluation, particularly in the Auckland region, along with 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 2021/22 is calculated based on the 30 June 2021 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 only impairment of individual significance is from the October 2021 Government announcement stating that it was not proceeding with the walking and cycling bridge across the Auckland Harbour (Northern Pathway project) which triggered an impairment test for costs that have already been capitalised. The costs, excluding property purchases that are considered to be impaired, is \$38 million.

Estimates, assumptions and judgements

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

Waka Kotahi is continuously improving the 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 2021/22 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 and the completion of a review of the useful life of pavements (basecourse and surfacing).

WSP reviewed a report on the Infrastructure Decision Support NZTA Strategic Maintenance Investment Model which provided scenarios of investment meeting renewal requirements to preserve the pavement asset. From the conclusions and data provided in the report it was deemed that the current useful lives for pavement and surfacing should be revised. This resulted in an increase in the expected useful life of pavement and surfacing that is further differentiated by road traffic volume category. The lives have been revised and changed to the lives shown in the table below for 2021/22.

Road traffic volume category	% Network	Asphalt concrete life	Chipseal life	Pavement basecourse life
High	24%	10	10	75
Medium	40%	13	11	100
Low	36%	13	13.5	150

The impact of the change in lives for 2021/22 is an increase in the depreciated replacement cost of \$1.4 billion and a reduction in the annual depreciation from the increased life.

The following represent estimated inputs used in the 2021/22 valuation.

State highway network component	Quantity	Rate	Useful life (years)	Basis of valuation
Land	Land corridor: 35,081 ha	QV rateable values	N/A	Corridor land (land associated with the road) is valued by Waka Kotahi GIS system based on QV rateable values per square metre of the surrounding land.
	Held property	Market price		Held properties, which are properties not yet part of corridor land, are based on market prices determined by Darroch Ltd.
Formation (earthworks)	Formation: 104,143,004 m ² Shoulder formation: 21,077,282 m ²	Unit prices and an overhead rate	N/A	Unit rates are provided by BondCM based on terrain type groupings and adjusted for construction overhead costs.
Pavement subbase and base course	Pavement other: 21,782,572 m ³ Shoulder base course: 3,099,897 m ³	Unit prices and an overhead rate	75-150 for basecourse N/A for subbase which is non-depreciable	Depth of subbase and base course type is determined from Austroads Pavement Design Guide. Unit rates are provided by BondCM and adjusted for overhead costs.
Pavement surface	Pavement surface: 115,539,294 m ²	Unit prices and an overhead rate	11-14	Unit rates are provided by BondCM and adjusted for overhead costs.
Drainage	Drainage: 138,831 units Stormwater channel: 15,343,521 m	Unit prices and an overhead rate	50	Unit rates are provided by BondCM and adjusted for overhead costs.
Traffic facilities	Railings: 2,808,778 m Signs: 196,126 units Traffic facilities: 11,716,062 m	Unit prices and an overhead rate	10-25	Unit rates are provided by BondCM for railings and signs and adjusted for overhead costs. Derived by WSP Opus from a combination of indexed historical cost data and recent construction costs.
Bridges	2,786 bridges	Unit prices and an overhead rate	90-100	Unit rates are provided by BondCM.
Culverts and subways	Culverts and subways: 1,631 units and 438,107 m ³	Unit prices and an overhead rate	50-75	Unit rates are provided by BondCM.
Other structures	Retaining walls: 817,000 m ² 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 independent expert 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.

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 greenfields or brownfields environment. Overheads include the sum of preliminary and general on-costs (35 percent) multiplied by professional fees, including Waka Kotahi costs (15 percent), and brownfields costs (15 percent for urban and motorway carriageways and 5 percent for rural carriageways).

No changes in base overhead costs have been made in the 2021/22 valuation.

Quantities

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

Work in progress

Recent capital expenditure is not yet reflected in the asset database. 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 \$6.9 billion, which is included at cost, with prior years' work in progress being indexed. The associated quantities are not included in the inputs table.

Valuation inputs subject to estimation uncertainty

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

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

Sensitivity analysis

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

	Change in optimised depreciated replacement cost 2021/22 \$M	Change in optimised depreciated replacement cost 2020/21 \$M
Movement in P&G on-costs by 10% (from 35.0% to 38.5%)	1,321	1,053
Movement in external professional fees by 10%	430	425
Movement in formation unit costs by 10%	1,691	1,432
Movement in bridge unit costs by 10%	1,220	893
Movement in unit prices* by 10%	2,446	1,795
Movement in land corridor prices by 10%	2,349	1,661
Movement in brownfield costs by 10%	245	198
Movement in price index by 10%	4,826	3,456

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

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

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

Property assets held for sale

Waka Kotahi owns 48 properties valued at \$32 million (2020/21: 58 properties valued at \$27 million) that have been classified as held for sale. It is expected that these properties will be sold by 30 June 2023.

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

Explanation of major variances against budget

State highway assets were \$74,421 million, \$12,817 million (21 percent) above budget of \$61,604 million due to increases in unit cost rate indices and property price inflation exceeding budget expectations and an increase from the change in pavement (subbase and surfacing) useful life.

5 Public-private partnership assets and liabilities

	Actual 2021/22 \$M	Actual 2020/21 \$M
Assets		
Transmission Gully*	0	1,281
Pūhoi to Warkworth	980	875
Total public-private partnership assets	980	2,156
Liabilities		
Transmission Gully	1,049	1,050
Pūhoi to Warkworth	850	792
Total public-private partnership liabilities	1,899	1,842

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

Public-private partnership agreements

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

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

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

During construction, the cumulative cost, including financing, is recognised as an asset. A matching liability represents the obligations of Waka Kotahi under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. 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 accordance with the policies adopted by Waka Kotahi in respect of the rest of the state highway.

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

The operational agreements run for 25 years from the service commencement date, after which the responsibility for ongoing operation and maintenance of both roads will revert to Waka Kotahi.

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, insuring and ensuring the availability of the highway to the service level agreed with Waka Kotahi. Some of these costs are indexed to the Consumer Price Index or to other relevant indices and can be varied from time to time.

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

Under the settlement agreements agreed between Waka Kotahi and the public-private partnership counterparties in 2020/21, 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-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.

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 contingent liabilities for Transmission Gully.

Pūhoi to Warkworth public-private partnership

The COVID-19 lockdown in March/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.

