

STATEMENTS OF FINANCIAL PERFORMANCE EXPECTATIONS

NZ TRANSPORT AGENCY

NATIONAL LAND TRANSPORT FUND



NZ TRANSPORT AGENCY

Overview

We have budgeted revenue of \$10.8 billion for 2015-18 to fund:

- **Land transport** – \$10.0 billion which includes our investment in the state highway network and funding we provide to approved organisations for the delivery of services. We will be investing \$4.7 billion in new capital across the state highway network as well as maintaining our assets with \$1.1 billion of expenditure.
- **NZ Transport Agency operating activities** – \$980.0 million which includes activities that the Transport Agency is accountable for and delivers in-house or contracts out.

FUNDING SOURCES AND EXPENDITURE 2015-18

FUNDING SOURCES			OPERATING AND CAPITAL EXPENDITURE						
			Investment in land transport			Transport Agency operating activities			
				MANAGING THE STATE HIGHWAY NETWORK	SPECIFIC CROWN PROJECTS	ACCESS TO & USE OF LAND TRANSPORT	PLANNING & INVESTING IN LAND TRANSPORT	MANAGING THE STATE HIGHWAY NETWORK	SPECIFIC CROWN PROJECTS
Funding from the National Land Transport Fund	Operating	\$6,205.151m	\$3,300.197m	\$1,113.308m		\$15.206m	\$224.066m	\$60.692m	
	Capital	\$3,223.751m		\$4,680.061m					
Revenue from other activities		\$509.551m				\$488.229m	\$45.391m	\$2.968m	
Funding from the Crown	Operating	\$185.940m			\$171.339m	\$13.855m	\$2.371m		\$0.285m
	Capital	\$207.500m			\$207.500m				
	Borrowing	\$511.000m			\$511.000m				
Totals		\$10,842.893m	\$3,300.197m	\$5,793.369m	\$889.839m	\$517.290m	\$271.828m	\$190.599m	\$0.285m
This table includes operating and capital			Total \$9,983.405m			Total \$980.002m			

The difference between funding and expenditure over the 2015-18 periods is covered by the proceeds of sale of surplus state highway properties.

NZ TRANSPORT AGENCY GROUP OPERATING ACTIVITIES

This table shows the Transport Agency's total expenditure from its operating activities.

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Personnel costs	89,648	98,072	99,194	102,567
Operating expenses	150,391	162,103	156,179	157,642
Depreciation and amortisation expense	10,097	14,485	16,520	17,499
TOTAL EXPENDITURE	250,136	274,661	271,894	277,708

The budgeted increase in personnel costs is a mix of planned increases in remuneration and planned increases in staff numbers to bring in-house some activities that were previously outsourced. The increase in depreciation and amortisation expense between 2014/15 and the out years is a result of increased investment that is planned for tolling infrastructure in 2014/15.

MANAGING OUR ASSETS

Each year the Transport Agency prepares a capital programme to ensure that it has the infrastructure required to fulfil its functions. The budget set aside for the next three years, not including state highway network activities, is set out below.

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Computer hardware	2,000	3,050	2,623	2,480
Computer software	10,495	5,939	8,920	9,967
Leasehold improvements	150	1,423	1,424	1,736
Furniture and fittings	155	422	414	412
Office, plant and equipment	260	155	144	128
National integrated transport ticketing system	0	4,177	5,034	5,078
TOTAL	13,060	15,166	18,559	19,801

The focus of the capital programme is on upgrading our technology and making improvements to business critical systems and applications. From an infrastructure perspective, the assets purchased primarily relate to the replacement of assets that have exceeded their useful life or in the case of computer equipment and furniture are part of a planned replacement programme.

OTHER FEES AND CHARGES FUNDED ACTIVITIES

Memorandum accounts are notional accounts that record the accumulated balance of surpluses and deficits incurred for third party funded outputs operating on a full cost recovery basis.

