



Waka Kotahi Performance Report

Quarter Two 2021/22

31 December 2021

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Summary of performance

Introduction

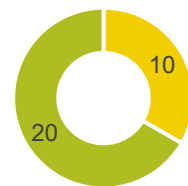
This quarter two report provides an update as at 31 December 2021 on our progress toward delivering the commitments set out in the Waka Kotahi Statement of Performance Expectations (SPE) 2021/22. This report focuses on summarising our progress at the end of quarter two against key Ministerial priorities, including our achievements, highlights, risks and challenges, and upcoming milestones.

Appendices to this report contain further detailed information. These include performance measures (appendix 1), significant activities (appendix 2), significant capital projects (appendix 3), financial activity (appendix 4) and risk and assurance activity (appendix 5).

Highlights

During quarter two, Waka Kotahi continue to make good progress across several critical areas. We are on track to deliver 20 out of our 30 significant activities and have not identified any critical risks to delivery for the remaining 10.

Some of our highlights this quarter include:



Significant activities status

Strengthening our regulatory capability and performance

- **Tū ake, tū maia our regulatory strategy.** The first of three phases of our strategy refresh culminated with a paper to the board in December 2021. Phase two, the main strategy build will run from January to April 2022.
- **Road user charges (RUC) non-compliance.** Work in-progress and work undertaken to date include:
 - Waka Kotahi is now taking security interests when entering large debt arrangements with operators who have fallen behind due to exceptional criteria.
 - we are working on more effective legal compliance pathways where commercial transport operators are non-compliant and have made some policy changes related to permits. From 1 February 2022, a legal condition will be added to permits granted to the commercial sector around RUC compliance and their responsibilities to have the correct RUC purchased. This will enable us to deny, revoke or shorten permits as appropriate.
 - we are working with the New Zealand Police (the Police) on joint operations and had our first one in this quarter. We have further operations planned in Wellington and Chatham Islands.
 - in addition to our traditional Commercial Vehicle Safety Team partners, we are working to progress our partnership with Road Police who are very much focused on Road to Zero.
 - we have begun work on automating our RUC audit process to increase the level of RUC audits possible and expect this to be complete in this financial year. This will allow for more RUC audits in 2022/23.
- **Rail safety regulatory programme.** A Safer Rail team is being established to implement three transformational changes to the regulatory function for New Zealand Rail systems focused on ensuring safety for all rail participants: building the capability of our people; transformation to active regulation; and industry engagement and governance. The new Rail Regulatory Risk Framework (R3F) has been developed using international industry best practice to improve safety of the industry. The framework is intelligence-based, evidence driven and risk-based, providing both the regulator and rail licensee the information they need. Rail participants are being selected for a pilot assessment programme, which will allow us to gather key data for rail participant types and prove the effectiveness of the framework. The data gathered will enable a systems approach to regulation of industry enhancing safety.

Training of safety assessment officers in quarter two will equip them to undertake evidence-based safety assessments using the new rail regulatory risk framework. Safety investigating officers are working to a new investigations framework and will soon receive practical hands-on investigations course, provided by the Police. The Safer Rail team will be enhanced by the appointment of an industry-leading senior investigator.

Invitations have gone out to industry Chief Executives (including those from Transdev, KiwiRail and Auckland One Rail) to form a governance board for the National Rail Industry Advisory Forum (NRIAF). We are seeking

industry accountability through the forum. Effective governance of NRIAF will allow the Director of Land Transport and Minister of Transport to have greater oversight of the system of rail in Aotearoa. Waka Kotahi Safer Rail Advisors continue to work with KiwiRail to ensure critical reviewing and updating of the National Rail System Standards documentation.

Road to Zero

The Waka Kotahi executive leadership team has approved the safety camera high-level organisational design. The procurement plans for safety cameras and safety camera management, and offence processing technology solutions were also approved.

Implementing Toitū te taiao, our sustainability action plan

We continue to support the development of the Emissions Reduction Plan and position ourselves to deliver on it. A project emission estimation tool (PEET) has been developed so that construction, operation and maintenance emissions can be estimated for transport infrastructure. Testing of this tool will start later in 2022.

Investing in infrastructure to improve transport outcomes

Key decisions on two projects (SH6/8B Cromwell and SH8, 79 and 80 Mackenzie Basin) have removed barriers that were inhibiting delivery. Due to the multiple factors affecting our infrastructure progress, a proposal to re-baseline completion dates has been prepared and presented to The Ministry of Transport Te Manatū Waka (MoT) officials with a decision expected in quarter three 2021/22.

Achieving mode shift

The expression of interest for the Innovating Streets for People programme has been released, with initial workshops held with Councils to describe what the programme is looking for. Work is progressing on a scalable national fleet transition plan, with there now being over 100 zero emissions buses.

Rapid transit progress

Public engagement on Let's Get Wellington Moving was completed in December 2021, including options for mass rapid transit. The indicative business case for mass rapid transit will be completed in late 2022. Work on the Auckland Rapid Transit Plan is progressing, with decisions from the Auckland Light Rail business case a key dependency for this plan. In Christchurch, public consultation is underway on options for spatial plans as a precursor to further work on potential rapid transit solutions.

Partnering on integrated transport system and spatial planning

An approach has been agreed with the Ministry of Housing and Urban Development to assess housing needs on the Whangārei-Auckland corridor. The 30-year Baseline Network Plan is currently being tested with MoT, KiwiRail and InfraCom, ahead of its release in quarter three 2021/22. Public consultation is currently underway on options for the Wellington and Greater Christchurch spatial plans. The consultation is progressing on track as a precursor to further work on potential rapid transit.

Te Ara Kotahi our Māori strategy

Tohu huarahi the bilingual signage programme has been established, with consultation on the Kura School signs completed. We expect the Minister of Transport to consider these in quarter three 2021/22 and the first signs to go up in quarter four 2021/22. We are continuing to implement Te Ara Kotahi our Māori strategy, moving into phase two of Improving Māori Road Safety which has received \$3million in National Land Transport Programme (NLTP) funding over the next three years. Work to establish a Māori engagement baseline measure is underway with the final report expected in quarter four 2021/22.

Improving connections and movement of freight

We continue monitoring the Rail Network Investment Programme (RNIP). Highlights include a quarterly deep dive and risk session complete; monitoring plan formalised; and funding applications for two further RNIP activities submitted to Minister of Transport. We also continue to make progress on coastal shipping with point of entry endorsed by delegations; funding application and programme plan drafted; and presenting to the Shipping Federation on a proposed approach.

Challenges

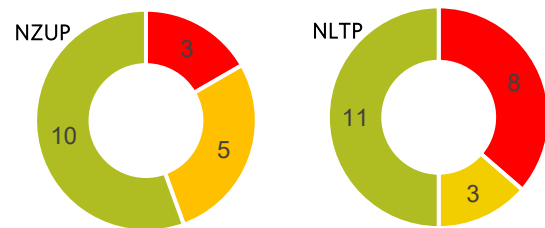
COVID-19 impacts

In general, the impact of COVID-19 continues to be a challenge for Waka Kotahi and the wider industry. Works are taking longer to be delivered, cost more than was initially expected or budgeted for, and the impact on both time and cost is ongoing. Delays caused by COVID-19 have a knock-on effect, causing other milestones for the quarter to not be achieved. These delays mean remaining milestones for the year are also now unlikely to be met.

The full impact of restrictions is continuously being assessed, with the main issue for construction works being productivity loss resulting in contractual claims. The negative impact of border restrictions on the supply chain continues and will intensify if restrictions are prolonged.

Significant capital projects

Mid-year progress shows that 21 of the 40 significant capital projects are on track to deliver their year-end milestones, comprising 10 projects under the NZ Upgrade Programme (NZUP) and 11 under the NLTP. The remaining projects are under pressure, with 11 projects now unlikely to achieve all their year-end milestones. We are working to address the challenges and risks of these projects.



Significant capital projects status

Key challenges and insights for significant capital projects are summarised below:

- While progress has been made across a number of NZUP projects, the implications of revised project scopes are still being assessed. This work is on track to be reported to the Minister in quarters three and four 2021/22. We are also managing stakeholder expectations/relationships with those affected by the scope changes.
- Increasing uncertainties in our environment have an on-going potential to disrupt capital projects. We have significant work underway to mitigate these uncertainties, including strengthening our ability to identify and act on early warnings (providing better visibility across our programme so we can take corrective action), technical assurance, such as a new stage gate process, and strengthening governance. As well as in-house training and implementation of the sponsor model, we are moving to introduce independent membership into steering groups to augment governance expertise on our major projects. These delivery improvement areas and supporting initiatives are being further refined as the NZUP projects develop.
- Project budgets and time frames continue to be significantly impacted by shipping and supply chain costs and disruption, increased cost of materials and competing demand for those materials. In the context of NZUP, this increases the likelihood of needing to access the tagged programme contingency held by Ministers.
- The NLTP is under considerable financial pressure due to the number of committed projects and emerging cost pressures in the sector. In response, we are improving our cost modelling approach for all programmes to provide improved forward visibility of forecasting.
- Staff resource is a significant issue across the construction industry. The market has been tight for some time, but now with people leaving to return home (overseas) to reconnect with their families (who have not been able to join them in Aotearoa) and to take advantage of a more accessible work environment, we are losing key staff on our major projects. This has added pressure to contractors and suppliers as they prepared for the summer construction season and wider programme of work.
- We have also experienced issues with Aotearoa staff (who typically work outside of their home region) who have been unable to travel freely. A significant number of them are not prepared to stay away from home for extended periods of time and are moving to local employment, leading to loss of workers from the industry.
- In this quarter's significant capital projects report, this uncertainty in the environment has been captured in project risks, but in future quarters may be expressed in project budget against forecast.

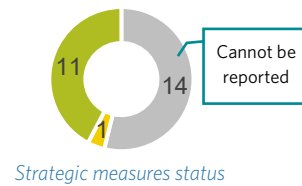
Refer to appendix 3 for the detailed significant capital projects status report.

Performance measures

Some measures are not able to be reported in quarter two as they are either new measures under development or are only measured annually. A breakdown of the reportable measures follows, with more details in appendix 1.

Strategic measures

In quarter two, 12 of our strategic measures are reportable with 11 (85%) on track to meet 2026 targets. The one measure that is not on track is shown in Table 1.



This measure was also amber last quarter (no change in status).

Table 1: Quarter two strategic measure not on track but still likely to meet target

Measure name	Commentary
<p>■ RES1 (SHM4): The proportion of unplanned road closures resolved within standard timeframes</p>	<p>We are on track to meet target for Weather events, but not for Other events. Crashes made up 66% of Other events this quarter - we have less ability to influence these events as we work with emergency services to resolve them.</p>

Output class measures

In quarter two, 16 of our 33 output class measures are reportable with 12 (75%) on track to meet year-end targets. The four measures not on track are shown in Table 2.

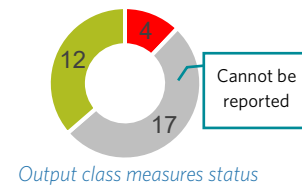


Table 2: Quarter two output class measures not on track and unlikely to meet target

Measure name	Commentary
<p>■ RTZ1: Length of the network treated with reduced speed limits</p>	<p>This was green last quarter, with higher delivery rates planned towards the end of 2021/22. Primarily, issues with consultation have delayed the delivery of speed limit reductions. We are continuing with our advertising campaign to encourage better support for the programme. Staffing and COVID-19 supply issues have also added delays and expense to the programme.</p>
<p>■ RTZ4: Number of passive breath tests and breath screening tests conducted</p>	<p>The number of passive tests is unlikely to meet the target. The Police Commissioner has indicated to the Waka Kotahi board that the Police will drive action with commanders and ensure greater consistency across the regions. This along with a greater road policing focus should see increase in this result in the future.</p>
<p>■ RTZ5: Number of hours mobile cameras are deployed</p>	<p>Parts and servicing requirements have meant almost a quarter of mobile cameras are not available to deploy. New generation cameras are likely to come onstream in February 2022, gradually replacing the aging camera fleet. The Police have undertaken initiatives to increase these hours.</p>
<p>■ PTS1: Number of boardings on urban public transport services</p>	<p>This was amber last quarter. The decline in public transport patronage has been due to the ongoing impact of COVID-19. Whilst allowances were made for some COVID-19 disruption, the extent and duration of the disruption (particularly in Auckland) was more significant than anticipated.</p>

Appendix 1: Performance measures

Strategic measures as at 31 December 2021

- ❖ Are we achieving the long-term outcomes we need to achieve to realise our vision?
- ❖ Are we seeing the changes we need to achieve our system outcomes?