There is an ongoing assessment of claims for subsequent COVID-19 lockdowns in accordance with the process set out in the agreements. A claim for \$280 million has been submitted, which has been recognised as a contingent liability. Refer to the Contingent liabilities note for further information.

Deed of Indemnity

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

Commitments

The total estimated capital and operating expenditure to be paid throughout the 25-year period is \$3.3 billion for Transmission Gully and \$2.3 billion for Pūhoi to Warkworth. This includes capital commitments of \$57 million, included in note 6, across the two projects for the remaining work in progress, not yet represented by the public-private partnership liability.

Explanation of major variances against budget

Public-private partnership assets were \$980 million, \$980 million (100 percent) above a nil budget mainly due to the assumption in the budget that the Pūhoi to Warkworth road would be completed in 2021/22 and the road asset transferred to the state highway network.

Public-private partnership liabilities were \$1,899 million, \$57 million (3 percent) below budget of \$1,956 million mainly due to slower than expected construction progress.

6 Capital commitments

	Actual As at 30 June 2022 \$M	Actual As at 30 June 2021 \$M
Not later than one year	1,384	1,534
Later than one year and not later than five years	996	1,207
Later than five years	0	4
Total capital commitments*	2,380	2,745

*Included in total capital commitments is \$57 million relating to the construction of the public-private partnership assets.

7 Waka Kotahi NZ Transport Agency employee costs and employee entitlements

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

	Actual 2021/22 \$M	Actual 2020/21 \$M
Salaries and wages	170	145
Defined contribution plan employer contributions	6	5
Other employee costs	6	4
Total Waka Kotahi NZ Transport Agency employee costs*	182	154

*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 2021/22 \$M	Actual 2020/21 \$M
Total employee costs	262	234
Deduct:		
Transport Agency capitalised employee costs allocated to NLTP activities	(44)	(54)
Transport Agency operating employee costs allocated to NLTP activities	(36)	(26)
Total Waka Kotahi NZ Transport Agency employee costs*	182	154

Explanation of major variances against budget

Net employee costs were \$182 million, \$18 million (11 percent) above budget of \$164 million. This is mainly from an increase in staff numbers across the two years reflecting capacity and capability increases required from Waka Kotahi.

Employee entitlements (included in the statement of financial position)

	Actual 2021/22 \$M	Actual 2020/21 \$M
Employee entitlements - current	28	22
Employee entitlements - non-current	4	4
Total Waka Kotahi NZ Transport Agency employee entitlements	32	26

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 2021/22 \$000	Actual 2020/21 \$000
Board members			
Remuneration		353	332
Number of Board members in the financial year	a	10	8
Leadership team			
Remuneration	c	4,289	5,131
Number of personnel		12	10
Total key management personnel compensation		4,642	5,463
Total personnel during the year	d	22	18

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

d. The total number of key management personnel at balance date is 18 (2020/21: 15).

Board member remuneration

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

	Appointed	Resigned	Actual 2021/22 \$000	Actual 2020/21 \$000
Sir Brian Roche (Chair)	June 2019		71	71
Cassandra Crowley (Deputy Chair)	September 2019		45	45
David Smol	February 2019		36	36
Catherine Taylor	September 2019		39	36
Ken Rintoul	September 2019	November 2021	12	36
Patrick Reynolds	September 2019		36	36
Victoria Carter	September 2019		39	36
John Bridgman	July 2020		39	36
Ngarimu Blair	November 2021		15	0
Tracey Martin	November 2021		21	0
Total board member remuneration			353	332

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 (2020/21: \$nil).

Employee remuneration

Total remuneration paid or payable	No. of staff 2021/22	No. of staff 2020/21
100,000-109,999	143	175
110,000-119,999	190	174
120,000-129,999	177	154
130,000-139,999	156	141
140,000-149,999	118	94
150,000-159,999	83	91
160,000-169,999	75	55
170,000-179,999	37	37
180,000-189,999	43	38
190,000-199,999	27	18
200,000-209,999	18	6
210,000-219,999	14	15
220,000-229,999	13	5
230,000-239,999	10	6
240,000-249,999	10	11
250,000-259,999	8	5
260,000-269,999	8	4
270,000-279,999	2	2
280,000-289,999	5	3
290,000-299,999	1	5
300,000-309,999	3	6
310,000-319,999	4	1
320,000-329,999	3	2
350,000-359,999	1	1
360,000-369,999	0	1
370,000-379,999	1	0
380,000-389,999	2	2
390,000-399,999	1	2
410,000-419,999	1	0
420,000-429,999	0	1
440,000-449,999	0	1
450,000-459,999	1	0
460,000-469,999	1	1
480,000-489,999	1	0
490,000-499,999	0	1
500,000-509,999	0	1
580,000-589,999	1	0
630,000-639,999	0	1
650,000-659,999	1	0
750,000-759,999	0	1
Total employees	1,159	1,061

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

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

For the 2021/22 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.

During the year ended 30 June 2022, 11 (2020/21: 24) Waka Kotahi employees received compensation and other benefits in relation to cessation of \$0.5 million (2020/21: \$1.6 million). These costs are excluded from the remuneration table above.

8 Waka Kotahi NZ Transport Agency operating expenses and payables

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

	Note	Actual 2021/22 \$M	Actual 2020/21 \$M
Clean vehicle discount rebates	a	121	0
Commissions and transaction costs	b	75	83
Contractor and professional services		9	11
Information technology		40	39
Operating lease expense		13	12
Office and building management		8	7
Employee travel		2	4
Meetings and conferences		1	1
Fees to principal auditors for:			
- audit of financial statements		0.5	0.5
- other assurance services	c	0.1	0.1
Other operating expenses		9	9
Waka Kotahi NZ Transport Agency operating expenses		279	167

a. The clean vehicle discount scheme commenced on 1 July 2021 with the payment of rebates on zero and low emission vehicles.

b. 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 affected by lockdowns in both financial years.

c. Other assurance services by KPMG included a review of the application of the scrutiny principle.

Explanation of major variances against budget

Operating expenses were \$279 million, \$92 million (49 percent) above budget of \$187 million mainly due to the introduction of the clean vehicle discount scheme which was not included in the original budget.