OTHER FEES AND CHARGES BY FUNDING SOURCE				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
BORDER INSPECTIONS				
Net surplus/(deficit)	254	184	130	90
Balance at 30 June	3,191	3,375	3,505	3,595
CERTIFICATION REVIEWS				
Net surplus/(deficit)	(2,005)	1,425	1,466	1,301
Balance at 30 June	(9,639)	(8,214)	(6,748)	(5,447)
DRIVER LICENSING				
Net surplus/(deficit)	3,346	1,146	(39)	(2,519)
Balance at 30 June	5,802	6,948	6,909	4,390
DRIVER TESTING				
Net surplus/(deficit)	461	(792)	(1,656)	(1,945)
Balance at 30 June	5,910	5,118	3,462	1,517
MOTOR VEHICLE LICENSING				
Net surplus/(deficit)	535	(2,005)	(1,196)	(1,205)
Balance at 30 June	5,762	3,757	2,561	1,356
OVERDIMENSION PERMITS				
Net surplus/(deficit)	103	73	78	67
Balance at 30 June	575	648	726	793
RAIL LICENSING				
Net surplus/(deficit)	(366)	(784)	(316)	(359)
Balance at 30 June	(3,326)	(4,110)	(4,426)	(4,785)
ROAD USER CHARGES COLLECTIONS				
Net surplus/(deficit)	(968)	(557)	(674)	1,244
RUC retained funds to memorandum account	1,500	1,400	0	0
Balance at 30 June	532	1,375	701	1,945
STANDARDS DEVELOPMENT AND CERTIFICATION				
Net surplus/(deficit)	(156)	(50)	(154)	(359)
Balance at 30 June	1,909	1,859	1,705	1,346
TRANSPORT LICENSING				
Net surplus/(deficit)	1,827	45	111	(194)
Balance at 30 June	69	114	225	31
TOTAL MEMO ACCOUNT - OTHER FEES/CHARGES	10,785	10,870	8,620	4,741

All memorandum accounts areas are reviewed to ensure costs are aligned with fee revenue with the longer term aim of balancing each of these. Until these reviews are fully completed, some memorandum accounts will continue to carry negative balances.

LAND TRANSPORT FUNDING

The Transport Agency develops the three-year National Land Transport Programme (NLTP) based on the policy direction in the Land Transport Management Act and the Government Policy Statement on Land Transport (GPS) and regional priorities. This table below shows the activity classes which are funded from the National Land Transport Programme and associated activities funded from the Crown. The investment in land transport is net of the expenditure on new and renewal of state highways which is capitalised and the Transport Agency operating expenditure which is separately shown in the statement of comprehensive revenue and expense.

The three-year NLTP period covers 2015 to 2018. The budget for each year depends on the portion of the programme that is delivered in the previous years. The investment in local roads and public transport is the NLTP contribution only and does not include the significant contribution from local authorities.

LAND TRANSPORT FUNDING				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Investment management	51,675	59,000	60,000	61,000
Public transport	298,000	331,000	340,000	349,000
Walking and cycling	28,000	31,000	31,000	32,000
Road safety promotion	33,000	33,900	33,800	34,300
Local road improvements	188,000	148,800	153,450	162,750
Local road maintenance	533,700	555,000	568,000	537,000
Regional improvements	0	65,000	75,000	85,000
State highway improvements	1,323,125	1,303,040	1,355,976	1,412,984
State highway maintenance	546,487	560,000	561,000	563,000
Interest on borrowings	3,837	7,941	13,017	11,105
TOTAL NLTP EXPENDITURE	3,005,824	3,094,681	3,191,243	3,248,139
Activities funded on behalf of the Crown				
State highway improvements (Tauranga Eastern Link)	107,000	0	0	0
SuperGold card concessions for cardholders	26,500	28,129	28,605	30,605
SuperGold card administration	95	95	95	95
Auckland accelerated package	0	50,000	213,000	112,000
Regional state highways	13,789	45,000	86,500	65,000
Reinstatement of damaged roads in Christchurch	35,000	68,000	68,000	0
Urban cycleways	5,000	31,000	32,000	32,000
Construction of passing opportunities on SH2	500	0	0	0
National war memorial park	10,000	0	0	0
Subtotal of activities funded on behalf of the Crown	197,884	222,224	428,200	239,700
	3,203,708	3,316,905	3,619,443	3,487,839
Less capital expenditure	(1,624,110)	(1,646,040)	(1,899,476)	(1,838,984)
Less NZTA operating activities funded from the NLTP	(78,784)	(93,939)	(94,866)	(96,238)
Less interest on borrowing	(3,837)	(7,941)	(13,017)	(11,105)
TOTAL LAND TRANSPORT FUNDING	1,496,977	1,568,985	1,612,084	1,541,512