SOA	Measure name	Target (by 30 June 2026)	Result	Status (vs. target)	Change (vs. Q1 status)	Cause (exception-based)	Response (exception-based)
●	SAFE1 Deaths and serious injuries	< 2,085	2,564	On track to meet target ¹	➔		
●	ST11 Deaths and serious injuries where the speed limit does not align with the safe and appropriate speed	< 925	1307	On track to meet target ¹	➔		
●	ST12 Number of head-on, run-off-road and intersection deaths and serious injuries	< 1,411	1,758	On track to meet target ¹	➔		
●	SV1 Number of deaths and serious injuries involving a vehicle with a low safety rating	< 702	782	On track to meet target ¹	➔		
●	SRUB1 Number of deaths and serious injuries associated with behavioural risk factors	< 588	499	On track to meet target ¹	➔		
●	SAFE2 Significant incident frequency rate	< 12.82 incidents per million hours ²	10.95	On track to meet target	➔		
●	ENV2 Proportion of the light vehicle fleet that are low/no carbon vehicles	> 0.59%	0.86%	On track to meet target	➔		
●	MOVE2 User experience of transport network by mode	Public transport > 54%	Public transport 63%	On track to meet target	➔		

SYSTEM OUTCOMES ALIGNMENT (SOA)

● SAFE

● ENVIRONMENTALLY SUSTAINABLE

● EFFECTIVELY AND EFFICIENTLY MOVING PEOPLE AND FREIGHT

● MEETING CURRENT AND FUTURE NEEDS

SOA	Measure name	Target (by 30 June 2026)	Result	Status (vs. target)	Change (vs. Q1 status)	Cause (exception-based)	Response (exception-based)
		Active modes > 62%	Active modes 56%				
●	IPOE1 Forecast ISCA-IS Rating Scheme credits for applicable projects	≥ 25 forecast credit totals on average per project	Two IS-registered projects are at the stage of reporting – one is on track and one has a current forecast of 23.96 credits but is expected to recover	On track to meet target	➔		
●	RES1 (SHM4) The proportion of unplanned road closures resolved within standard timeframes	Weather events ≥ 50% Other events ≥ 90%	Weather events 57% Other events 87%	Not on track but expect to meet target	➔	We are on track to meet target for Weather events, but not for Other events this quarter, which we work with emergency services to resolve. Results for both types of events are 1% higher than quarter 2 last year. With this small increase, and historical data of previous years showing quarters 3 and 4 tend to be lower performing months, the likelihood of reaching the 90% target for Other events this year is low. However, with gradual yearly improvement we should meet our 2026 target.	We have implemented a new monthly reporting structure, we also recently updated our Memorandum of Understanding on Incident Management with the Police, Fire and Emergency New Zealand, St John Ambulance and Wellington Free Ambulance. All parties will work under the philosophy that Aotearoa roading networks will not be closed or restricted for any longer than is necessary.
●	DEL2 Investment performance	> 'C' rating	On track for key improvement elements	On track to meet target	➔		
●	DEL3 Service quality (ease of transacting with us)	≥ 63%	63%	On track to meet target	➔		

¹ Modelling of deaths and serious injuries trends indicate we are on track to meet 2026 targets.

² This baseline and target was incorrectly set as 18.97 incidents per million hours in our SPE 2021/22 due to a calculation error.

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Output class measures as at 31 December 2021

- ❖ How are we delivering and investing in products and services to deliver our significant activities, perform our regulatory function and deliver our significant capital projects?
- ❖ What does this look like in terms of quantity, quality, cost and timeliness?

SOA	Measure name	Target (by 30 June 2022)	Result	Status (vs. target)	Change (vs. Q1 status)	Cause (exception-based)	Response (exception-based)
●	PTS1 Number of boardings on urban public transport services	> 119 million	103 million	Not on track and unlikely to meet target	↓	The decline in public transport patronage has been due to the ongoing impact of COVID-19. Whilst allowances were made for some COVID-19 disruption, the extent and duration of the disruption (particularly for Auckland) was more significant than anticipated.	Public transport numbers continue to drop post Auckland lockdown. With Omicron in the community, it is expected that numbers will remain below target. Even if there is a patronage recovery in a month or two, we will fall short of the annual patronage expectations derived back in early 2021.
●	RTZ1 Length of the network treated with reduced speed limits	≥ 500km	107km	Not on track and unlikely to meet target	↓	In quarter 1, the Speed Programme forecasted project delivery would exceed target, with higher delivery rates towards the end of 2021/22. However, a lack of public appetite for reducing speeds and resource shortages led to delays in over 700km of speed limit reviews during 2021/22. The delays in advertising the Road to Zero message and the speed programme has been a contributing factor. This, along with the general contentious nature of reducing speeds, has caused additional delays through the consultation process. The prioritisation process for projects causes an uneven distribution of work across the regions and some regions cannot cope with the workload. In addition, staffing and COVID-19 supply issues added extra delays and expense to the programme.	An overhaul of the consultation process will lead to a good balance of key requirements. We are making use of more national resources so we can continue to address the highest risk first to help alleviate regional resource shortages. We are also continuing with the advertising campaign to encourage better support for the programme.

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SOA	Measure name	Target (by 30 June 2022)	Result	Status (vs. target)	Change (vs. Q1 status)	Cause (exception-based)	Response (exception-based)
●	RTZ4 Number of passive breath tests and breath screening tests conducted	≥ 3,000,000	907,379	Not on track and unlikely to meet target	➔	The targets have not been met as COVID-19 has impacted the ability of the Police to undertake breath tests throughout the country, particularly in Auckland.	The Police are driving action with their commanders to ensure greater consistency across regions. This along with a greater road policing focus should increase the result.
●	RTZ5 Number of hours mobile cameras are deployed	≥ 80,000	31,076	Not on track and unlikely to meet target	➔	Parts and servicing requirements have meant almost a quarter of mobile cameras are not available to deploy.	The Police agreed to undertake new initiatives to increase the hours of deployment. New generation cameras are also anticipated to come onstream in February 2022, gradually replacing the aging camera fleet.
●	RTZ6 Proportion of road safety advertising campaigns that meet or exceed their agreed success criteria	≥ 86%	87%	On track to meet target	⬆		
●	CS1 An investment plan for Coastal Shipping has been developed and has also been endorsed by the Waka Kotahi Board	Achieved	Achieved	On track to meet target	➔		
●	IM1 Total cost of managing the funding allocation system as a percentage of National Land Transport Programme expenditure	≤ 1.1%	0.9%	On track to meet target	⬆		
●	DLT1 Proportion of non-compliance actions for driver licence course providers and testing officers that are progressed within acceptable timeframes	≥ 95%	100%	On track to meet target	➔		

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SOA	Measure name	Target (by 30 June 2022)	Result	Status (vs. target)	Change (vs. Q1 status)	Cause (exception-based)	Response (exception-based)
●	DLT2 Proportion of practical tests taken within 30 working days of booking	> 42%	67%	On track to meet target	➔		
●	VSC1 Proportion of non-compliance actions for vehicle inspecting organisations, vehicle certifiers and vehicle inspectors that are progressed within acceptable timeframes	≥ 95%	97.9%	On track to meet target	➔		
●	VSC2 Proportion of vehicles relicensed on time	≥ 98%	98%	On track to meet target	➔		
●	CTO1 Proportion of non-compliance actions for commercial operators that are progressed within acceptable timeframes	≥ 95%	98.9%	On track to meet target	➔		
●	CTO2 Proportion of standard permits issued within 10 working days	≥ 95%	100%	On track to meet target	➔		
●	RTS1 Proportion of non-compliance actions for rail participants that are progressed within acceptable timeframes	≥ 95%	100%	On track to meet target	➔		
●	REV1 Proportion of unpaid road user charges identified through investigations and assessments that are collected	65% - 75%	66%	On track to meet target	➔		
●	REV2 Average number of days to process road user charges, fuel excise duty and regional fuel tax refund applications	≤ 20 working days	14.9	On track to meet target	➔		

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Appendix 2: Significant activities

Key to significant activity progress updates	G On track to complete the activity by year-end	A Not on track, but still likely to complete the activity by year-end	R Not on track, and unlikely to complete the activity by year-end
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SPE ref.	Significant activity	Status	Progress update (reporting by exception only)
Road to Zero			
1.1	increase the rate of delivery of state highway median barrier projects from funding to delivery	G	
1.2	reduce the time it takes to implement speed limit reductions on the state highway network	G	
1.3	establish systems for safety camera management and offence processing	G	
1.4	develop more robust delivery and performance indicators for the Road Safety Partnership Programme delivered by the New Zealand Police	A	The Police acknowledged the lack of productivity in some districts against meeting targets. While the past two quarters had been busy for the Police with road-based activity, road safety had not been prioritised to the level required. The Waka Kotahi board will monitor the implementation of the Road Safety Investment and Delivery Review recommendations, and the renewed emphasis and prioritisation by the Police of its resources towards road safety and the outcomes sought through the Road to Zero vision.
Strengthening our regulatory capability and performance			
1.5	refresh Tū ake, tū maia our regulatory strategy	G	
1.6	design an effective regulatory target operating model to support the new Director of Land Transport requirements	G	
1.7	progress the regulatory funding and fees review subject to Cabinet's decision to proceed to the consultation phase	A	Cabinet authorised the Minister of Finance and Minister of Transport to approve the final consultation document and agreed timing of the commencement of the public consultation. Ministers determined consultation should be deferred to the 2022 calendar year due to the impact of COVID-19. Ministers will agree a date for commencement in quarter 3 2021/22.
Implementing Toitū te taiao, our sustainability action plan			
2.1	support development of the government's Emissions Reduction Plan (ERP) and position ourselves to deliver on it when released	G	




SPE ref.	Significant activity	Status	Progress update (reporting by exception only)
2.2	improve our understanding of carbon emissions related to our corporate and infrastructure activities and explore options to become carbon neutral	G	
2.3	reset the existing Waka Kotahi Board environment and social responsibility (ESR) policy to demonstrate care, protection and enhancement of the environment, climate, public health and wellbeing across our activities, functions and decision-making	A	Draft tested with the Waka Kotahi Climate Change executive subcommittee. Management will review the scope and timing for the ESR policy update – given engagements required for Emissions Reduction Plan (ERP), Budget 2022 bid and internal Waka Kotahi preparedness in quarters 3 and 4, finding capacity to revise and engage on the policy may be difficult.
Investing in infrastructure to improve transport outcomes			
3.1	progress delivery of the seven Supporting Regions state highway projects to agreed standards and timeframes	A	Key decisions were made on two projects (SH6/8B Cromwell and SH8, 79 and 80 Mackenzie Basin), which removed barriers that had been inhibiting delivery. Several projects are behind schedule and will be delivered later than the estimated completion date. Multiple factors affected our progress including the time taken to obtain consents and approvals, COVID-19 impacts on supply of materials and access to consultants and contractors. A proposal to re-baseline completion dates has been prepared and presented to MoT officials with a decision expected in quarter 3 2021/22.
3.2	progress delivery of four Crown Infrastructure Partners state highway projects funded through the COVID-19 Response and Recovery Fund to agreed scope, budgets and timeframes	A	Three of the four projects are on track to be delivered on time. Completion of one project is delayed because of COVID-19 related access to contractors and challenges with the supply of steel. The forecast overspend on one project is a result of several reasons, including a change to the original design due to constructability issues and unforeseen costs incurred. Progress is monitored by project managers with oversight by the programme management team. Particular attention will continue to be paid to COVID-19 induced supply issues with early identification and procurement of materials to mitigate against hold-up to project delivery. A solution to the forecast overspend is being actively sought by regional managers.
Achieving mode shift			
4.1	refresh and deliver our national mode-shift plan and work with local councils to update and embed mode-shift action plans for the six high-growth urban areas	A	The national mode shift plan is being reframed as a programme, with closer links to the ERP. The ERP is not yet finalised, with the role of a national mode shift programme still being discussed. We are continuing engagements with MoT. The work programme will progress faster when the scope and ambition are better understood.
4.2	support policy, planning and regulatory changes to improve the safety and attractiveness of active and shared modes, including Innovating Streets and parking reform	G	
4.3	develop a national walking and cycling plan to support accelerated network delivery and deliver infrastructure improvements	G	










SPE ref.	Significant activity	Status	Progress update (reporting by exception only)
4.4	choose a preferred supplier for the national ticketing solution, complete commercial negotiations, establish the required shared service function and begin planning the design phase	A	COVID-19 delays and the inability to engage face-to-face with the preferred supplier has led to slippage as all discussions are being conducted via digital platforms. Negotiations and approvals from all participants are on track to be completed by June 2022. Additional resources are being trained now so they are able to commence work at the beginning of July 2022.
4.5	commence planning with our partners for a zero-carbon public transport bus fleet	G	
Partnering on integrated transport system and spatial planning			
5.1	work with central government, councils and iwi to integrate transport and spatial planning, focusing on cementing working relationships, agreeing on scope and agreeing on the planning approach for Wellington–Horowhenua, Queenstown Lakes, greater Hamilton, greater Christchurch and the Whangārei–Auckland corridor	G	
5.2	support joint work programmes to implement spatial plans for Tauranga–Western Bay of Plenty (Urban Form + Transport Initiative) and the Hamilton–Auckland corridor	G	
5.3	engage with our partners to test our Network Plan and prepare the first version of our 30-year plan for how we'll meet the transport needs of 2050	G	
5.4	work with the Ministry of Environment to support reform of the Resource Management Act 1991, including a revised strategic spatial planning framework to better support integrated transport and land use planning	G	
5.5	work with our partners to give effect to the 2021–2031 Auckland Transport Alignment Project package (ATAP), including through the 2021–24 NLTP	G	
5.6	partner with the Ministry of Transport and others to develop a rapid transit framework, complete the Auckland Rapid Transit Plan with ATAP partners and progress planning for future rapid transit projects in Auckland, Wellington and Christchurch (in line with the urban growth partnerships in each area)	A	Waka Kotahi has provided MoT with initial work on a rapid transit framework. Work on the Auckland Rapid Transit Plan is progressing, with outputs from the Auckland Light Rail business case a key dependency for this plan. We are engaging MoT to try and encourage more focus on wider rapid transit policy work. However, work on the framework may not be completed as quickly as originally hoped.