Payables (included in the statement of financial position)

	Actual 2021/22 \$M	Actual 2020/21 \$M
Creditors	640	687
Income in advance	38	44
Total Waka Kotahi NZ Transport Agency payables	678	731

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 2021/22 \$M	Actual 2020/21 \$M
Not later than one year	15	15
Later than one year and not later than five years	56	52
Later than five years	49	51
Total non-cancellable operating lease	120	118

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

	State Highway - current \$M	Onerous Contracts - current \$M	Onerous Contracts - non-current \$M	Total \$M
Balance at 1 July 2020	212	1	3	216
Additional provisions made	35	0	0	35
Amounts used	(136)	0	(2)	(138)
Unused amounts reversed	(47)	0	0	(47)
Balance at 30 June 2021 / 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)
Balance at 30 June 2022	44	2	0	46

The state highway provision relates to estimates for expected contractual claims and remaining COVID-19 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.

11 Borrowings, financial instruments and financial risk management

Waka Kotahi had the following borrowings outstanding at 30 June 2022.

Name	Total facility \$M	Nominal amount borrowed \$M	Actual 2021/22 \$M	Actual 2020/21 \$M	Interest rate	Final repayment date
Auckland Transport Package	375	354	318	309	The interest-free loan was discounted using government bond rates of 2.36% to 3.29%.	June 2027
Housing Infrastructure Fund	357	56	46	25	The interest-free loan was discounted using government bond rates of 0.50% to 4.02%.	June 2032
Total interest-free borrowing			364	334		
Tauranga Eastern Link	107	107	110	107	\$87.0 million at fixed rates ranging from 4.99% to 5.14%. \$20.0 million at floating rates.	June 2050
Regulatory facility	95	51	52	34	Fixed rates ranging from 1.32% to 3.07%.	March 2032
COVID-19 NLTF borrowing facility	425	325	332	329	Fixed rates ranging from 1.10% to 1.18%.	June 2027
Short term facility	500	0	0	75	Floating rates.	Not applicable
2021-24 NLTP facility	2,000	200	201	0	Fixed rate of 3.63%.	April 2032
Total borrowing			1,059	879		
Tolling funds held in trust			4	4		
Total borrowing and other liabilities			1,063	883		
Classified as follows:						
Current			4	4		
Non-current			1,059	879		
Total			1,063	883		

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

Interest-free loan movements are as follows.

	Actual 2021/22 \$M	Actual 2020/21 \$M
Opening balance	334	339
Face value of loans issued	28	17
Fair value adjustment	(7)	(30)
Repayments	0	(1)
Amortised interest (at government bond rates)	9	9
Closing balance	364	334

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 2021/22 \$M	Actual 2020/21 \$M
Interest on borrowings	12	10
Interest on public-private partnerships	21	0
Interest rate swap net payment	37	23
Discount on Debtor National Land Transport Fund - debt related	9	30
Amortisation of discount on borrowings	9	10
Ineffective portion of cash flow hedge	(15)	14
Total interest and finance costs	73	87

Financial instruments

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

	Actual 2021/22 \$M	Actual 2020/21 \$M
Financial assets measured at amortised cost		
Cash and cash equivalents	180	170
Debtor National Land Transport Fund and Debtor Crown	3,523	3,641
Other receivables and other assets	41	71
Total financial assets measured at amortised cost	3,744	3,882
Financial liabilities measured at amortised cost		
Payables	678	731
Borrowing and other liabilities	1,063	883
Public-private partnership liabilities	1,899	1,842
Total financial liabilities measured at amortised cost	3,640	3,456
Financial liability at fair value through other comprehensive revenue and expense		
Derivative financial liability	131	478
Total financial liability at fair value through other comprehensive revenue and expense	131	478

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

	Actual 2019/20	Cash Inflows \$M	Cash Outflows \$M	Non- Cash \$M	Changes in fair value \$M	Other \$M	Actual 2020/21 \$M
Financial liabilities measured at amortised cost							
Borrowings	844	231	(182)	0	(21)	11	883
Public-private partnership liabilities	1,677	0	(28)	205	0	(12)	1,842
Financial liability at fair value through other comprehensive revenue and expense							
Derivative liabilities	727	0	(11)	0	(227)	(11)	478
Total	3,248	231	(221)	205	(248)	(12)	3,203

	Actual 2020/21	Cash Inflows \$M	Cash Outflows \$M	Non- Cash \$M	Changes in fair value \$M	Other \$M	Actual 2021/22 \$M
Financial liabilities measured at amortised cost							
Borrowings	883	445	(279)	0	2	12	1,063
Public-private partnership liabilities	1,842	0	(77)	160	0	(26)	1,899
Financial liability at fair value through other comprehensive revenue and expense							
Derivative liabilities	478	0	(42)	0	(309)	4	131
Total	3,203	445	(398)	160	(307)	(10)	3,093

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 2022, approximately 98 percent (2020/21: 90 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	123
Pūhoi to Warkworth	765	August 2023	August 2045	4.16%	Floating, with periodic reset	8
Total derivative financial liability						131

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 2021/22 \$M	Actual 2020/21 \$M
Balance as at 1 July	(396)	(661)
Effective cash flow hedge	332	265
Cash flow hedge reserve	(64)	(396)

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit is \$15 million surplus (2020/21: \$14 million deficit).

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

Effect on surplus or deficit	2021/22		2020/21	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Cash and cash equivalents	1.8	(1.8)	1.7	(1.7)

Effect on other comprehensive revenue and expense	2021/22		2020/21	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Derivative financial liability	146	(171)	200	(245)

Effect on surplus or deficit	2021/22		2020/21	
	+1%	-1%	+1%	-1%
	\$M	\$M	\$M	\$M
Borrowing	(0.2)	0.2	(1.0)	1.0

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 2022, Westpac had a Standard and Poor's credit rating of AA-. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

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

Liquidity risk

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

Waka Kotahi manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and maintaining funding facilities of \$250 million to manage seasonal variations in cash flow and \$250 million to manage unexpected and unfavourable variations in cash flow. Both were available at 30 June 2022.

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.

	2021/22			
	Less than 1 year \$M	1-2 years \$M	2-5 years \$M	Over 5 years \$M
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
Total	822	102	800	3,239

	2020/21 (Restated*)			
	Less than 1 year \$M	1-2 years \$M	2-5 years \$M	Over 5 years \$M
Payables	731	0	0	0
Borrowing	9	84	258	675
Derivative financial liability	37	39	138	349
Public-private partnership liabilities	63	66	114	1,738
Total	840	189	510	2,762

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

Explanation of major variances against budget

Cash and cash equivalents were \$180 million, \$130 million (261 percent) above budget of \$50 million. Additional cash was held to meet expected year end claims from suppliers and approved organisations.