NEW ZEALAND TRANSPORT TICKETING LTD

New Zealand Transport Ticketing Limited has been established as a Crown Entity Subsidiary, under the governance of the NZ Transport Agency, to execute the operational plan for supporting a national integrated transport ticketing system and managing information services generated from such a system. Through New Zealand Transport Ticketing Limited, an infrastructure will be developed to support:

- the transport ticketing central system processing capability for all customers and related service delivery agreements, including national settlement services
- information management support services, including the information registrar function and security management
- other system services, including gateways and interfaces as required.

This table sets out the key forecast financial information of New Zealand Transport Ticketing Limited:

NEW ZEALAND TRANSPORT TICKETING LTD				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
COMPREHENSIVE REVENUE AND EXPENSE				
Funding from the NLTF	1,675	4,596	4,965	4,896
Other revenue	0	5,843	6,209	8,740
Expenditure	1,605	12,439	13,890	15,872
	70	(2,000)	(2,716)	(2,236)
FINANCIAL POSITION				
Working capital	0	50	73	123
Non-current assets	14,247	16,401	18,697	21,516
	14,247	16,451	18,770	21,638
EQUITY				
Contributed capital	14,177	18,381	23,416	28,520
Accumulated deficit	70	(1,930)	(4,646)	(6,881)
	14,247	16,451	18,770	21,638
NET CASH FLOWS				
Cash from operating activities	70	(4)	22	23
Capital expenditure	(70)	(4,177)	(5,035)	(5,078)
Capital contribution	0	4,204	5,035	5,104
	0	23	22	49

PROSPECTIVE FINANCIAL STATEMENTS

The consolidated financial statements include the parent NZ Transport Agency and its subsidiary NZ Transport Ticketing Limited.

CONSOLIDATED PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
REVENUE				
Funding from the Crown	41,395	60,996	61,472	63,472
Funding from the National Land Transport Fund	1,996,399	2,025,574	2,065,173	2,114,404
Revenue from other activities	159,510	170,255	167,970	171,326
Total revenue	2,197,304	2,256,825	2,294,615	2,349,202
EXPENDITURE				
Personnel costs	89,648	98,072	99,194	102,567
Operating expenses	150,391	162,103	156,179	157,642
Land transport funding	1,496,977	1,568,985	1,612,084	1,541,512
Interest on borrowing	3,837	7,941	13,017	11,105
Depreciation and amortisation expense	475,097	484,485	491,520	497,499
State highway asset write-off	10,000	10,000	10,000	10,000
Total expenditure	2,225,950	2,331,587	2,381,995	2,320,325
SURPLUS/(DEFICIT)	(28,646)	(74,762)	(87,380)	28,877
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Loss on asset revaluations	(5,823)	0	0	0
Gain/(loss) state highway network revaluations	560,000	560,000	560,000	560,000
Total other comprehensive revenue and expense	554,177	560,000	560,000	560,000
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	525,531	485,238	472,620	588,877

CONTINUED OVER...