SPE ref.	Significant activity	Status	Progress update (reporting by exception only)
Improving freight connections			
6.1	implement our action plan to improve connections and movement of freight across the land transport system	G	
6.2	work with KiwiRail, the Ministry of Transport, The Treasury and local partners to implement a new rail planning and funding model	G	
Strengthening the resilience of the land transport system			
7.1	adopt the Waka Kotahi Climate Change Adaptation Plan	A	Part one complete and forming a basis of part two project plan. New resource for delivering the plan has been recruited. Time against schedule has been lost due to changing resource leading the project and working to integrate development of Waka Kotahi plan with National Adaption Plan (NAP). The direction and timeline of the Waka Kotahi plan is being reviewed, with a final draft ready for endorsement and release linked to NAP by June 2022.
7.2	establish the centralised risk tool or register as the nationally consistent approach for network maintenance risk management and monitoring	G	
Improving our organisational capability and performance			
8.1	continue to implement Te Ara Kotahi	G	
8.2	establish processes to provide for bilingual road signs	G	
8.3	implement independent, risk-based internal and investment assurance programmes that focus on core internal controls, operating efficiency, risk and contract management, activity management and delivery	A	We have been experiencing delays due to the travel restrictions and approved organisations (AOs) not being able to assist us. We are tracking well and should still be able to complete the activity by year-end with minimal impact on Waka Kotahi. With the new traffic light system being implemented, we are hoping that our inter-regional travel to the AOs would no longer be as disrupted as it has been in quarter 2.





Appendix 3: Significant Capital Projects

Key





SPE PROGRESS (Likelihood of achieving the 2021/22 Statement of performance expectations year-end milestones)	
	On-track and there are no known risks to achieving the year-end milestones.
	There are challenges to achieving the year-end milestones. It is likely the milestones will still be achieved.
	There are challenges to achieving the year-end milestones. It is unlikely the milestones will be achieved.













SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
 On schedule	 On budget	 Low
 Over schedule <3 months	 5-10% variance	 Moderate
 Over schedule >3 months	 >10% variance	 High/Critical

Manawatū Gorge replacement

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
Te Ahu a Turanga, Manawatū Tararua highway (Manawatū Gorge replacement) <i>SPE year-end milestones: Bulk earthworks commenced. Construction of main structures commenced.</i>				
Bulk earthworks and construction of major structures continued. We are on track to complete remaining milestones for the year.				

Significant state highways

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
Pūhoi-Warkworth <i>SPE year-end milestones: Southern tie-in works completed. Earthworks and pavements completed in all areas. Intelligent transport system network integration testing completed. Practical completion achieved. Road open to traffic.</i>				
Installation of intelligent transport systems (ITS) at Northern Connection roundabout and paving in the central zone were completed in quarter 2 as planned. However, owing to delays caused by COVID-19, other milestones for the quarter were not achieved. Remaining milestones for the year are also now unlikely to be met due to these delays. The contractor is reprogramming the project to provide revised dates.				
Waka Kotahi managed budget is currently sufficient but not enough to cover the increased costs from the delays (noting the construction is funded privately as part of the public-private partnership contractual arrangements). Change to costs and programme are still to be worked through with the contractor Northern Express Group (NX2) and the builder joint venture Fletcher/Acciona.				
Pavement issues previously reported are being resolved and managed. There are still ongoing concerns over the failure of engineered slopes (batters), but an independent review is now being finalised. These risks remain with the contractor. A Works Completion Process trial run is underway.				

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>Baypark to Bayfair Link Upgrade <i>SPE year-end milestones: Ground improvement lattice completed. Underpass western and eastern portals completed. Bridge 2 and 3 deck beams placed.</i></p> <p>Ground improvement lattice was completed in 2020/21, the western and eastern portals of the underpass were completed in November 2021, and the bridge 2 and 3 deck beams were placed in early 2021/22. All SPE year-end milestones have now been achieved. This quarter, bridge 3 (East Coast Main Trunk KiwiRail Overbridge) was completed and the northern temporary central traffic lanes were permanently relocated in the west (Golf 360) and east (Bayfair) underpass box sections. The project is tracking to plan.</p>				
<p>Waikato Expressway: Hamilton section <i>SPE year-end milestones: Practical completion. Open to traffic.</i></p> <p>The Alfred Main Drive Bridge has been opened to traffic. Pavement works was completed in quarter 2. We are on track to achieve remaining milestones for the year including opening to traffic by the end of June 2022.</p> <p>Additional funding to cover cost increases associated with the discovery of iron ochre in the groundwater in the Ruakura area as well as other cost overruns was approved by the Waka Kotahi Board.</p> <p>Risks continue to diminish as sections of work are completed, but there remains some exposure from COVID-19 disruptions.</p>				
<p>Transmission Gully <i>SPE year-end milestones: Practical completion. Open to traffic.</i></p> <p>The quarter 2 milestone (open to traffic) was not achieved because the builder was already significantly behind the agreed construction programme in Q1, which was exacerbated by the COVID-19 disruptions from August 2021. However, the year-end milestones are still likely to be achieved by June 2022.</p> <p>Integrated Settlement Agreement settlement amounts (which include monthly payments for the remainder of the construction phase) are being reimbursed by The Treasury/Crown, so have no significant impact on the Waka Kotahi project budget. Financial impacts of the recent 2021 COVID-19 disruptions have not yet been agreed, but it is assumed these costs will also be reimbursed by the Crown. If that is not the case, then there will likely be a significant increase in the project budget.</p> <p>Construction quality had been generally appropriate, although a concerning number of quality non-conformances continue to occur, leading to remedial or replacement work being undertaken, adding to further timeline delays. The quality of the chip seal surfaces is variable, with some being very poor, which is influenced by surfacing works occurring during winter. Approximately a quarter of the chip seal surfacing does not meet the required roughness standard and there is a significant risk of the surface not being waterproof, which could lead to premature surface/pavement failure. Under the Public Private Partnership (PPP) contract framework, the commercial risk of re-work and any pavement failures during the operating period rests with the contractor.</p> <p>Risk remains on potential future contractor claims arising from any COVID-19, seismic or storm events that occur during the remainder of the construction phase.</p>				

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
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Peka Peka to Ōtaki

SPE year-end milestone: Open to traffic.

Marycrest rail overpass (the last bridge structure for the project) was completed as planned in quarter 2. We are currently on track to complete remaining quarterly milestones for the year, however, there is a risk that the project will be further delayed because of the COVID-19 disruptions in August and September 2021. This 3-week delay has pushed the programme for final surfacing into the 3-month winter sealing moratorium, which has the potential to add a further 3 months to the sealing programme. We are currently assessing opportunities for mitigating this. There are also other risks around asphalt chip supply which is being closely monitored.

The year-end milestone will not be achieved due to delays in the programme as a result of COVID-19, project scope changes and construction challenges. The new opening date (agreed after the SPE year-end milestone was finalised) will now be in late 2022.

A major variations claim has been settled with the contractor and approved by the Waka Kotahi Board. A price level adjustment is now being prepared to cover the claim and remaining works.



Te Ara Tupua / Ngā Ūranga ki Pito-One¹

SPE year-end milestones: Site established and main construction works commenced.

Completion of the Interim Project Alliance Agreement phase has been delayed with the Target Outturn Costs being confirmed in early 2022. Signing of the Project Alliance Agreement has now been pushed to April 2022. Construction is scheduled to commence in quarter 4 2021/22.

Unprecedented cost escalation on materials and labour associated with the current COVID-19 environment has placed significant pressure on affordability and budget. Design, value engineering and risk mitigation are in progress to bring costs to affordable levels.



Significant investments in Auckland

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
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Northern Corridor Improvements

SPE year-end milestone: Practical completion of Northern Corridor Improvements.

The agreement on Auckland Transport variations has been delayed as the pavement scope and staging is re-evaluated and re-priced. The Constellation Station opening has been impacted by the COVID-19 disruptions, sub-contractor delays and a decision by Auckland Transport not to carry out critical enabling temporary works for early access. Practical completion has slipped from December 2022 to July 2023. A price level adjustment to cover cost escalation has been approved by the Waka Kotahi Board.



Additional Waitematā Harbour Connections

SPE year-end milestones: Investigations into rapid transit routes well progressed. Preferred alignment identified.

Partner workshops were held to achieve alignment on approach and governance arrangements, including discussions with Mana Whenua about governance. Market briefing to inform the procurement strategy has commenced. Although the quarter 2 milestones were achieved, the programme has been progressing slower than expected. It is now unlikely that the year-



¹ This project was formerly named the Ngauranga to Petone walking and cycling project.

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
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end milestone will be achieved. Next steps include finalisation of the scope, procurement/tender process, and preparation to officially start the next phase of indicative business case planning work by mid-2022. We are working closely with our project partners to mitigate the risk where organisational objectives are different.

Supporting Growth Alliance

SPE year-end milestones: Northwest strategic corridors confirmed to enable progression to route protection. Pukekohe expressway and southern local investigations commenced.



Work on the Pukekohe Detailed Business case has commenced. Council hearings for route protection of transport corridors scheduled in October commenced in December 2021. An endorsement from the Waka Kotahi Board has been sought for the North-West detailed business case and for the lodgement of Notices of Requirements to route protect the preferred transport network needed to support growth in the north-west over the next 30 years. COVID-19 disruptions resulting in an extension to the end date of the Supporting Growth Alliance Programme has created budget pressure. Options will be investigated to mitigate this impact.

Significant investments in Wellington (Let's Get Wellington Moving)

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
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Central City and SH1 Walking and Cycling Safer Speed

SPE year-end milestones: Single stage business case, design and construction completed.



Implementation of the first two walking improvements at the intersection of Whitmore/Stout and Whitmore/Featherston are complete. Detailed design work is being carried out on the Vivian Street and Waterfront corridors in the lead up to physical work starting on these projects in April 2022. Discussions with the contractor for the Cobham Drive crossing are already underway but the contract is yet to be signed. The project is targeting for 80% construction completion by year-end rather than full completion, which means the annual milestone will no longer be achieved. Managing construction progress around planned events may impact the planned schedule in 2022.

Golden Mile

SPE year-end milestones: Single stage business case and detailed design completed.



The single stage business case was approved in November 2021. The project is within budget, however, there is a risk that new information resulting from further underground service investigation may have a financial impact on the overall project budget. The detailed design phase has commenced and is targeting for 75% completion by year-end rather than full completion. This means the annual milestone will no longer be achieved. Retailers, business owners and the wider public engagement and consultation starts in February 2022.

Thorndon Quay & Hutt Road

SPE year-end milestones: Single stage business case and detailed design completed.



















Detailed design has commenced for Aotea Quay, however, progress on the single stage business case has been delayed as a result of significant modelling issues. Forecast is slightly higher than budget, but until the proposal and the quantum of additional modelling work is confirmed, this remains an estimate.

Modelling is a significant issue and continues to be a risk until resolved. The year-end milestone will not be achieved due to the pre-implementation work requiring more time than planned.

















PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
Mass Rapid Transit <i>SPE year-end milestone: Indicative business case completed.</i> The indicative business cases for Mass Rapid Transit and for Strategic Highway Improvements have been combined. Public engagement was completed in December 2021 as planned, however, the joint indicative business case will now be completed November 2022. Current costs are still within allocated budget. There is a risk on acquiring land for establishing a stabling yard, which is a critical component for delivering a light rail system.			\$	R
Strategic Highway Improvements <i>SPE year-end milestone: Indicative business case completed.</i> The indicative business cases for Mass Rapid Transit and for Strategic Highway Improvements have been combined. Public engagement was completed in December 2021 as planned, however, the joint indicative business case will now be completed November 2022. Current costs are still within allocated budget.			\$	R
Managing Travel Demand <i>SPE year-end milestone: Single stage business case completed.</i> The draft travel behaviour change single stage business case was included in the Let's Get Wellington Moving public engagement in November/December 2021. This included a short piece of work on congestion pricing. Public engagement has now been completed and the project is on track to achieve the year end milestone.			\$	R
City Streets <i>SPE year-end milestones: Indicative business case completed. Single stage business cases for the Johnsonville/Ngauranga and the Bowen Street projects commenced.</i> The indicative business case has been completed and approved by all funding partners. Contracts for the single stage business case delivery Tranche 1 have been awarded, and Tranche 1 'immediate start' single stage business cases have also commenced. A number of risks are being monitored and managed including inadequate resourcing, cost increases and escalation and schedule delays. Procurement for the single stage business cases for Johnsonville/Ngauranga and the Bowen Street is close to completion.			\$	R

Investments in regional connections

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
Loop Road North to Smeatons Hill safety improvements <i>SPE year-end milestone: Physical works for the southbound dual lanes awarded.</i> Tender documents for the remaining scope of dual lanes southbound from the new roundabout were not finalised in quarter 2 because funding was not approved until late December 2021. Tender documents are now expected to be finalised in early 2022. There is a risk that the tender review process will take longer than expected. There is also a risk that property acquisition may delay project schedule. Plans are in place to mitigate these risks.			\$	R











PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>SH3 Awakino Tunnel Bypass <i>SPE year-end milestone: Final seals completed.</i></p> <p>Completion of the works planned for quarter 2 is now likely to be achieved in March 2022. Pavement sealing works before winter have failed and are currently being repaired. Some modification to the surfacing has been recommended. We are working with our contractors to address these issues and related risks.</p>				
<p>Mt Messenger and Awakino Gorge Corridor <i>SPE year-end milestones: Practical completion of Rapanui passing lane and Tongapōrutu intersections.</i></p> <p>Physical works on Tongaporutu separable portion two continued in quarter 2. We expect the Rapanui passing lane and Tongapōrutu intersections to be open to traffic in early 2022. We are on track to achieve the year-end milestone.</p>				
<p>Mt Messenger Bypass <i>SPE year-end milestones: Compulsory land acquisition completed. Southern compound built. Construction in south zone commenced.</i></p> <p>The strategy and partnership framework for Tangata Whenua (Ngati Tama) and pre-construction geotechnical investigations were completed in quarter 2 as planned. The High Court appeal hearing under the Resource Management Act was also completed, however, the decision from the High Court expected in December 2021 was not received. Finalisation of the adjusted Target Outturn Cost for the Alliance has been slightly delayed.</p> <p>Under the Public Works Act, compulsory acquisition can only occur after appeals to the Environment Court and a judicial review of the Land Information Minister's decision to acquire the land are completed. This is now unlikely to be achieved by June 2022.</p> <p>Construction of the southern compound is still possible but construction in the south zone is unlikely to commence by year-end.</p> <p>The biggest risks to commencing construction and progressing the project to plan continue to be Court appeals and objections. The uncertainty of property acquisition (now with the Land Information New Zealand and Crown Law) also poses a risk to the start of construction.</p>				
<p>Nelson Future Access <i>SPE year-end milestones: Preferred plan identified.</i></p> <p>The detailed business case was completed, endorsed by Nelson City Council, and approved by the Waka Kotahi Board. The SPE year-end milestone has been achieved.</p>				







New Zealand Upgrade Programme – Transport²

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>SH1 Whangarei to Port Marsden <i>SPE year-end milestones: Business case completed, endorsed by the Waka Kotahi Board and submitted to the Minister for approval.</i></p> <p>Initial community and landowner engagement was completed in November 2021. Development of the detailed business case is progressing to schedule with the preferred safety improvement option identified and costed. Current costing is significantly above available funding, so a scope revision was done and completed in December 2021.</p> <p>Primary risks relate to the ability to deliver sufficient safety solution for this strategic corridor within the available funding envelope. Other key risks relate to the Coastal Marine Area and the potential consequential impact of the planned KiwiRail embankment on the SH1 corridor (for 2.5kms length) adjacent to the proposed rail line, due to ground loading and deformation. Achievement of the year-end milestone is dependent on the ability to confirm how to resolve the impacts of the KiwiRail embankment on the SH1 corridor and the affordability of the preferred safety solution.</p>				
<p>Penlink <i>SPE year-end milestones: Request for proposal completed, preferred proponent teams notified and commercial discussions underway to form an alliance.</i></p> <p>Geotechnical investigations and the request for proposal (RFP) tender process continued in quarter 2. The project budget is under cost pressure as escalation is currently significantly higher than previous years. COVID-19 cost increases to materials and the supply chain are impactful and still to be determined. There is a risk that project cost will exceed the allocation if the submissions from the proponents exceed the affordability threshold set by Waka Kotahi. Public consultation on the tolling proposal has been prepared, to progress to consultation in quarter 3, and final decisions on tolling continue to be a significant project inter-dependency.</p>				
<p>South Auckland Package <i>SPE year-end milestones: Business case completed, endorsed by the Waka Kotahi Board and submitted to the Minister for approval.</i></p> <p>Recommended options have been developed and the Pan Agency Forum has endorsed the preferred options. A briefing on the preferred option is being prepared for the Minister, with completion of the draft detailed business case scheduled for quarter 4.</p> <p>The primary risk is associated with the level of design completed for the detailed business case and the accuracy of the costings. Additional contingency has been added to cover this uncertainty.</p>				
<p>Papakura to Drury <i>SPE year-end milestones: Stage 1A noise wall construction completed, Papakura southbound on-ramp detailed design completed and construction commenced. Stage 1B1 detailed design commenced, notice of requirements and consents granted, North Island Main Trunk bridges designed and construction commenced. Stage 1B2 preferred option selected, specimen design and consenting package commenced.</i></p> <p>Stage 1A construction of the main line is on schedule, as well as the detailed design of the North Island Main Trunk and the Papakura Southbound on-ramp. The notice of requirements and consents for Stage 1B1 were granted by the Environmental Protection Authority, and the value engineering to influence the detailed design has started. For Stage 1B2, the preferred option has been agreed with Mana Whenua.</p> <p>The recent COVID-19 disruptions have impacted the programme and cost. Any further disruptions will further delay the project and increase cost.</p>				

² More detailed project updates are provided to the Ministry of Transport in the monthly NZ Upgrade Programme reports.

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>Northern Pathway Westhaven to Akoranga <i>SPE year-end milestones: Business case completed, endorsed by the Waka Kotahi Board and submitted to the Minister for approval.</i></p> <p>The rescoping exercise for the project is progressing well. A short list of options has been identified, and each option is now being developed and risks identified. We are on track providing the Minister a recommended option by March 2022. It is likely that project cost will exceed current funding allocation which was identified after the cancellation of the independent bridge structure over the Waitematā Harbour. There is a reputational risk with stakeholders due to conflicting demands. We are working closely with stakeholders to minimise this risk.</p>			\$	R
<p>SH1/29 Intersection Improvements <i>SPE year-end milestones: Notice of requirement and planning consent application decision received.</i></p> <p>The delay to the notice of requirement notification and the decision to request direct referral means consenting will no longer be achieved by June 2022. There is a risk that a major landowner appeals and further delays the process, which can impact cost. Plans are in place to address this issue and mitigate risk.</p>			\$	R
<p>Takitimu North Link Stage 1 <i>SPE year-end milestone: Subject to Māori Land Court decision on acquisition of land for the project, construction commenced.</i></p> <p>The Design and Construct contract was awarded in November 2021. The project has been delayed due to the Māori Land Court process. COVID-19 lockdowns have impacted archaeological investigations, which will in turn impact the construction programme. Re-planning and programming are underway, with impacts to be fully understood now that archaeologists have been able to return to site.</p> <p>Cost escalation poses a significant risk given the extraordinary increases in pricing seen in the industry. Management of this risk within the programme has been accepted by Waka Kotahi Board. COVID-19 claims will impact the project contingency. A funding source for revocation and managed lanes is still to be confirmed.</p>			\$	R
<p>Takitimu North Link Stage 2 <i>SPE year-end milestones: Notice of requirement and planning consent application lodged.</i></p> <p>The project is behind schedule due to the recent COVID-19 lockdown and resulting resource restrictions. The lodgement of the notice of requirement has been pushed to May 2022. Due to the change in the scope of the project to route protection only, we are managing our relationship with stakeholders, landowners and the public who have been affected by the changes in the project. The freshwater national environmental standard has set new requirements for lineal infrastructure and land use projects, which will likely increase pressure on costs and timeframes, mostly due to increase in footprint size.</p>			\$	R
<p>SH58 Safety Improvements - Stage 2 <i>SPE year-end milestone: Construction of Stage 2A completed.</i></p> <p>Completion of the technical reports for resource consent lodgement has been delayed. Stage 2A will be open to traffic by June 2022 but final surfacing will need to be completed after the winter shutdown. Resistance to property purchase by some parties is expected to cause some delays but this will become clearer once meetings are held with property owners in January 2022. Stage 2B is about six months late against the baseline mainly due changes in the requirements for a single-stage business case.</p>			\$	R
<p>SH2 Melling Efficiency & Safety Improvements <i>SPE year-end milestones: Notice of requirement and planning consent application lodged, consents gained, and construction contract released to market.</i></p>			\$	R

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>The consenting pathway for the project has changed to direct referral to the Environment Court, and we are now planning for a decision in July 2022. The year-end milestone will no longer be achieved. Implications on the procurement programme are being worked through.</p>				
<p>Otaki to North of Levin <i>SPE year-end milestones: Business case completed and submitted to the Waka Kotahi Board for endorsement.</i></p> <p>Updates to the detailed business case to include internal readiness and external peer reviews were completed. The preferred expressway alignment has also been announced as planned. There is a forecast overspend resulting from increasing pressure on pre-implementation costs (property) and implementation costs (escalation, costs of material, labour). There are also risks associated with key project elements (property programme and property costs, schedule for obtaining Resource Management Act approvals, construction programme). Mitigation strategies are in place and further strategies are being investigated. There are challenges to achieving the year-end milestone, however, it is still likely to be achieved.</p>			\$	R
<p>Rolleston Access Improvements <i>SPE milestones: Business case completed, endorsed by the Waka Kotahi Board and submitted to the Minister for approval.</i></p> <p>The draft detailed business case was not delivered in quarter 2 due to ongoing options assessment to ensure a robust preferred option is identified. The draft detailed business case is now expected to be delivered in early quarter 4. This options assessment is delaying overall project delivery timeframes. There is a forecast overspend but current options assessment work will help ensure the right balance is met to achieving project outcomes within expected project costs. More detailed cost estimates will be developed as the options are shortlisted and a preferred option is identified. There are a number of critical and high-level risks that are currently being addressed through the options assessment work, including stakeholder and community expectations particularly around the grade-separated connection, property impacts and alignment and integration with local road network and their future plans. There is a high likelihood that the business case will not be ready for internal endorsement by mid-2022.</p>			\$	R
<p>Brougham St Corridor Improvements <i>SPE year-end milestones: Business case completed, endorsed by the Waka Kotahi Board and submitted to the Minister for approval.</i></p> <p>Stakeholder and public engagement and consultation has been completed and the business case has been endorsed by the NZUP Steering Group. We are on track to achieve the year-end milestone. An independent review of the proposal was commissioned by Christchurch City Council and the draft report findings has confirmed its viability. Local councils, community boards and other governance groups have all been fully briefed on the proposals and the feedback received to-date have been positive.</p>			\$	R
<p>SH75 Halswell Road Improvements <i>SPE year-end milestones: Business case completed.</i></p> <p>Approval of the detailed business case was delayed because expected project cost exceeded baseline. This has triggered the need to access programme contingency funds to deliver the recommended scheme. Escalating costs due to the impacts of COVID-19 disruptions have added pressure on the contingency funds. The project is on track in delivering remaining milestones for the year.</p>			\$	R
<p>SH73 Weedons-Ross Road Intersection <i>SPE year-end milestones: Notice of requirement and planning consent application lodged.</i></p> <p>Notice of requirement and consent applications have been lodged, land purchase negotiations progressed and the community informed, with positive feedback. The project is tracking ahead of baseline programme. Property acquisition poses a risk until concluded.</p>			\$	R

PROJECT	SPE PROGRESS (likelihood of achieving SPE year-end milestones)	SCHEDULE (achievement against Q2 milestones)	FORECAST (against budget)	PROJECT RISK
<p>Walnut Avenue Intersection Improvements <i>SPE year-end milestone: Complete Stage 1 project pavement works (except at the rail level crossing).</i></p> <p>West Street (SH1) earthworks and stormwater basins works have commenced with good progress made in quarter 2. The COVID-19 lockdown pushed some of the sealing works into the winter period and we are now working with the contractor to fully understand the implications of the delay. One of the major risks of the project is contaminated materials (asbestos and coal tar). This risk is being managed and has now been substantially reduced.</p>			\$	R
<p>SH1 Tinwald Corridor Improvements <i>SPE year-end milestones: Business case completed.</i></p> <p>The professional service contract for the detailed design has been awarded. The pre-implementation phase has started, and a delivery improvement workshop is scheduled for January 2022.</p>			\$	R
<p>Queenstown Package <i>SPE year-end milestone: Construction commenced.</i></p> <p>Geotechnical testing and property acquisition are progressing to plan. We are on track to deliver the year-end milestone.</p>			\$	R

Appendix 4: Finance Report

Financial Performance for six months ended 31 December 2021
FINANCIAL PERFORMANCE SUMMARY



**\$397.7
million**

NATIONAL LAND TRANSPORT FUND CASH BALANCE

The NLTF cash position is \$397.7 million after \$100 million repayment of the seasonal facility made in December. The remaining seasonal balance of \$100 million will be repaid in January.

The \$2 billion debt facility was established in December and is available for drawdown.



**\$267.4
million**

**Below
budget**

NATIONAL LAND TRANSPORT FUND REVENUE

Revenue is 11% below budget mainly due to COVID-19 lockdowns.

The impact of COVID-19 on the NLTF will be financed by the \$2 billion facility.

We have submitted a Budget bid for financial support for public transport, having not been invited to submit for revenue support. The outcome of the bid will not be known until April 2022.



**\$31.8
million**

**Below
budget**

NATIONAL LAND TRANSPORT PROGRAMME EXPENDITURE

NLTF funded expenditure is \$112.7 million (6%) above budget. Higher spend in state highway improvements and public transport is partly offset by lower spend in state highway maintenance and road to zero.

Crown funded expenditure is \$144.5 million (33%) below budget. NZUP has been re-baselined with a reduction of (\$373m or 50%) in forecast spend.



1 of 11

**Not on
track**

NATIONAL LAND TRANSPORT PROGRAMME ACTIVITY CLASSES

Reprogramming of SH Improvements and RtZ is underway to address the risks of overspending the investment target (SHI) and to reprioritise activities (RtZ).