Borrowing was \$1,063 million, \$117 million (10 percent) below budget of \$1,180 million due to lower than expected use of the 2021-24 NLTP facility.

Derivative financial liability was \$131 million, \$495 million (79 percent) below budget of \$626 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 Memorandum accounts

Memorandum accounts

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

Below are the closing balances of the memorandum accounts by funding activities. Amounts are in millions to one decimal point.

	Note	Actual 2021/22 \$M	Actual 2020/21 \$M
Driver licensing and testing		(39.9)	(27.4)
Regulation of commercial transport operators and the rail transport system	a	(12.2)	(11.5)
Road user charges collection		(2.3)	(2.1)
Vehicle safety and certification	b	13.4	8.9
Total memorandum accounts - other fees and charges		(41.0)	(32.1)

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

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

Below are the movements of the memorandum accounts. Amounts are in millions to one decimal point.

	Actual 2021/22 \$M	Actual 2020/21 \$M
Border inspections		
Opening balance	3.8	4.0
Revenue	0.7	0.7
Expenditure	0.1	0.9
Net surplus/(deficit)	0.6	(0.2)
Closing balance	4.4	3.8
Certification reviews		
Opening balance	(3.5)	(6.2)
Revenue	12.3	12.7
Expenditure	11.2	10.0
Net surplus/(deficit)	1.1	2.7
Closing balance	(2.4)	(3.5)
Driver licensing		
Opening balance	(43.4)	(31.2)
Revenue (Including Crown driver test subsidy)	36.2	41.1
Expenditure	44.5	53.3
Net surplus/(deficit)	(8.3)	(12.2)
Closing balance	(51.7)	(43.4)
Driver testing		
Opening balance	16.0	21.9
Revenue	29.0	26.7
Expenditure	33.2	32.6
Net surplus/(deficit)	(4.2)	(5.9)
Closing balance	11.8	16.0
Motor vehicle licensing		
Opening balance	(2.0)	(2.5)
Revenue	49.0	54.2
Expenditure	52.0	53.7
Net surplus/(deficit)	(3.0)	0.5
Closing balance	(5.0)	(2.0)

	Actual 2021/22 \$M	Actual 2020/21 \$M
Over dimension permits		
Opening balance	(0.3)	(1.1)
Revenue	0.8	1.0
Expenditure	0.1	0.2
Net surplus/(deficit)	0.7	0.8
Closing balance	0.4	(0.3)
Rail licensing		
Opening balance	(1.2)	(0.4)
Revenue	2.9	1.9
Expenditure	2.9	2.7
Net surplus/(deficit)	(0.0)	(0.8)
Closing balance	(1.2)	(1.2)
Road user charges collection		
Opening balance	(2.1)	(1.7)
Revenue	12.7	15.1
Expenditure	12.9	15.5
Net surplus/(deficit)	(0.2)	(0.4)
Closing balance	(2.3)	(2.1)
Standards development and certification		
Opening balance	10.6	7.4
Revenue	7.1	7.3
Expenditure	1.3	4.1
Net surplus/(deficit)	5.8	3.2
Closing balance	16.4	10.6
Transport licensing		
Opening balance	(10.0)	(10.6)
Revenue	10.6	11.4
Expenditure	12.0	10.8
Net surplus/(deficit)	(1.4)	0.6
Closing balance	(11.4)	(10.0)
Total memorandum account - third party fees and charges	(41.0)	(32.1)

13 Contingencies

Contingent liabilities as at 30 June 2022

Roading and other contract disputes

There are claims of \$353 million (2020/21: \$84 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.

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-19 related lockdowns of 2020. Those settlements also included agreed terms for future risk allocation related to COVID-19, while maintaining the remainder of general terms related to performance and risk allocation.

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 \$280 million that we are validating using internal and external resources. Waka Kotahi has not been presented with any evidence to indicate that a claim of that size will be supported by the independent reviewer.

Waka Kotahi has also received various documents and presentations from the Transmission Gully builder in relation to several issues, including COVID-19, however no contractual claims have been presented by the contractor. Waka Kotahi has not been presented with any evidence to indicate when a valid and material claim may be presented to Waka Kotahi. Accordingly, any potential contingent liability cannot be quantified at present, however any contingent liability could be material.

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 2022, Waka Kotahi has provided for certain contractual matters. Refer to note 10 provisions.

14 Events after balance date

There were no significant events after balance date.

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
- borrowing apportionment.

This information is consistent with and should be read in conjunction with the financial highlights on pages 80-81 and the audited financial statements on pages 82-122.

Waka Kotahi agency expenditure

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Employee costs	182	164	154
Operating expenses	158	187	167
Depreciation and amortisation expense	16	13	17
Waka Kotahi agency operating expenditure	356	364	338
Waka Kotahi agency expenditure recharged to projects*	(34)	0	(29)
Waka Kotahi agency expenditure allocated to the NLTP**	100	87	89
Waka Kotahi agency activities expenditure***	422	451	398

*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 2021/22 \$M	Actual 2020/21 \$M
Waka Kotahi		
National Land Transport Fund Operating funding	3,332	3,163
National Land Transport Fund Capital funding	364	573
Total funding from the NLTF	3,696	3,736
Deduct:		
(Borrowing) /repayment (shock/seasonal facilities)	75	175
(Borrowing)/repayment NLTP loan 2021-24	(201)	0
(Borrowing)/repayment - public-private partnerships and related interest rate swap	141	0
State highway improvements - public-private partnerships non-appropriated movement	164	99
State highway improvements - other non-appropriated movement	(17)	(14)
Local road improvements - Housing Infrastructure Fund non-appropriated movement	(31)	(16)
Other National Land Transport Fund revenue	(14)	(5)
State highway improvements - Crown capital injection for COVID-19	0	(81)
Public transport - Crown capital injection for COVID-19	0	(90)
Total National Land Transport Fund (NLTP) outflows	3,813	3,804