CONSOLIDATED PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	50,000	50,023	50,045	50,094
Debtor National Land Transport Fund	488,145	496,307	506,193	518,247
Debtor Crown	23,558	35,656	35,935	37,104
Receivables	34,429	36,223	35,714	36,097
Property assets held for sale	58,500	58,500	58,500	58,500
Prepayments	4,700	4,700	4,700	4,700
Inventories	200	200	200	200
Total current assets	659,533	681,609	691,287	704,942
NON-CURRENT ASSETS				
Property, plant and equipment	16,132	17,249	17,954	18,742
State highway network	30,190,092	31,870,168	33,800,515	35,640,773
Transmission Gully (public private partnership)	180,806	465,221	726,093	941,532
Intangible assets	40,961	40,525	41,859	43,373
Loans and advances	855	855	855	855
Total non-current assets	30,428,846	32,394,018	34,587,276	36,645,275
TOTAL ASSETS	31,088,379	33,075,627	35,278,563	37,350,216
LIABILITIES				
CURRENT LIABILITIES				
Payables	512,009	483,094	280,408	185,987
Tolling funds held in trust	2,000	2,000	1,000	1,000
Employee entitlements	12,506	12,538	12,539	12,540
Total current liabilities	526,515	497,632	293,947	199,528
NON-CURRENT LIABILITIES				
Payables	200	200	200	200
Transmission Gully (public private partnership)	180,806	465,221	726,093	941,532
Employee entitlements	4,000	4,000	4,000	4,000
Borrowing ^a	143,760	268,932	556,873	623,873
Total non-current liabilities	328,766	738,353	1,287,166	1,569,605
TOTAL LIABILITIES	855,281	1,235,985	1,581,113	1,769,133
NET ASSETS	30,233,098	31,839,641	33,697,450	35,581,084

CONSOLIDATED PROSPECTIVE STATEMENT OF FINANCIAL POSITION *CONTINUED* AS AT 30 JUNE

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
EQUITY				
General funds	5,606	5,606	5,606	5,606
Retained funds ^b	3,215	(65,817)	(136,105)	(88,850)
Memorandum account – other fees and charges	10,785	10,870	8,620	4,741
State highway network ^c	30,213,492	31,888,982	33,819,329	35,659,587
TOTAL EQUITY	30,233,098	31,839,641	33,697,450	35,581,084

a. Borrowing is for the Tauranga Eastern Link, Auckland accelerated package, and Christchurch earthquake funding.

b. Retained funds reflect mainly the deficits and surpluses associated with the increase in expenditure to fund the Christchurch recovery in the next two years, and subsequent decrease of that expenditure.

c. The state highway network includes the state highway investment and revaluation reserves.

CONSOLIDATED PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE

EQUITY – OPENING BALANCES				
General funds	5,606	5,606	5,606	5,606
Retained funds	46,278	3,215	(65,817)	(136,105)
Memorandum account – other fees and charges	6,254	10,785	10,870	8,620
State highway network	28,668,982	30,213,492	31,888,982	33,819,329
Total equity – Opening balance	28,727,120	30,233,098	31,839,641	33,697,450
CHANGES IN EQUITY				
Total comprehensive revenue and expense for the year				
Retained funds	(31,677)	(73,447)	(85,130)	32,756
Memorandum account – other fees and charges	3,031	(1,315)	(2,250)	(3,879)
Surplus/(deficit)	(28,646)	(74,762)	(87,380)	28,877
Loss on asset revaluations	(5,823)	0	0	0
State highway network – gain/(loss) on revaluations	560,000	560,000	560,000	560,000
	525,531	485,238	472,620	588,877
Capital funding				
Crown	23,789	48,000	90,500	69,000
National Land Transport Programme	956,658	1,023,305	1,086,689	1,113,757
	980,447	1,071,305	1,177,189	1,182,757
Total changes in equity	1,505,978	1,556,543	1,649,809	1,771,634
EQUITY – CLOSING BALANCES				
General funds	5,606	5,606	5,606	5,606
Retained funds	3,215	(65,817)	(136,105)	(88,850)
Memorandum account – other fees and charges	10,785	10,870	8,620	4,741
State highway network	30,213,492	31,888,982	33,819,329	35,659,587
TOTAL EQUITY – CLOSING BALANCES	30,233,098	31,839,641	33,697,450	35,581,084