The investment target for W&C exceeds the GPS range. MoT is working on a GPS amendment.

A \$6m (non-material) increase in the target for Rail has been approved by the CE to align with final RNIP funding.



**Operating
expenditure
\$23.5
million
Below budget**

WAKA KOTAHĪ OPERATIONAL REVENUE AND EXPENDITURE

Operational expenditure is 11% below budget. This is mainly due to lower regulatory commissions and transaction costs, and lower spend on IT and professional services, partly offset by higher annual leave liability during COVID-19 and higher contractor costs due to workload and job market pressures.



**\$0.2
million**

**Adverse
to budget**

MEMORANDUM ACCOUNTS

The combined memorandum account deficit is \$38.1 million, 1% adverse to budget, due to lower gross revenue \$14.7 million (17%) below budget as a result of COVID-19. This is offset by \$14.5 million lower than budget - mostly volume related costs.

We have submitted a Budget bid for Crown funding for the forecast reduction in net revenue (up to \$15 million).



**All
ratios in
range**

DEBT MANGEMENT

Terms for the \$2 billion Crown loan facility to support the NLTP are finalised with Treasury. We also have cabinet approval for greater flexibility in use of our Regulatory loans.

All debt management ratios are within the agreed operating ranges.



**\$3,347.9
million**

**Total
Liability**

LONG-TERM LIABILITIES

The total long-term funding liability is \$3,347.9 million, incorporating specific loan packages, public-private partnership (PPP) commitments and the derivative financial liabilities.

We are compliant with all loan conditions.

NATIONAL LAND TRANSPORT FUND REVENUE

National Land Transport Fund (NLTF) revenue is \$267.4 million (11%) below budget mainly due to COVID-19 lockdowns since August 2021.

- **Fuel excise duty (FED)** is \$230.2 million (20%) below budget.
- **Road user charges (RUC)** are \$49.2 million (5%) below budget.
- **Motor vehicle registration and licensing (MVR & Lic)** is materially on budget.
- **Other revenue** is \$13.9 million (74%) above budget due to higher property disposal (\$11.5 million) and rental income (\$1.8 million).

Illustrated below is the monthly revenue, compared with the 2021/22 budget and 2020/21 actuals.

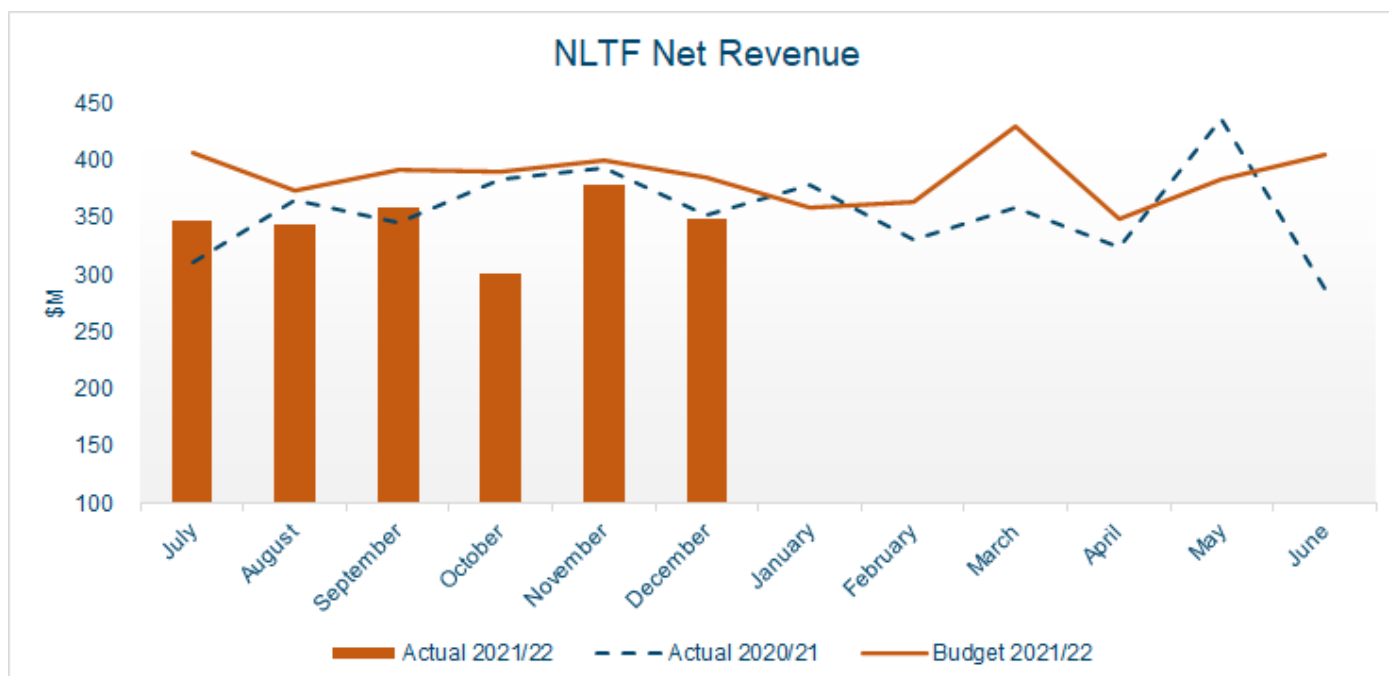
SUMMARY

\$267.4m

below budget

FED is 20% below budget
RUC is 5% below budget
MVR & Lic is on budget
Crown funded RNIP is 2% below budget

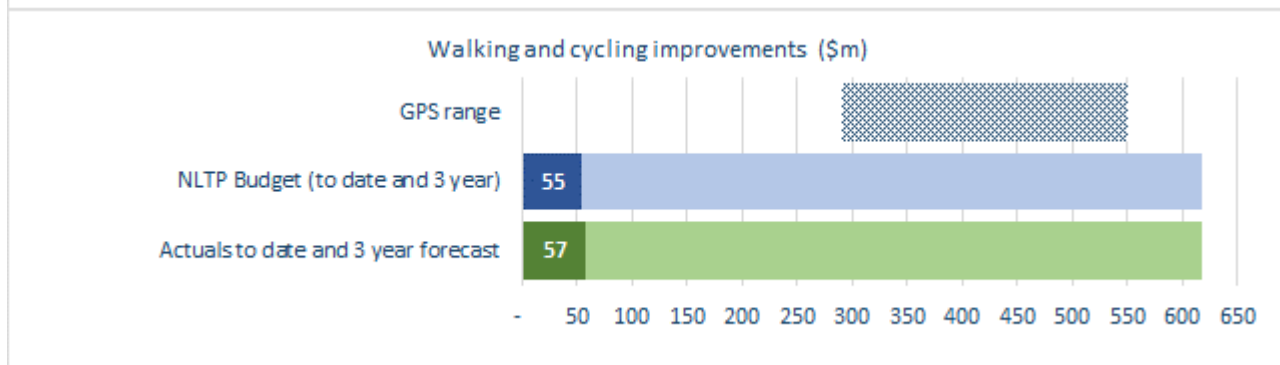
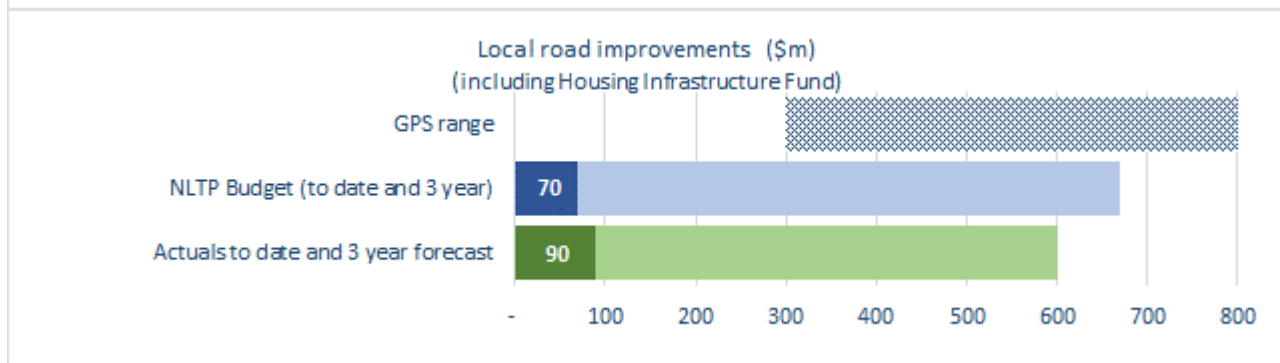
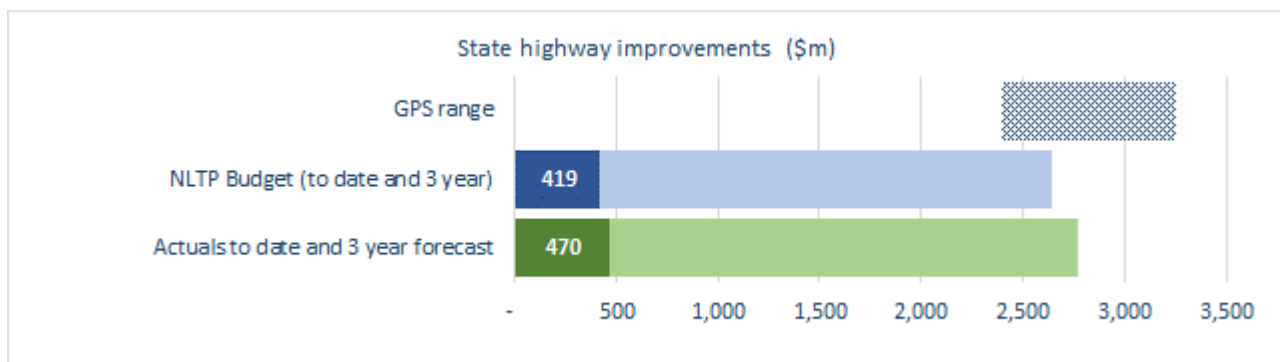
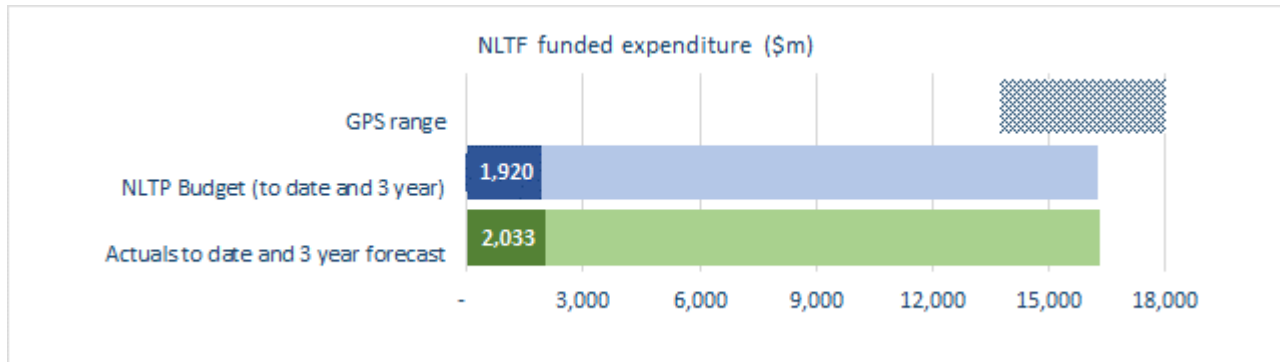
	MONTH				YEAR TO DATE				FULL YEAR	
	Actual	Budget	Variance	Var	Actual	Budget	Variance	Var	Forecast ³	Budget
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	\$m	\$m
Fuel Excise Duty	149.2	183.9	(34.7)	(19%)	899.6	1,129.9	(230.2)	(20%)	2,054.1	2,188.4
Road user charges	163.0	164.7	(1.7)	(1%)	938.7	987.9	(49.2)	(5%)	1,917.6	1,949.0
MV registration & Lic.	17.8	15.9	1.9	12%	122.2	122.6	(0.4)	(0%)	231.4	221.7
Crown Funding (RNIP)	16.0	18.6	(2.6)	(14%)	89.6	91.0	(1.4)	(2%)	229.4	248.0
Other revenue	4.1	3.1	1.0	32%	32.8	18.9	13.9	74%	37.8	37.8
Total NLTF revenue	350.1	386.2	(36.1)	(9%)	2,082.9	2,350.3	(267.4)	(11%)	4,470.4	4,645.0