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 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Revenue			
Waka Kotahi NZ Transport Agency operations	167	156	113
Tolling - administration	15	17	17
Clean vehicle discount	126	0	0
Clean car standard	2	0	0
Memorandum account - other fees and charges	161	171	172
Land transport funding	3,273	3,139	3,154
Specific projects funded by the Crown	254	104	376
Total revenue	3,998	3,587	3,832
Expenditure			
Waka Kotahi NZ Transport Agency operations	166	162	112
Tolling - administration	10	8	11
Clean vehicle discount	126	0	1
Clean car standard	2	0	0
Memorandum account - other fees and charges	170	194	184
Land transport funding	3,264	3,134	3,150
Specific projects funded by the Crown	254	104	376
Total expenditure	3,992	3,602	3,834
Surplus/(deficit)			
Waka Kotahi NZ Transport Agency operations	1	(5)	1
Tolling - administration	5	9	6
Clean vehicle discount	0	0	(1)
Clean car standard	0	0	0
Memorandum account - other fees and charges	(9)	(23)	(12)
Land transport funding	9	4	4
Specific projects funded by the Crown	0	0	0
Total surplus/(deficit)	6	(15)	(2)

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 2021/22 \$M	Actual 2020/21 \$M
Opening balance	(1.1)	0.0
Revenue		
Fees from high emission vehicles	25.0	0.0
Crown grant revenue*	114.0	0.0
Total revenue	139.0	0.0
Expenditure		
Clean vehicle rebates	121.0	0.0
Scheme administration	2.7	0.0
Project implementation	4.1	1.1
Total expenditure	127.8	1.1
Net surplus/(deficit)	11.2	(1.1)
Closing balance	10.1	(1.1)

*A \$301.8 million Crown grant was provided for the establishment of the scheme, administration costs and payment of rebates from 1 July 2021. 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 (\$187.8m) 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 2021/22 \$M	Actual 2020/21 \$M
Life to date received by Waka Kotahi from charges paid*	14.9	0.0
Less: life to date rebates paid and administration cost	128.9	1.1
Total deficit funded by the Crown grant	(114.0)	(1.1)

*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 2022.

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.

Toll road traffic volumes and revenue for the year ended 30 June 2022

	Toll revenue (portion designated for repayment of Crown debt)			Traffic volumes (number of vehicles)		
	Actual 2021/22 \$M	Budget 2021/22 \$M	Forecast 2022/23 \$M	Actual* 2021/22 M	Budget* 2021/22 M	Forecast* 2022/23 M
Northern Gateway toll road - light vehicles	7.8	9.5	10.2	5.6	6.9	7.1
Northern Gateway toll road - heavy vehicles	2.1	2.4	2.3	0.6	0.7	0.6
Tauranga Eastern Link toll road - light vehicles	3.8	3.5	4.7	3.4	3.7	4.0
Tauranga Eastern Link toll road - heavy vehicles	1.8	1.8	2.1	0.5	0.5	0.5
Takitimu Drive toll road - light vehicles	3.7	3.8	4.3	3.9	4.0	4.3
Takitimu Drive toll road - heavy vehicles	2.8	3.1	3.0	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 2022

	Tolling revenue used to repay debt		Tolling revenue used to operate the business		Total Tolling revenue	
	Actual 2021/22 \$M	Actual 2020/21 \$M	Actual 2021/22 \$M	Actual 2020/21 \$M	Actual 2021/22 \$M	Actual 2020/21 \$M
Northern Gateway toll road	9.9	11.6	4.2	5.1	14.1	16.7
Tauranga Eastern Link toll road	5.5	6.0	2.6	2.8	8.2	8.8
Takitimu Drive toll road	6.4	6.6	3.2	3.3	9.6	10.0
Total	21.9	24.2	10.0	11.2	31.8	35.4

Debt and other financial obligations

	Actual 2021/22 \$M	Budget 2021/22 \$M	Forecast 2022/23 \$M
Debt and other financial obligations			
Tauranga Eastern Link toll road borrowing	107.0	107.0	107.0
Total	107.0	107.0	107.0
Toll revenue inflow to the National Land Transport Fund for repayment of debt			
Tauranga Eastern Link toll road	5.0	5.7	6.6
Takitimu Drive toll road	5.8	5.0	7.2
Total	10.8	10.7	13.8

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 2021/22 \$M	Actual 2020/21 \$M
Opening balance	(0.2)	(1.5)
Tolling revenue used to repay debt	5.6	6.0
Interest expenditure on \$107 million loan	4.8	4.7
Net surplus/(deficit)	0.8	1.3
Closing balance	0.6	(0.2)

Financial statements for Waka Kotahi road tolling operations

Statement of comprehensive revenue and expense for the year ended 30 June 2022

	Note	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Revenue				
Toll fees	a	14.9	17.1	16.9
Total revenue		14.9	17.1	16.9
Expenditure		10.0	8.3	11.0
Net surplus		4.9	8.8	5.9

a. Toll fees includes \$10.0 million of tolling revenue used to operate the business (2020/21: \$11.2 million) and \$4.9 million of customer toll payment notice revenue (2020/21: \$5.7 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 2022

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Assets			
Current assets	20.7	15.2	14.6
Non-current assets	5.0	4.5	6.8
Total assets	25.7	19.7	21.4
Liabilities	14.5	14.7	14.3
Net assets/equity	11.2	5.0	7.1

Statement of cash flows for the year ended 30 June 2022

	Actual 2021/22 \$M	Budget 2021/22 \$M	Restated Actual 2020/21 \$M
Net cash from operating activities	22.0	25.0	24.6
Net cash from financing activities	(21.6)	(24.8)	(22.4)
Net increase in cash and cash equivalents	0.4	0.2	2.2
Cash and cash equivalents at the beginning of the year	12.7	12.7	10.5
Cash and cash equivalents at the end of the year	13.1	12.9	12.7

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

Waka Kotahi tolling memorandum account

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

	Actual 2021/22 \$M	Actual 2020/21 \$M
Opening balance	6.3	0.4
Revenue	14.9	16.9
Expenditure	10.0	11.0
Net surplus/(deficit)	4.9	5.9
Closing balance	11.2	6.3

Tolling provision for doubtful debts

	Actual 2021/22 \$M	Actual 2020/21 \$M
Opening balance as at 1 July	2.1	1.6
Movement in doubtful debts provision	0.0	0.5
Closing balance as at 30 June	2.1	2.1

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 2021/22 \$M	Actual 2020/21 \$M
Bad debt write-off	1.6	1.3

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 2022

	Actual 2021/22 \$M	Actual 2020/21 \$M
Revenue		
Regional fuel tax	146	161
Rebates	(6)	(7)
Total revenue	140	154
Distributed to:		
Auckland City Council	139	153
Transport Agency administration fee	1	1
Total distributions	140	154
Net surplus/(deficit)	0	0