CONSOLIDATED PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from the Crown	67,059	48,898	61,194	62,303
Receipts from the National Land Transport Fund	2,083,619	2,071,616	2,268,322	2,219,454
Receipts from other revenue	162,942	168,111	168,128	170,593
Interest received	374	350	350	350
Payments to suppliers	(1,549,794)	(1,779,003)	(1,990,949)	(1,812,576)
Payments to employees	(90,266)	(98,040)	(99,194)	(102,566)
Goods & services tax (net)	19,000	19,000	19,000	19,000
Net cash from operating activities	692,933	430,932	426,852	556,558
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of state highway held properties	57,600	50,550	44,129	68,726
Purchase of property, plant and equipment	(2,635)	(5,468)	(5,108)	(5,264)
Purchase of intangible assets	(10,495)	(9,698)	(13,451)	(14,537)
Investment in the state highway network	(1,730,785)	(1,696,040)	(2,107,476)	(1,950,984)
Net cash from investing activities	(1,686,315)	(1,660,656)	(2,081,906)	(1,902,059)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the Crown	23,789	48,000	90,500	69,000
Capital contribution from the National Land Transport Fund	956,658	1,019,101	1,081,654	1,108,653
Receipts from borrowing	192,000	238,000	559,000	294,000
Repayment of borrowing	(150,000)	(70,000)	(71,000)	(115,000)
Interest paid on borrowing	(2,987)	(5,355)	(5,076)	(11,105)
Net cash from financing activities	1,019,460	1,229,746	1,655,078	1,345,548
NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS	26,078	23	22	49
Cash and cash equivalents at the beginning of the year	23,922	50,000	50,023	50,045
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	50,000	50,023	50,045	50,094

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, for the purpose of providing information on the Transport Agency's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 Prospective Financial Statements in the preparation of these prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented, and that some variations may be material.

The Transport Agency does not intend to update the prospective financial statements subsequent to the publication of these statements.

Statement of significant underlying assumptions

The Transport Agency has made a number of assumptions in preparing the prospective financial statements. The most significant of these are outlined below.

Funding from the National Land Transport Fund	Revenue forecasts for fuel excise duty, road user charges and motor vehicle registrations are based on future performance and trends.
Fees and charges	Forecast revenues are influenced by transaction volumes. Assumptions are based on historical performance and trends.
Personnel costs	The forecast costs assume minor changes to the current organisational structure in order to resource previously outsourced services. Associated cost increases are expected to be offset by operating efficiencies.
Expenditure	The forecast costs assume the current range of activities will be in place throughout the period, and reflect the increasing pressures associated with delivering its programmes and services.
Capital	The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.
Asset revaluations	The state highway network is re-valued annually. These valuations are dependent on changes in the value of the land, properties and asset components of the state highway network.
Opening equity	Estimated opening equity assumes a 2014/15 year surplus of \$525.531 million. This impacts on estimated amounts of cash on hand and net assets.

KEY ISSUES IMPACTING ON BUDGET**Estimates of appropriations for the year ending 30 June 2016**

This table shows the funding the Transport Agency receives from the government as disclosed in the *Estimates of appropriations*, and the movements to the revenue published in the *Statement of performance expectations*.

Output class	Appropriations 2015/16 \$000	Funding movements \$000	SPE 2015/16 \$000
Investment management	54,000	5,000	59,000
Public transport	314,000	17,000	331,000
Walking and cycling	30,000	1,000	31,000
Road safety promotion	32,000	1,900	33,900
Local road improvements	167,000	(18,200)	148,800
Local road maintenance	559,000	(4,000)	555,000
State highway improvements	470,000	0	470,000
State highway maintenance	380,000	0	380,000
National land transport programme (PLA)	2,006,000	2,700	2,008,700
NLTP - state highway renewals and improvements (PLA)	1,008,270	10,831	1,019,101
Licensing and regulatory compliance	3,098	0	3,098
Road user charges collection, investigation and enforcement	4,229	0	4,229
Refund of fuel excise duty	519	0	519
Investment management (crash analysis system)	775	0	775
SuperGold card public transport concessions for cardholders	28,129	0	28,129
SuperGold card administration	95	0	95
Auckland accelerated package	145,000	(95,000)	50,000
Regional state highways	74,000	(29,000)	45,000
Reinstatement of earthquake damaged roads in Christchurch	123,420	(55,420)	68,000
Urban cycleways	35,000	(4,000)	31,000
TOTAL	3,428,535	(169,889)	3,258,646

(PLA - Permanent legislative authority).