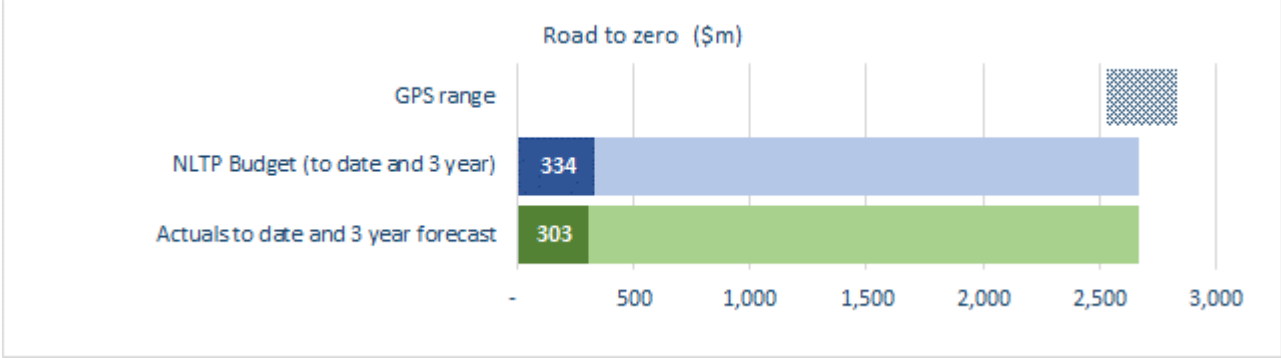
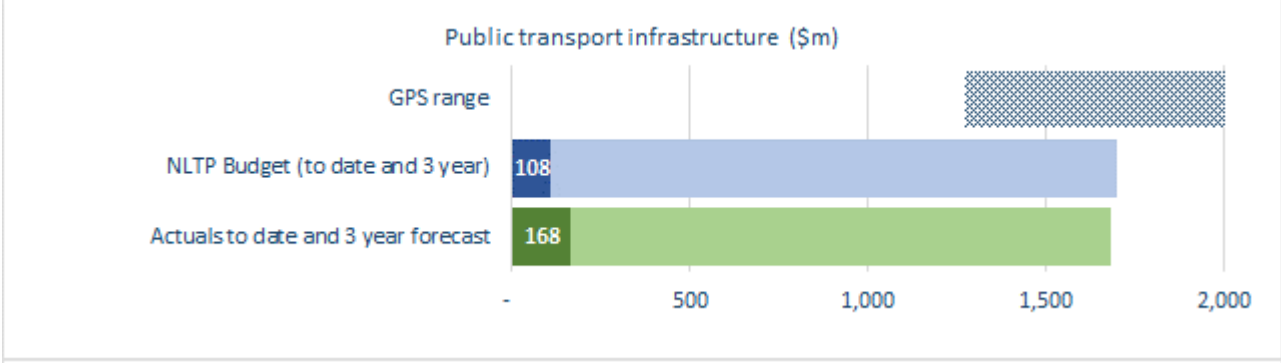
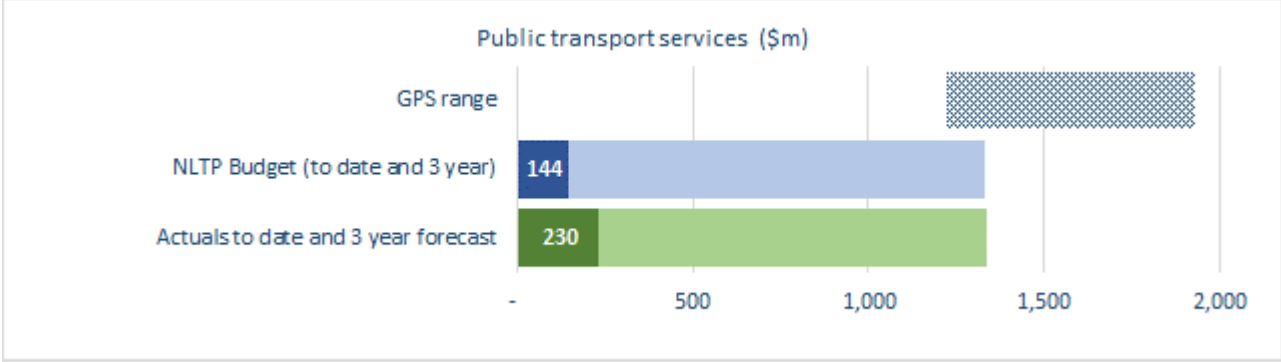
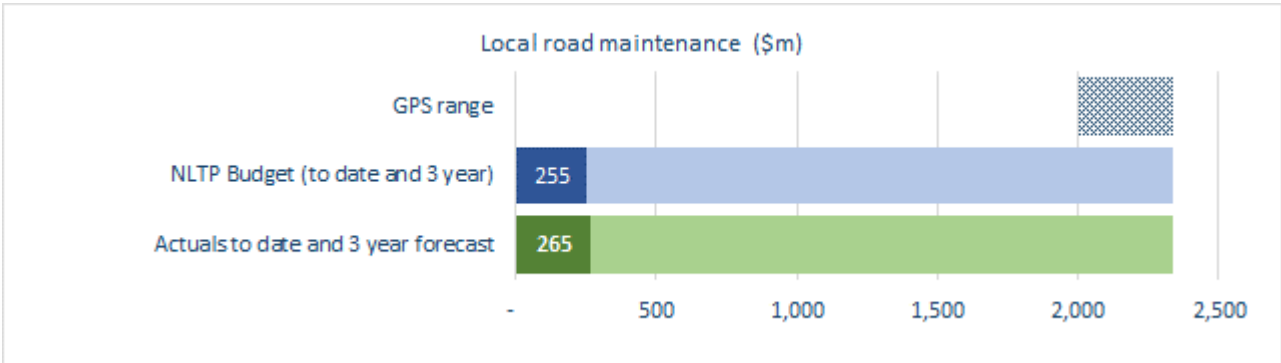
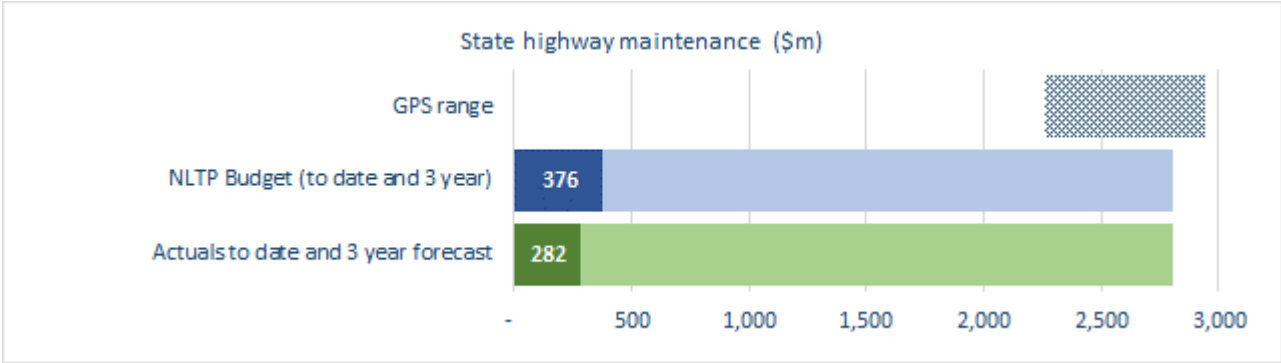
³ Revenue forecast is based on draft October Baseline Update (OBU). Reduction in revenue is due to COVID-19 lockdowns and restrictions.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND AND CROWN-FUNDED EXPENDITURE)

National Land Transport Fund (NLTF) expenditure is \$112.7 million (6%) above budget⁴. Expenditure trend is very similar to last month: higher expenditure on state highway improvements and public transport, being partly offset by lower spending on state highway renewals, and road to zero.



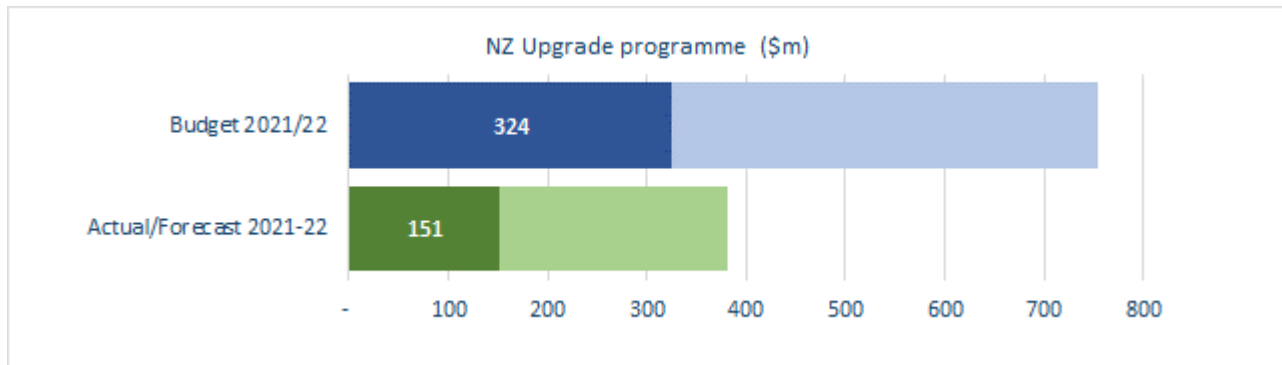
⁴ SPE budget was set before the \$2 billion debt facility was signalled by the Government and pre-COVID. Three-year budget reflects the published 2021-24 NLTP.



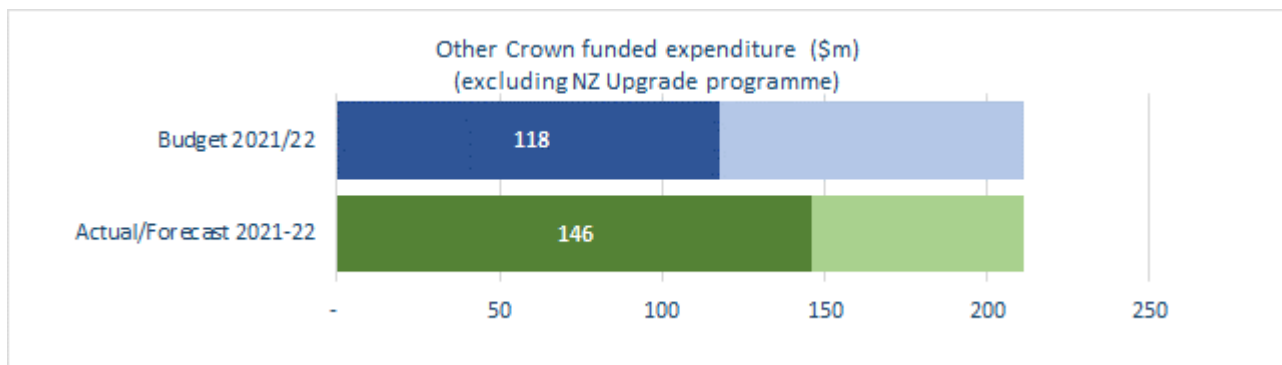


Specific Crown-funded projects⁵

NZ Upgrade Programme expenditure is \$173.4 million (53%) below budget due to the re-baselining of the NZ Upgrade Programme following recent Ministerial decisions. As a result, overall expenditure for the current year is forecast to be around 50% of the original budget.



Other Crown funded expenditure is \$28.9 million (25%) above budget mainly due to higher expenditure in CIP funded projects partly offsetting by underspends in Supporting Regions Programme.



⁵ Mainly comprises NZUP and is not subject to GPS range for the NLTP period. Hence, expenditure is not presented on a three-year view.

Tolling operation

Tolling revenue for the year to date

Tolling revenue is collected to fund operating expenditure associated with tolling, and repayment of debts. After deducting transaction charges (70c per trip) to recover Waka Kotahi administration costs:

- Northern Gateway – revenue is passed to the Ministry of Transport to repay Crown loans of \$158 million.
- Tauranga Eastern Link – revenue is used to service and repay Crown loans of \$107 million.
- Takitimu Drive – revenue is used to reimburse NLTF which funded the \$65 million acquisition costs from Tauranga City Council.

	TOLLING REVENUE TOTAL			TOLLING REVENUE TO OPERATE THE BUSINESS			TOLLING REVENUE TO REPAY DEBT		
	YTD	YTD	2021/22	YTD	YTD	2021/22	YTD	YTD	2021/22
	Actual	Budget	Budget	Actual	Budget	Budget	Actual	Budget	Budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Northern Gateway	5.8	8.4	17.0	1.8	2.6	5.3	4.0	5.8	11.7
Tauranga Eastern Link	4.1	4.6	9.1	1.3	1.5	2.9	2.8	3.1	6.2
Takitimu Drive	4.9	5.1	10.2	1.6	1.7	3.4	3.3	3.4	6.8
Total	14.9	18.1	36.3	4.8	5.8	11.6	10.1	12.3	24.7
Customer Toll Payment Notice	1.8	2.7	5.5	1.8	2.7	5.5			
Total tolling revenue	16.8	20.8	41.8	6.6	8.5	17.1	10.1	12.3	24.7

Outstanding Debt

	Open Balance at Inception \$m	Accrued Interest Life to Date \$m	Repayments Life to Date \$m	Closing Balance at 30 September 2021 \$m	Interest Rates	Projected Repayment Date
Northern Gateway	158.0	158.8	107.8	209.0	15bp above Treasury bond rate \$87.0m at fixed rates ranging from 4.99% to 5.14%. \$20.0m at floating rates. 6% 2015-2020, currently at 4%	2038
Tauranga Eastern Link	107.0	31.9	31.9	107.0		2040
Takitimu Drive ⁶	65.0	23.9	34.2	54.7		2031

Waka Kotahi Tolling memorandum account

The table below shows tolling revenues collected to fund the administration costs of Waka Kotahi, and operating expenditure associated with the tolling business.