Statement of financial position as at 30 June 2022

	Actual 2021/22 \$M	Actual 2020/21 \$M
Assets		
Cash and cash equivalents	17	18
Total assets	17	18
Liabilities		
Payables	15	16
Regional fuel tax rebate reserve	2	2
Total liabilities	17	18
Net assets/equity	0	0

Statement of cash flows for the year ended 30 June 2022

	Actual 2021/22 \$M	Actual 2020/21 \$M
Net cash from operating activities	(1)	5
Net (decrease)/increase in cash and cash equivalents	(1)	5
Cash and cash equivalents at the beginning of the year	18	13
Cash and cash equivalents at the end of the year	17	18

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

Borrowing apportionment

\$200 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
State highway improvements	24
Local road improvements	37
Public transport services	2
Public transport infrastructure	43
Walking and cycling improvements	30
State highway maintenance	34
Local road maintenance	16
Road to Zero	15
Total apportionment*	201

*Including accrued interest

Drawdowns from the \$2 billion NLTP 2021-24 loan 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 (unaudited)

Investment management

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (Crash Analysis System)	1	1	1
National Land Transport Fund	60	77	67
Other	1	0	1
Total operating revenue	62	78	69
Operating expenses			
Transport Agency (Crash Analysis System)	4	1	4
Transport Agency (ministerial services)	1	0	2
Funding to approved organisations	5	30	7
Transport planning	10	4	11
Sector training and research	4	0	6
Investment in the funding allocation system	38	43	39
Total operating expenses	62	78	69
Surplus/(deficit)	0	0	0

Revenue collection and administration

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (protection of core regulatory functions - road user charges)	0	0	2
National Land Transport Fund (refund of fuel excise duty)	4	1	1
National Land Transport Fund (investigation and enforcement)	5	4	4
National Land Transport Fund (road user charges refund)	3	1	1
Fees and charges (tolling)	15	17	17
Fees and charges (road user charges)	13	13	13
Regional fuel tax administration	1	1	1
Total operating revenue	41	37	38
Operating expenses			
Refund of fuel excise duty	4	4	1
Regional fuel tax administration	2	2	1
Tolling	10	8	11
Road user charges investigation and enforcement	5	1	4
Road user charges refund	3	1	1
Road user charges collections	13	18	16
Total operating expenses	37	34	34
Surplus/(deficit)	4	3	4

State highway improvements

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
National Land Transport Fund	642	626	666
Crown (COVID-19 public-private partnerships funding)	82	0	0
Crown (COVID-19 Response and Recovery Fund)**	(2)	40	134
Crown infrastructure partners	27	0	4
Crown (NZ Upgrade Programme)	6	0	0
Crown (Supporting Regions Programme)*****	2	0	3
National Land Transport Fund (public-private partnerships)	0	38	0
National Land Transport Fund (tolling)	12	13	13
Developer contributions	4	5	5
Interest and finance income	7	7	37
Other income	8	0	14
Total operating revenue	788	729	876
Operating expenses			
Assets vested to local authorities	0	339	2
Depreciation and state highway write-offs	550	291	646
Interest on Tauranga Eastern Link borrowings	5	0	5
Other interest and finance costs	55	53	78
Crown (COVID-19 public-private partnerships funding)	82	0	0
Crown (COVID-19 Response and Recovery Fund)**	(2)	40	133
Crown infrastructure partners	27	0	4
Crown (NZ Upgrade Programme)	6	0	0
Crown (Supporting Regions Programme)*****	2	0	3
Other expenses	60	0	0
Total operating expenses	785	723	871
Surplus/(deficit)	3	6	5

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Capital funding			
Crown (New Zealand Upgrade Programme)	306	684	251
Crown (Accelerated Regional Roding Programme)	4	0	30
Crown (Supporting Regions Programme)****	34	73	42
Crown (COVID-19 Response and Recovery Fund)**	0	0	(20)
Crown infrastructure partners	27	35	4
National Land Transport Fund capital contribution	146	178	214
National Land Transport Fund (public-private partnerships)	200	155	166
National Land Transport Fund (public-private partnerships - interest rate swap movement)	(332)	0	(265)
National Land Transport Fund (regional improvements)***	0	0	49
National Land Transport Fund (state highway disposals)	51	4	31
Depreciation funding utilised for investment in the state highway network	548	291	646
Net non-cash funding for losses/(income) utilised for investment in state highway network	2	339	2
Total capital funding	986	1,759	1,150
Capital expenditure			
Crown investment (New Zealand Upgrade Programme)	306	684	251
Crown (Accelerated Regional Roding Programme)	4	0	30
Crown (Supporting Regions Programme)****	34	73	42
Crown (COVID-19 Response and Recovery Fund)	0	0	(20)
Crown infrastructure partners	27	35	4
Public-private partnerships	160	155	166
Public-private partnerships - interest rate swap movement*	(332)	0	(265)
Capital investment	671	731	808
Investment in the state highway network (regional improvements)***	0	0	50
Transport Agency capitalised expenditure	80	86	89
Total capital expenditure	950	1,764	1,155
Net capital movement	36	(5)	(5)

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Borrowing funding			
National Land Transport Fund (borrowing facility)	26	0	63
National Land Transport Fund (public-private partnership quarterly unitary payment)	104	135	40
National Land Transport Fund (Auckland Transport Package)	0	0	1
Total borrowing funding	130	135	104
Borrowing repayment			
Repayment of borrowing facility	26	0	63
Repayment public-private partnership quarterly unitary payment	104	135	40
Repayment of borrowing (Auckland Transport Package)	0	0	1
Total borrowing repayment	130	135	104
Net borrowing	0	0	0
Total movement	36	(5)	(5)
Total operating and capital expenditure	1,735	2,487	2,026

* The movement in the public-private partnership interest rate swaps was due to increases in market interest rates in 2021/22 compared to decreases in rates in 2020/21.

** Represents return of COVID-19 funding to Crown in 2021/22.

***The regional improvements output class was disestablished in NLTP 2021-24. The funding and expenditure was moved to State highway improvements.

****In 2021/22 the Supporting Regions Programme and New Zealand Upgrade Programme regional package funding and expenditure was moved from the disestablished regional improvements output class.

*****In 2021/22 the Supporting Regions Programme administration funding and expenditure was moved from the investment management output class.