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the Land Transport Management Act 2003. The Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe responsible and resilient transport solutions that support a thriving New Zealand. The Transport Agency does not operate to make a financial return.

The Transport Agency has designated itself a public benefit entity (PBE) for financial reporting purposes.

Consolidation of subsidiary

The consolidated financial statements include the parent NZ Transport Agency and its subsidiary NZ Transport Ticketing Limited.

The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All inter-company transactions are eliminated on consolidation.

Consistent accounting policies are applied to the subsidiary's financial statements and are prepared for the same reporting period as the parent entity.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

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

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on or after 1 July 2015.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Funding from the Crown and the National Land Transport Fund

The Transport Agency is primarily funded through revenue received from the Crown and the National Land Transport Fund, which is restricted in its use for the purpose of the Transport Agency meeting its objectives as specified in the *Statement of performance expectations*.

Funding from the Crown and the National Land Transport Fund is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Rental income

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term..

Borrowing costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Foreign currency transactions

Foreign currency transactions are translated into NZ\$ (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Debtors and other receivables

Short-term debtors and receivables are recognised initially at fair value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Transport Agency will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of amounts expected to be collected.

Property assets held for sale

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

Any impairment losses for write-downs of property assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Property assets held for sale (including those that are part of a disposal group) are not depreciated while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: leasehold improvements, furniture and fittings, plant and office equipment, and motor vehicles.

Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Valuation of the state highway network

State highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value. Borrowing costs have not been capitalised.

A cyclical basis is now being used so that each region is revalued at an interval not exceeding 3.5 years. Those regions that are not subject to full revaluation in a particular year will be subject to a valuation update through the use of price indices.

Increases in the carrying amount arising on revaluation of the state highway are credited to the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve. All other decreases are charged to other comprehensive revenue and expense. Each year the depreciation, based on the revalued carrying amount of the asset, is charged to other comprehensive revenue and expense. The gain or loss on the state highway revaluation reserve is also charged to other comprehensive revenue and expense.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive revenue and expense during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to general funds.

An allowance is made in the valuation for Brownfield costs (as defined below). Brownfield cost is a generic term for the additional costs of constructing in a particular location because of the increased intensity of surrounding land use compared to the cost of constructing in a vacant Greenfield situation. A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway, and are not part of the physical construction cost. They include capital works relating to relocation and refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners.

Other components of brownfield cost result from the increased constraints or requirements imposed when constructing in an already developed location. Examples include increased traffic management and security, limitations on available contractor areas for storage, parking, buildings and general operations, noise and dust limitations, restricted hours of work etc.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, held properties, formation and the sub-base component of pavement (base), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	7	14.3
State highways – drainage	60	1.7
State highways – traffic facilities	15	6.7
State highways – bridges	90-100	1.0-1.1
State highways – culverts & subways	50-75	1.3-2.0
State highways – other structures	100	1.0
Bailey bridging	69-103	0.97-1.4
Motor vehicles	4	25.0
Computer equipment	3	33.3
Plant	5-10	10.0-20.0
Equipment	5-8	12.5-20.0
Furniture & fittings	5-10	10.0-20.0
Office equipment	4-5	20.0-25.0
Leasehold improvements	Life of Lease	7.7-33.0

Land, held properties, formation and the sub-base component of pavement (base) are not depreciated as the service potential of these components is considered not to reduce over time.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Costs associated with development and maintenance of the Transport Agency's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
Computer software	3-10	10-33.3

Impairment of property, plant and equipment and intangible assets

The Transport Agency does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Assets that have an indefinite useful life, such as land, are not subject to amortisation and are tested on a cyclical basis so that each region is reviewed at an interval not exceeding three and a half years for impairment.