	YEAR TO DATE		FULL YEAR
	Actual	Budget	Budget
	\$m	\$m	\$m
Opening balance	6.3	6.3	6.3
Revenue	6.6	8.5	17.1
Expenditure	4.5	7.5	13.7
Net surplus/(deficit)	2.1	1.0	3.4
Closing balance	8.4	7.3	9.7

⁶ This is notional debt representing the costs of purchase of the toll road from Tauranga City Council
Waka Kotahi NZ Transport Agency

Waka Kotahi Operational Revenue; Operating and Capital Expenditure

Operational expenditure is \$23.5 million (11%) below budget.

- **Personnel costs** are \$5.1 million (5%) above budget mainly from: a higher annual leave liability with fewer staff utilising balances during COVID-19; and workload and job market pressures resulting in higher spend on contractors (net of re-charges i.e. transfers to projects).
- **Operating expenses** are \$28.9 million (28%) below budget with lower spending to date for professional advice, commissions and transaction costs, and information technology mainly attributable to delays caused by COVID-19 lockdowns.

Operational revenue is \$14.7 million (17%) below budget due to COVID-19 impacts spread across driver licensing and testing, and motor vehicle licensing, which is offset by a related reduction in expenditure.

Capital expenditure is \$0.1 million (1%) below budget.

OPERATING EXPENDITURE

\$23.5m

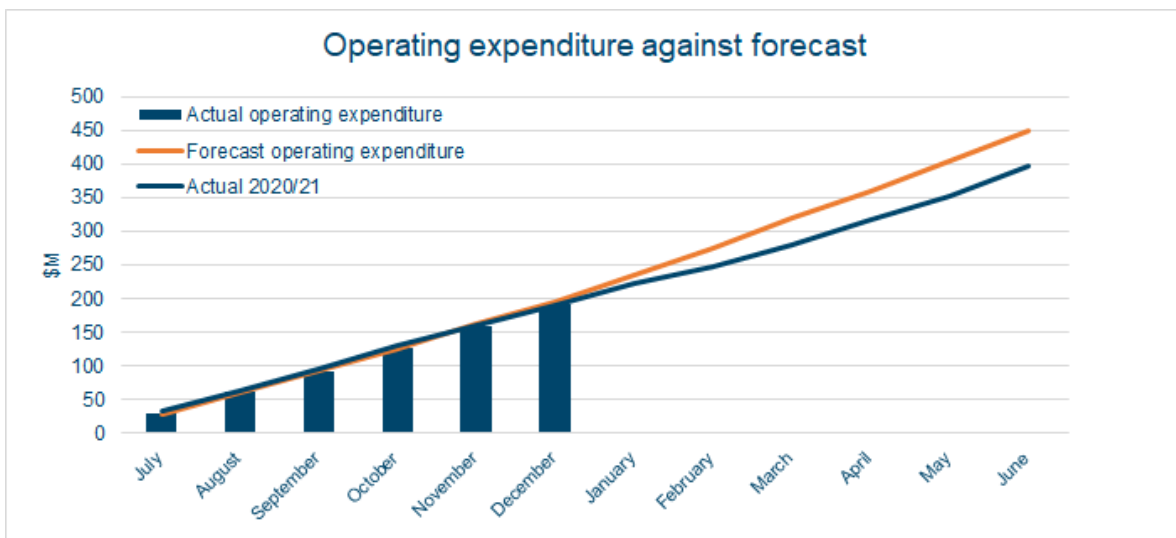
below budget

OPERATIONAL REVENUE

\$14.7m

below budget

	MONTH				YEAR TO DATE				FULL YEAR	
	Actual \$m	Budget \$m	Variance \$m	Var %	Actual \$m	Budget \$m	Variance \$m	Var %	Forecast \$m	Budget \$m
Expenditure classified by:										
Personnel costs	16.9	16.4	(0.5)	(3%)	109.5	104.5	(5.1)	(5%)	221.8	232.2
Operating expenses	13.5	18.6	5.1	27%	74.5	103.4	28.9	28%	211.6	205.2
Depreciation/amortisation	1.3	1.3	(0.0)	(4%)	7.7	7.4	(0.4)	(5%)	15.2	13.3
Operational expenditure	31.7	36.2	4.5	12%	191.7	215.2	23.5	11%	448.6	450.7
Expenditure classified by:										
NLTP	17.9	20.7	2.8	13%	112.3	121.3	9.0	7%	265.5	257.1
Regulatory (memo) account	13.8	15.5	1.7	11%	79.4	93.9	14.5	15%	183.1	193.6
Regulatory (memo) account revenue	13.7	13.8	(0.1)	(1%)	73.5	88.2	(14.7)	(17%)	160.3	171.2
Capital expenditure	2.1	2.5	0.4	15%	9.6	9.7	0.1	1%	24.4	24.4



Regulatory Memorandum accounts

The combined regulatory memorandum accounts deficit of \$38.1 million, is \$0.2 million adverse.

Revenue is \$14.7 million (17%) below budget largely due to the impact of the COVID-19 lockdowns on volumes, which is offset by reduction in expenditure \$14.5 million (15%) below budget.

We have submitted a budget bid seeking funding for the net revenue impact of COVID-19.

Financing of up to \$95 million has been made available to manage the current negative cash position. The financing is now more flexible post December cabinet decisions on fees and funding i.e. can now be used to provide bridging finance for the impacts of COVID-19 pending a decision on the budget bid.

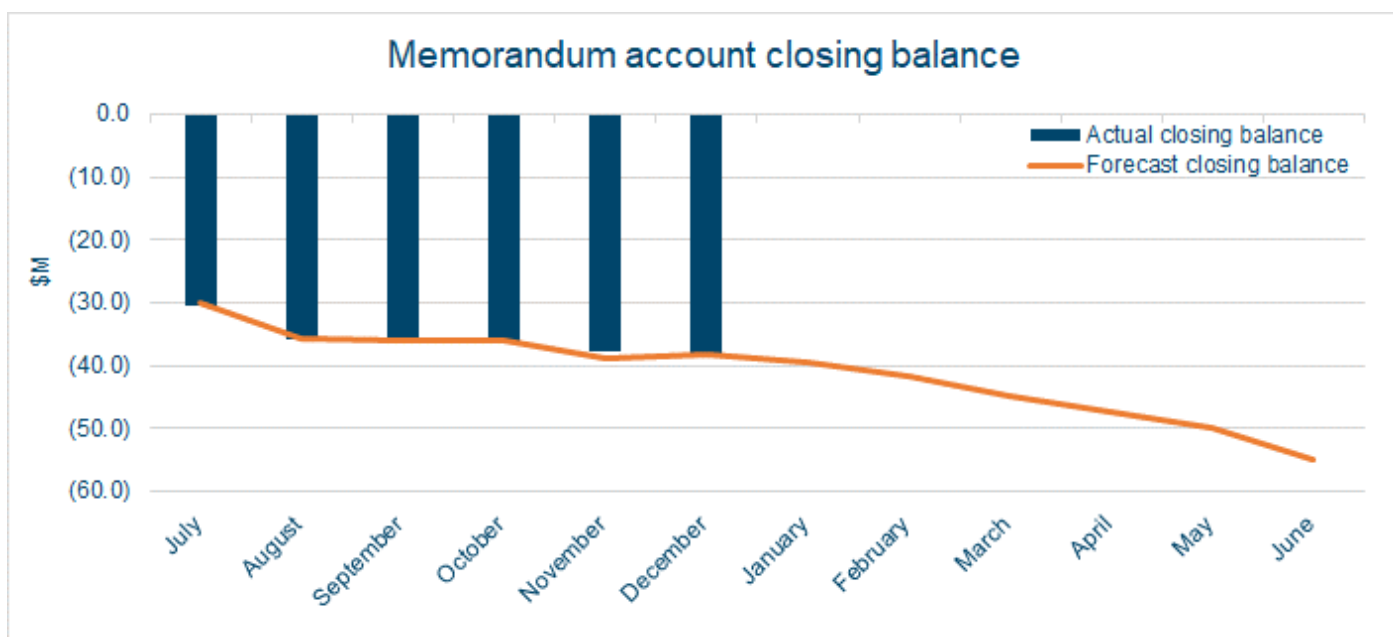
SUMMARY

\$0.2m
below budget

Closing balance

1% above budget

CLOSING BALANCE	YEAR TO DATE				FULL YEAR		
	Actual \$m	Budget \$m	Variance \$m	Variance %	Opening Actual balance	Closing Forecast balance	Closing Budget balance
					1 July 2021 \$m	30 June 2022 \$m	30 June 2022 \$m
Border inspection	4.1	3.9	0.2	5%	3.8	3.7	4.4
Certification review	(2.6)	(3.5)	0.9	27%	(3.5)	(3.9)	(1.7)
Driver licensing	(48.3)	(48.6)	0.3	1%	(43.4)	(53.3)	(63.9)
Driver testing	11.7	15.7	(3.9)	(25%)	16.0	11.9	13.0
Motor vehicle registry	(2.6)	(2.3)	(0.3)	(14%)	(2.0)	(8.3)	(2.7)
Over dimension permits	0.0	0.0	0.0	(80%)	(0.3)	(0.2)	0.3
Rail licensing	(1.4)	(1.5)	0.0	0%	(1.2)	(2.6)	(1.5)
RUC collections	(2.2)	(3.0)	0.8	26%	(2.1)	(6.3)	(7.5)
Standard development	13.9	12.8	1.1	9%	10.6	16.7	14.1
Transport licensing	(10.7)	(11.4)	0.7	6%	(10.0)	(12.7)	(9.1)
Total closing balances	(38.1)	(37.8)	(0.2)	(1%)	(32.1)	(54.9)	(54.6)



Funding and Long-term liabilities

The total long-term funding liability is \$3,347.9 million, incorporating specific loan packages, public-private partnership (PPP) commitments and the derivative financial liability. We are compliant with all loan conditions.

National Land Transport Programme (NLTP) loan 2021-24 totalling \$2 billion to support the implementation and delivery of the NLTP 2021-24 is now available for drawdown.

Short-term revolving facilities total \$175 million. \$75 million was drawn down in 2020/21 to manage COVID-19 impacts. \$100 million of the seasonal facility, used to manage cash flow, has been repaid. The remaining \$100 million balance will be repaid in January.

COVID-19 facilities totalling \$325 million was used to manage the effects of COVID-19 and PPP related settlement costs.

Housing Infrastructure Fund loan totals \$41.5 million. An additional \$12.5 million was drawn down for claims paid to the Hamilton City Council (Hamilton Peacocks project).

Regulatory loan facility drawdowns total \$45 million. The borrowing is being used to fund memorandum account shortfalls (\$8.5 million), the 'back to basics' programme (\$8.9 million), accumulated operating deficits (\$24.7 million) and recertifications (\$2.9 million).

Derivative financial liability has reduced with reductions due to the swap commencing for Transmission Gully and higher market interest rates.

SUMMARY

Long-term funding liability

\$3,347.9m

	BALANCE			STATUS		
	31 December 2021	30 June 2021	Movement	Total Facility Remaining	Total Facility	Final repayment date
	\$m	\$m	\$m	\$m	\$m	Year
NLTP loan 2021-24	0.0	0.0	0.0	2,000.0	2,000.0	
Short term revolving facility (shock)	75.0	75.0	0.0	175.0	250.0	July 2022
Short term revolving facility (seasonality)	100.0	0.0	100.0	150.0	250.0	May 2023
COVID-19 NLTF borrowing facility	325.0	325.0	0.0	0.0	425.0	July 2027
Auckland Transport Package loan	354.0	354.0	0.0	0.0	375.0	June 2027
Tauranga Eastern Link loan	107.0	107.0	0.0	0.0	107.0	June 2050
Housing Infrastructure Fund loan	41.5	29.0	12.5	315.5	357.0	December 2031
Regulatory loan - operating costs	42.1	29.1	12.0	37.9	80.0	December 2031
Regulatory loan - rectification	2.9	3.9	0.0	12.1	15.0	June 2031
Loans	1,047.5	923.0	124.5	2,696.5	3,859.0	
Fair value and other adjustments	(36.4)	(39.7)	3.3			
Total loans	1,011.1	883.3	127.8	2,696.5	3,859.0	
Transmission Gully (PPP)	1,114.8	1,049.9	64.9			
Puhoi to Warkworth (PPP)	843.8	792.3	51.5			
Total public-private partnerships	1,958.6	1,842.2	116.4			
Derivative financial liability	378.2	477.9	(99.7)			
Total funding liability	3,347.9	3,203.4	144.5	2,696.5	3,859.0	

Debt management

Based on current borrowing, annual debt servicing costs associated with debt and long-term liabilities are expected to average around 4.0% of annual NLTF inflows in 2021/22.

Total debt and long-term liabilities as a percentage of annual revenue is expected to average 82.6%.

	December 2021 \$m	June 2021 \$m	Preferred Ratio %
Debt Management			
Annual debt servicing costs (including PPP unitary charge)*	180.9	72.3	
Total debt at period end*	3,692.1	2,765.2	
NLTF annual inflows (including opening cash balance)	4,470.2	4,484.4	
Annual discretionary expenditure**	841.9	541.8	
Debt Management Ratios			
Annual debt servicing costs/NLTF annual inflows	4.0%	1.6%	<=10%
Total debt at period end/NLTF annual inflows	82.6%	61.7%	<=250%
Annual debt servicing costs/annual discretionary expenditure***	21.5%	13.3%	<=33%

* Excludes repayment of \$200 million of seasonal facility.