State highway maintenance

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (Kaikōura earthquake response)	2	1	7
Crown (COVID-19 Response and Recovery Fund)	0	0	9
National Land Transport Fund	757	775	522
National Land Transport Fund (rental and interest income)	24	20	23
Other revenue*	57	0	36
Total operating revenue	840	796	597
Operating expenses			
Maintenance of the state highway network (Kaikōura earthquake response)	2	1	7
Crown (COVID-19 Response and Recovery Fund)	0	0	9
Depreciation on state highway renewals	194	294	0
Maintenance of the state highway network	515	416	496
Maintenance and operation of Transmission Gully	6	9	0
Works funded by third party contributions	56	0	33
Transport Agency operating activities	65	74	50
Interest and finance costs	2	2	0
Other expense	0	0	2
Total operating expenses	840	796	597
Surplus/(deficit)	0	0	0

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Capital funding			
Crown (Kaikōura earthquake response)	0	1	24
National Land Transport Fund capital contribution	0	0	195
Depreciation funding utilised for investment in state highway renewals	194	294	0
Total capital funding	194	295	219
Capital expenditure			
Crown investment (Kaikōura earthquake response)	0	1	24
Capital investment	194	294	195
Total capital expenditure	194	295	219
Net capital movement	0	0	0
Borrowing funding			
National Land Transport Fund (borrowing facility)	49	0	35
Total borrowing funding	49	0	35
Borrowing repayment			
Repayment of borrowing facility	49	0	35
Total borrowing repayment	49	0	35
Net borrowing	0	0	0
Total movement	0	0	0
Total operating and capital expenditure	1,034	1,091	816

* Includes contributions from third parties of \$56 million (2020/21: \$33 million).

Walking and cycling improvements

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (Urban Cycleways Programme)	0	0	1
National Land Transport Fund	69	72	111
Developers contributions	8	0	1
Other revenue	1	0	0
Total operating revenue	78	72	113
Operating expenses			
Funding to approved organisations (Urban Cycleways Programme)	0	0	1
Funding to approved organisations	68	70	109
Transport Agency operating activities	2	2	2
Total operating expenses	70	72	112
Surplus/(deficit)	8	0	1
Capital funding			
Crown (New Zealand Upgrade Programme)	13	71	16
National Land Transport Fund capital contribution	65	49	81
Other capital funding	0	0	1
Total capital funding	78	120	98
Capital expenditure			
Capital investment (New Zealand Upgrade Programme)	13	71	16
Capital investment	73	49	83
Total capital expenditure	86	120	99
Net capital movement	(8)	0	(1)
Total movement	0	0	0
Total operating and capital expenditure	156	192	211

Public transport services

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (half price fares)	26	0	0
Crown (COVID-19 Response and Recovery Fund)	47	0	138
Crown (SuperGold card and administration)	30	31	30
National Land Transport Fund	431	420	451
Total operating revenue	534	451	619
Operating expenses			
Crown (half price fares)	26	0	0
Crown (COVID-19 Response and Recovery Fund)*	47	0	138
Crown (SuperGold card and administration)	30	31	30
Funding to approved organisations	431	420	450
Transport Agency operating activities	0	0	1
Total operating expenses	534	451	619
Surplus/(deficit)	0	0	0

The public transport output class was disestablished in NLTP 2021-24 and replaced with two new output classes - public transport services and public transport infrastructure.

Included in public transport services from 2021/22 is the funding and expenditure for SuperGold card. The SuperGold card and public transport concessions output class was disestablished in NLTP 2021-24.

*\$47 million of COVID-19 payments was paid to Approved Organisations which in turn reduced the contribution made from the NLTF for the costs of the provision of public transport services.

Public transport infrastructure

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
National Land Transport Fund	303	271	250
Other revenue	0	0	1
Total operating revenue	303	271	251
Operating expenses			
Funding to approved organisations	272	262	229
Other operating expenses	22	0	20
Transport Agency operating activities	9	8	2
Interest and finance costs	0	1	0
Total operating expenses	303	271	251
Surplus/(deficit)	0	0	0
Capital funding			
National Land Transport Fund capital contribution	47	122	102
Total capital funding	47	122	102
Capital expenditure			
Capital investment	47	122	102
Total capital expenditure	47	122	102
Net capital movement	0	0	0
Total operating and capital expenditure	350	393	353

The public transport output class was disestablished in NLTP 2021-24 and replaced with two new output classes - public transport services and public transport infrastructure.

Included in public transport infrastructure are the transitional rail and rapid transit output classes. Both output classes were disestablished in NLTP 2021-24.

Local road improvements

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
National Land Transport Fund	142	134	255
National Land Transport Fund (Housing Infrastructure Fund)	31	40	16
National Land Transport Fund (regional improvements)	0	0	63
Crown (Supporting Regions Programme)	34	32	46
Interest and finance income	9	4	3
Total operating revenue	216	210	383
Operating expenses			
Funding to approved organisations	142	134	255
Funding to approved organisations (Housing Infrastructure Fund)	31	40	16
Funding to approved organisations (Supporting Regions Programme)	34	31	46
Funding to approved organisations (regional improvements)	0	0	63
Interest and finance costs	9	5	3
Total operating expenses	216	210	383
Surplus/(deficit)	0	0	0
Borrowing funding			
National Land Transport Fund (borrowing facility)	0	0	13
Total borrowing funding	0	0	13
Borrowing repayment			
Repayment of borrowing facility	0	0	13
Total borrowing repayment	0	0	13
Net borrowing	0	0	0
Total movement	0	0	0

Local road maintenance

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (COVID-19 Response and Recovery Fund)	0	0	1
National Land Transport Fund	736	659	667
Total operating revenue	736	659	668
Operating expenses			
Crown (COVID-19 Response and Recovery Fund)	0	0	1
Funding to approved organisations	736	658	667
Interest and finance costs	0	1	0
Total operating expenses	736	659	668
Surplus/(deficit)	0	0	0
Borrowing funding			
National Land Transport Fund (borrowing facility)	0	0	33
Total borrowing funding	0	0	33
Borrowing repayment			
Repayment of borrowing facility	0	0	33
Total borrowing repayment	0	0	33
Net borrowing	0	0	0
Total movement	0	0	0