Property, plant and equipment and intangible assets held at cost that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Financial assets

Financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in debtors and other receivables or cash and cash equivalents in the balance sheet.

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowing

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

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the Government Superannuation Fund, Kiwisaver, National Superannuation Scheme, and Post Office Pension Fund are accounted for as defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Jointly controlled operations

The Transport Agency has interests in jointly controlled operations. These include the Auckland Motorway Alliance and Marlborough Roads. It recognises in its financial statements:

- the assets that it controls and the liabilities that it incurs
- the revenue and expenses that it incurs from the operations of the jointly controlled operation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds
- retained funds
- memorandum account - other fees and charges
- state highway investment and revaluation reserve.

State highway revaluation reserve

This reserve relates to the revaluation of the state highway network.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Transport Agency is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions

In preparing these financial statements the Transport Agency has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual value

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Transport Agency, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Transport Agency minimises the risk of this estimation uncertainty by:

- physical inspection and condition monitoring of assets
- asset management planning
- asset replacement programmes.

The Transport Agency has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies.

Critical judgements relate to:

- estimating the replacement cost of existing assets, including the impact of cost allocation and whether a cost should be capitalised or expensed. The Transport Agency incurs expenditure on maintaining state highways and state highway infrastructure improvements. Professional judgement and engineering assessments are used to determine whether costs incurred on State highways should be capitalised or expensed
- the age, condition and remaining economic life of existing assets, including the impact of maintenance thereon
- determining the optimum level of Bailey bridging stock.

The asset base has been compiled over a number of years and has a degree of inaccuracy as some historic records are incomplete.

Brownfield construction costs include:

- temporary traffic management
- demolition and removal of displaced assets
- restoration of damaged/severed utility infrastructure
- re-establishment of the interface between the new and existing development (landscaping, footpaths, roads, fences, driveways etc.)
- environment compliance
- work restrictions (noise, hours, limitations on available site area for contractors, storage/plant/offices etc.).

An allowance is made in the valuation for Brownfield costs.

OUTPUT CLASS INCOME AND EXPENDITURE

Providing access to and use of the land transport system

LICENSING AND REGULATORY COMPLIANCE				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Crown (ministerial advice & official correspondence)	548	548	548	548
Crown (rules development)	899	899	899	899
Crown (drug and alcohol assessments)	1,238	1,030	1,030	1,030
Crown (driver licensing stop orders)	75	75	75	75
Crown (driver test subsidy)	1,445	1,445	1,445	1,445
Fees and charges	81,391	85,176	83,247	83,824
Other activities	374	350	350	350
Total inflows	85,970	89,523	87,594	88,171
OUTFLOWS				
Ministerial advice and official correspondence	848	874	865	892
Rules development	734	757	755	775
Drug and alcohol assessments	1,281	1,467	1,530	1,605
Fees and charges funded activities	79,372	85,374	85,072	89,187
Other (including driver licensing stop orders)	272	0	0	0
Total outflows	82,507	88,472	88,222	92,459
NET SURPLUS/(DEFICIT)	3,463	1,051	(628)	(4,288)
ROAD TOLLING				
INFLOWS				
Fees and charges	6,250	10,453	11,561	12,336
Total inflows	6,250	10,453	11,561	12,336
OUTFLOWS				
Transport Agency operating activities	6,067	10,197	10,259	10,760
Total outflows	6,067	10,197	10,259	10,760
NET SURPLUS	183	256	1,302	1,576