** Total debt excludes derivative financial liabilities and seasonal facility

*** Discretionary expenditure available from NLTF inflows after funding to support:

- debt servicing costs including PPP unitary charges
- contractual commitments
- anticipated funding to approved organisations.

Appendix 5: Risk and Assurance Report

Summary of internal audit and review activities for quarter two

During quarter two, the Internal Audit team undertook the following activities:

Audit or review	Overall effectiveness rating ⁷
1. Light Rail Establishment Unit Audit	Effective
2. Sponsorship & Endorsement Policy Compliance Review	Effective
3. 9 x Social Clubs	Partially Effective

A summary of each of these audits and reviews is provided below.

1. LIGHT RAIL ESTABLISHMENT UNIT AUDIT		Effective
Purpose	The objective of this audit was to provide comfort and general assurance to the Waka Kotahi Board and Management that funding is being appropriately controlled and prudently managed by the Establishment Unit (EU).	
Overview	<p>The EU was formed in July 2021 solely for the delivery of the scope outlined in the March 2021 Cabinet Paper (CBC-21-MIN-0036) and the City Centre to Māngere Terms of Reference for the Governance Arrangement.</p> <p>The audit found that there were a number of areas which enabled good financial practices including well established procurement and financial processes and clearly defined delegations embedded within the EU processes.</p> <p>The key areas of improvement identified concerned financial and contract management processes. Actions have been agreed with management to address these matters.</p> <p>Overall, against our audit assessment criteria, we have assessed the EU`s financial processes as being effective in the context of the programme at the time of the audit in 2021. While the controls are generally good and most of the risk is managed, there is room for some improvement to increase the effectiveness of these controls or reduce the risk of the control failing.</p> <p>We are aware that options for the delivery mechanism and forward arrangements and options for the project are still being considered. For the next phase, it will be important that:</p> <ul style="list-style-type: none"> - roles and responsibilities for the Waka Kotahi Procurement and Finance Officers supporting the EU are well defined to avoid ambiguity; and - limited access by EU members to some of Waka Kotahi systems be enabled to enhance efficiency and avoid duplication of some internal processes. 	
Key recommendations requiring action before project proceeds	<p>Financial Management</p> <p>Contracts Management</p>	<ol style="list-style-type: none"> 1. Project costs recorded in the EU's cashflow spreadsheet should be reconciled with those recorded in SAP (Waka Kotahi) system. Difference of \$4.2M was noted as at 30 September 2021. 2. Ensure compliance with the Waka Kotahi Procurement Manual on requirements to publish all direct appointments where the estimated value of the work is greater than \$50,000. 3. Update the Contract Register to reflect accurate vendor names and assigned contract owners.
Total number of recommendations		5

⁷"Partially effective" rating indicates that the controls are adequate but manage only a portion of the risk.

"Effective" rating shows that the controls in place are good and most of the risk is managed. However, there is room for some improvement to increase the effectiveness of these controls or reduce the risk of the control failing.

2. SPONSORSHIP & ENDORSEMENT POLICY COMPLIANCE REVIEW

Effective

Purpose The objective of this review was to understand and assess the process and controls in place to ensure compliance with the Policy and respective guidelines as provided on OnRamp as well as other applicable Waka Kotahi policies and procedures.

Overview Waka Kotahi sponsors about 20 industry conferences and events annually. In FY2020/21, the Executive Leadership Team approved 17 Corporate Sponsorships. However, due to COVID-19 restrictions, most of these events were postponed to later in 2021.

The sponsorship applications assessment criteria are aligned with the Government Policy Statement on land transport and Te kāpehu ensuring that sponsorship arrangements support the goals and objectives of Waka Kotahi.

The review found that, contrary to the Policy requirements, sponsorship agreements were not reviewed by the Legal team resulting in the potential contractual and/or legal risks exposure. In addition, Business Groups are approving sponsorships above \$2,000 threshold within their respective budgets without approval of the Senior Manager, Communication & Engagement. This may result in the inconsistent management of sponsorship activities, funding, and relationships.

There is also an opportunity to improve the record keeping practices to adequately support the sponsorship applications approval or decline decisions.

We have assessed the sponsorship and endorsements processes as being effective. The controls are good, but there is room for some improvement to increase the effectiveness of these controls or reduce the risk of the control failing.

Key recommendations	Sponsorship agreements	1. Ensure that the future sponsorship agreements are reviewed by the Legal team as appropriate.
	Compliance awareness training	2. Targeted communication to the Group Leadership Teams (GLT) on the Policy requirements. 3. Conduct Lunch & Learn Sessions to Waka Kotahi employees on the Sponsorship and Endorsement Policy and Guidelines.

Total number of recommendations 5

3. 9 Social Clubs Audits

Partially Effective

Purpose The purpose of these audits was to assess the effectiveness of Waka Kotahi Social Clubs ensuring that they are complying with Waka Kotahi Operating Principles.

Overview Overall, the Clubs are **partially effective** in their management of organisational, legislative and financial requirements. There are some improvement opportunities to strengthen the Clubs' processes and controls.

Key recommendations	Governance documents	1. To update their Constitution (i.e., the full name of the Club and the removal of the cheque clause etc.). This finding was a recurring finding from last year's 2020 audit.
	Expenditure controls	2. Clubs who are requesting funding on behalf of another office should ensure that the recipient Club maintains the receipts against the funding and provides minutes from meetings that support all spending decisions.

Total number of recommendations 3

Summary of National Land Transport Fund (NLTF) investment assurance - Quarter Two

Procedural (P) and Technical (T) audits of the following Approved Organisations (AOs) were finalised in quarter two. The purpose of these investment audits is to provide assurance that NLTF investment is being well managed using appropriate financial systems and processes and delivering value for money. Together, these AOs represent \$1.062B of investment for the 2018–21 NLTP cycle.

Approved Organisation	Overall effectiveness rating ⁸
1. Invercargill CC (P)	Some improvement needed
2. Environment Southland (P)	
3. Nelson CC (P)	
4. Manawatu DC (P)	
5. Christchurch CC (T)	
6. Auckland Transport (T)	

The common themes from the investment audits were:

- Road Safety Audits** - While in general AOs are well aware of Waka Kotahi road safety policy requirements some audits finalised in quarter two reported that a number of AOs lacked the expertise and demonstrable evidence of how these safety requirements are being addressed.
- Procurement Strategies** - In non-compliance with the Procurement Manual, several AOs had not made their procurement strategies available on their website.
- Procurement Procedures** - Public tenders for financially assisted contracts must be advertised electronically through the Government Electronic Tender Service (GETS). The audits in this quarter noted that a several AOs are still using Tenderlink.

Incident management

The incident management team (IMT) have identified improvements needed to assess emerging risks appropriately for smaller and local events.

Additional tools have been developed and tested for IMT use including wall prompts and an assessment framework for emerging risks. Positive feedback has been received from stakeholders and these tools were used in response to the recent COVID-19 related community protests and are being implemented more widely.

National Incident Management Team (NIMT)

A cyber exercise planned for the NIMT in Sep/Oct 2021 has been delayed until March 2022. This exercise is being run in conjunction with the Digital Team and facilitated by PWC.

Local Incident Management Team (LIMT)

During quarter two, LIMTs undertook a mix of self-facilitated exercises and those facilitated by the Risk & Assurance Team. Continuous improvement actions have been identified eg development of communications templates which are being implemented by the LIMT with support of the Risk and Assurance team.

Business Continuity

Business Continuity Exercises

Tabletop Business Continuity exercises were undertaken for a total of 37 out of 64 (58%) Business Continuity Plans as at 15 December 2021.

⁸“Some improvement needed” means that the investment is adequately managed, but there are some compliance omissions with Waka Kotahi and legislative requirements.

Gaps in Business Continuity arrangements

We are aware that Waka Kotahi Business Continuity Plans (BCPs) don't all have suitable contingency plans in place for all scenarios. These gaps leave some critical operations vulnerable under some scenarios.

Following the survey completed in 2021 to understand the current state and key gaps in mitigations, the findings have been discussed with all relevant Group Leadership Teams.

The 2021 survey identified the following common themes that are likely to be the priority areas requiring further action:

- ICT Failure / Cyber Attack
- Supply chain disruption / resilience
- Contagious disease / workforce vulnerability to single points of failure
- Unknown / untested effectiveness of anticipated work arounds requiring support from other specialist areas.



Loss of building (sufficiently mitigated via uplift in remote working capability) (Overall, Waka Kotahi current Business Continuity Plans (BCPs) leave some critical operations vulnerable under some scenarios.

A specialist consultant has been engaged to undertake uplift work on the Business Continuity Management System, starting with Business Impact Analysis in quarter three to determine critical functions, system priorities and technical interdependencies. This work builds on the current state assessment and will inform plans for a two-three-year improvement programme.



Risk Management

Changes to risk ratings and target ratings





Waka Kotahi overall risk profile remains stable. The current risk rating for the regulatory risk has reduced from High to Medium and the remaining risks remain unchanged.

Key Risk #	Key Risk	Previous rating	Current rating	Reason for change
6	Regulatory			<p>The current risk rating has reduced from High to Medium as a result of addressing the highest risk process gaps and an improving level of control. Key improvements required have been implemented through the "stabilisation phase work programme 2019-2021".</p> <p>Although the possibility of failure still exists, consequential impacts have been assessed as being significantly reduced. A programme of improvement work continues.</p>

There were also changes to one of the Target risk levels this quarter, as follows:

Key Risk #	Key Risk	Previous Target rating	New Target rating	Reason for change
1	Technology			<p>The target risk rating has increased from Low to High. This reflects the three-year risk remediation programme and enduring work required to remediate this risk and the impact on the programme from ongoing resourcing challenges. A rating of High is expected to be achieved by June 2023.</p>

Key to risk ratings

-  **Critical:** Active management required by risk owner and ELT to review and confirm strategies
-  **Medium:** Effective internal controls and monitoring to occur within business groups
-  **High:** Risk and controls require group management oversight, ELT is informed
-  **Low:** Routine procedures to be used to manage the risk and controls

Waka Kotahi key risk summary FY 21/22 Quarter Two*

Refresher of Key Strategic Risks

The Waka Kotahi key strategic risks have been reviewed in Quarter two to identify and reassess the key risks that will potentially impact our ability to deliver against our strategic objectives.

A survey has been completed with the Waka Kotahi ELT team and the Board followed by a workshop on 18 December 2021. The risks reported below are being refreshed following the feedback and workshop and will be integrated to be reported in the next quarter. Work has also commenced to identify emerging risks, risk prioritisation and mapping interdependencies.

The risks below are the key risks identified and managed in Quarter two.

Key risk #	Key risk	Risk description	Q1	Q2	Target	Trend
1	Technology	Waka Kotahi technology systems may stop performing, in part or whole, and may not be recoverable for extended periods (weeks or months)	●	●	●	Same
2	People Capability and Talent	Waka Kotahi cannot retain or attract the right talent and capability needed to deliver on its outcomes, strategy, and goals	●	●	●	Same
3	Cyber	Unauthorised access to Waka Kotahi key systems	●	●	●	Same
4	Funding Sources (NLTF):	Waka Kotahi funding sources are not sufficient to fund the National Land Transport Programme and/or meet ministerial and stakeholder expectations	●	●	●	Same
5	Funding Sources (Regulatory)	Waka Kotahi funding sources are not sufficient to fund its regulatory activities	●	●	●	Same
6	Regulatory	<i>Opportunity</i> The regulatory function delivers adequate risk-based compliance activities that focus on improved land transport safety outcomes	●	●	●	Better
7	Health & Safety	<i>Opportunity</i> Employees, visitors and contractors working for Waka Kotahi are in a safe environment.	●	●	●	Same
8	Road Safety Outcomes	Waka Kotahi does not achieve a sustained rate of reduction in deaths and serious injuries over and beyond the 2020-2022 Action Plan period to achieve the 2030 target	●	●	●	Same
9	Social Licence	The public loses confidence in Waka Kotahi ability to deliver its core functions	●	●	●	Same

Key risk #	Key risk	Risk description	Q1	Q2	Target	Trend
10	Large Project Governance	Large high-profile projects may lack adequate governance	●	●	●	Same
11	Industry Capability & Capacity	Waka Kotahi may not be able to secure adequate consultancy and/or construction resource (awaiting update)	●	●	●	Same
12	Benefits Realisation	Waka Kotahi is unable to demonstrate whether the investments it makes through the NLTP are delivering benefits	●	●	●	Same
13	Resilience	To the extent of Waka Kotahi powers, the land transport system does not withstand, absorb, adapt, respond or recover from unplanned disruptive events	●	●	●	Same

Trend Descriptors

Better - No change to overall risk rating, but the likelihood or consequence of the risk has reduced

Worse - No change to overall risk rating, but the likelihood or consequence of the risk has increased

Same - No change to overall risk rating and no change to likelihood or consequence of the risk

Risk Matrix QTR 2

		Risk consequence				
		Insignificant	Minor	Moderate	Severe	Extreme
1. Technology 2. People capability and talent 3. Cyber 4. Funding sources (NLTF) 5. Funding sources (regulatory) 6. Regulatory 7. Health & safety 8. Road safety outcomes 9. Social licence 10. Large project governance 11. Industry capability & capacity 12. Benefits realisation 13. Resilience	Risk likelihood					
	Almost certain				2	
	Likely			12,13	3,4,5	
	Possible			6	7,8,9, 10,11	1
	Unlikely					
	Rare					