Regulation of the rail transport system

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (protection of core regulatory functions)	1	0	0
Fees and charges	2	3	2
Total operating revenue	3	3	2
Operating expenses			
Fees and charges funded activities	3	3	3
Total operating expenses	3	3	3
Surplus/(deficit)	0	0	(1)

Road to Zero

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual* 2020/21 \$M
Operating revenue			
National Land Transport Fund	111	116	55
Community Road Safety Programme	8	4	6
Developers contributions	2	0	0
Total operating revenue	121	120	61
Operating expenses			
Community Road Safety Programme	5	4	3
Funding to approved organisations	94	101	55
Transport Agency operating activities	17	15	1
Total operating expenses	116	120	59
Surplus/(deficit)	5	0	2
Capital funding			
National Land Transport Fund capital contribution	188	170	2
Total capital funding	188	170	2
Capital expenditure			
Capital investment	190	170	2
Total capital expenditure	190	170	2
Net capital movement	(2)	0	0
Total movement	3	0	2
Total operating and capital expenditure	306	290	61

*Road to Zero is a new output class established as part of NLTP 2021-24. In 2020/21 Road to Zero funding and expenditure was included in various output classes including local road improvements, state highway improvements, promotion of road safety and demand management and road policing. Funding for road policing comes out of the National Land Transport Fund directly.

The promotion of road safety and demand management output class was disestablished in NLTP 2021-24.

Coastal shipping

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
National Land Transport Fund	0	5	0
Total operating revenue	0	5	0
Operating expenses			
Funding to approved organisations	0	5	0
Total operating expenses	0	5	0
Surplus/(deficit)	0	0	0

Drivers licensing and testing

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (protection of core regulatory functions)	5	0	(3)
Crown (driver test subsidy and driver licensing stop orders)	2	1	2
Crown (drug and alcohol assessments)	0	1	0
Crown (ministerial advice and official correspondence)	1	1	1
Crown – Palmerston North building operating funding	1	2	1
Fees and charges	58	70	67
Other revenue	1	0	0
Total operating revenue	68	75	68
Operating expenses			
Drug and alcohol assessments	0	2	1
Ministerial advice and official correspondence	1	4	2
Crown – Palmerston North building operating expenses	1	2	1
Fees and charges funded activities	78	95	86
Other	5	0	1
Total operating expenses	85	103	91
Surplus/(deficit)	(17)	(28)	(23)

Vehicle safety and certification

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (protection of core regulatory functions)	2	0	5
Crown (rules development)	0	1	1
Fees and charges	68	72	70
Total operating revenue	70	73	76
Operating expenses			
Rules development	0	2	0
Fees and charges funded activities	66	67	68
Total operating expenses	66	69	68
Surplus/(deficit)	4	4	8

Regulation of commercial transport operators

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown (protection of core regulatory functions)	1	0	1
Fees and charges	11	12	11
Total operating revenue	12	12	12
Operating expenses			
Fees and charges funded activities	12	10	11
Total operating expenses	12	10	11
Surplus/(deficit)	0	2	1

Clean Vehicle Discount

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown grant	111	0	0
Crown revenue	15	0	0
Total operating revenue	126	0	0
Operating expenses			
Clean car rebates	121	0	0
Transport Agency operating activities	5	0	1
Total operating expenses	126	0	1
Surplus/(deficit)	0	0	(1)
Capital funding			
Crown capital contribution	3	0	0
Total capital funding	3	0	0
Capital expenditure			
Capital investment	2	0	0
Total capital expenditure	2	0	0
Net capital movement	1	0	0
Total movement	1	0	(1)
Total operating and capital expenditure	128	0	1

Clean Car Standard

	Actual 2021/22 \$M	Budget 2021/22 \$M	Actual 2020/21 \$M
Operating revenue			
Crown revenue	2	0	0
Total operating revenue	2	0	0
Operating expenses			
Transport Agency operating activities	2	0	0
Total operating expenses	2	0	0
Surplus/(deficit)	0	0	0
Capital funding			
Crown capital contribution	4	0	0
Total capital funding	4	0	0
Capital expenditure			
Capital investment	4	0	0
Total capital expenditure	4	0	0
Net capital movement	0	0	0
Total movement	0	0	0
Total operating and capital expenditure	6	0	0

Independent auditors report

To the readers of Waka Kotahi NZ Transport Agency's financial statements and performance information for the year ended 30 June 2022

Opinion

We have audited:

- the financial statements of Waka Kotahi on pages 82 to 122, that comprise the statement of financial position as at 30 June 2022, 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 21 to 76.

In our opinion:

- the financial statements of Waka Kotahi on pages 82 to 122:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 21 to 76:
 - presents fairly, in all material respects, the performance of Waka Kotahi for the year ended 30 June 2022, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 September 2022. 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 its greenhouse gas (GHG) emissions in its performance information. Without further modifying our opinion and considering the public interest in climate change related information, we draw attention to the ENV1 measure on page 33 of the annual report, which outlines the uncertainty in the reported 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.

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 4 to 19, 21 to 76 (excluding position, service delivery and investment performance measures), 78 to 81, 123 to 149, 157 to 158, and 160 to 205, 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
Wellington, New Zealand

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 2022

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 2021 to 30 June 2022;
- the description does not fairly present the systems and procedures as designed, throughout the period 1 July 2021 to 30 June 2022; and
- the controls, necessary to achieve the control objective, did not operate effectively as designed, throughout the period from 1 July 2021 to 30 June 2022.

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 2021 to 30 June 2022, 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 157 to 158 (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 157 to 158, 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
30 September 2022

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 2022 across all funding applications:

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

The post approval review covering the annual period ending 30 June 2022 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 2022. 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.²¹ 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 Board²² and lists all decisions delegated to Waka Kotahi staff²³ since 1 August 2008.²⁴ Both pages are updated regularly once the Board's decisions have been confirmed.

²¹ www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/201821-nltp/planning-and-investment-principles-and-policies/investment-principles/planning-and-investment-principles/#scrutiny-principle

²² Waka Kotahi NZ Transport Agency. 2020. Board funding decisions. nzta.govt.nz/about-us/about-waka-kotahi-nz-transport-agency/our-board/board-meeting-minutes/

²³ Waka Kotahi NZ Transport Agency. 2020. Delegated funding decisions. www.nzta.govt.nz/planning-and-investment/funding-and-investing/investment-decisions/delegated-decisions/

²⁴ The prescribed date in the Land Transport Management Act 2003 for reporting on these decisions is 1 October 2008