MOTOR VEHICLE REGISTRY				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Fees and charges	58,000	55,679	54,194	53,517
Total inflows	58,000	55,679	54,194	53,517
OUTFLOWS				
Transport Agency operating activities	57,465	57,684	55,390	54,722
Total outflows	57,465	57,684	55,390	54,722
NET SURPLUS/(DEFICIT)	535	(2,005)	(1,196)	(1,205)
ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT				
INFLOWS				
Crown (RUC collection)	4,720	0	0	0
NLTF (RUC investigation and enforcement)	3,984	3,779	3,779	3,779
NLTF (RUC refund)	450	450	450	450
Fees and charges	7,580	10,842	10,499	10,641
Total inflows	16,734	15,071	14,728	14,870
OUTFLOWS				
Transport Agency (RUC investigation and enforcement)	3,984	3,795	3,769	3,900
Transport Agency (RUC refund)	450	627	616	637
Transport Agency (RUC collection)	13,268	11,399	11,173	9,397
Total outflows	17,702	15,821	15,558	13,934
NET SURPLUS/(DEFICIT)	(968)	(750)	(830)	936
REFUND OF FUEL EXCISE DUTY				
INFLOWS				
National Land Transport Fund	399	519	519	519
Total inflows	399	519	519	519
OUTFLOWS				
Transport Agency operating activities	399	612	618	632
Total outflows	399	612	618	632
NET SURPLUS/(DEFICIT)	0	(93)	(99)	(113)

Planning and investing in the land transport network

INVESTMENT MANAGEMENT				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Crown (crash analysis system)	775	775	775	775
National Land Transport Fund	51,675	59,000	60,000	61,000
Total inflows	52,450	59,775	60,775	61,775
OUTFLOWS				
Transport Agency (crash analysis system)	800	821	775	775
Transport Agency operating activities	40,512	45,932	45,134	46,454
Funding to approved organisations	11,163	13,068	14,866	14,546
Total outflows	52,475	59,821	60,775	61,775
NET SURPLUS/(DEFICIT)	(25)	(46)	0	0
PUBLIC TRANSPORT				
INFLOWS				
National Land Transport Fund	298,000	331,000	340,000	349,000
Total inflows	298,000	331,000	340,000	349,000
OUTFLOWS				
Transport Agency (NZTTL operating)	1,675	4,596	4,965	4,896
Transport Agency (NZTTL capital)	0	4,204	5,035	5,104
Transport Agency operating activities	2,225	200	0	0
Funding to approved organisations	294,100	322,000	330,000	339,000
Total outflows	298,000	331,000	340,000	349,000
NET SURPLUS	0	0	0	0
WALKING AND CYCLING				
INFLOWS				
National Land Transport Fund	28,000	31,000	31,000	32,000
Total inflows	28,000	31,000	31,000	32,000
OUTFLOWS				
Transport Agency operating activities	0	119	69	72
Funding to approved organisations	28,000	30,881	30,931	31,928
Total outflows	28,000	31,000	31,000	32,000
NET SURPLUS	0	0	0	0

ROAD SAFETY PROMOTION

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
National Land Transport Fund	33,000	33,900	33,800	34,300
Other activities	3,047	924	924	924
Total inflows	36,047	34,824	34,724	35,224
OUTFLOWS				
Transport Agency (community road safety programme)	3,047	1,342	924	924
Transport Agency (vehicle impoundment)	200	200	204	208
Transport Agency operating activities	17,248	19,238	18,845	18,391
Funding to approved organisations	15,552	14,462	14,751	15,701
Total outflows	36,047	35,242	34,724	35,224
NET SURPLUS/(DEFICIT)	0	(418)	0	0

LOCAL ROAD IMPROVEMENTS

INFLOWS				
National Land Transport Fund	188,000	148,800	153,450	162,750
Total inflows	188,000	148,800	153,450	162,750
OUTFLOWS				
Funding to approved organisations	188,000	148,800	153,450	162,750
Total outflows	188,000	148,800	153,450	162,750
NET SURPLUS	0	0	0	0

LOCAL ROAD MAINTENANCE

INFLOWS				
National Land Transport Fund	533,700	555,000	568,000	537,000
Total inflows	533,700	555,000	568,000	537,000
OUTFLOWS				
Transport Agency operating activities	0	200	0	0
Funding to approved organisations	533,700	554,800	568,000	537,000
Total outflows	533,700	555,000	568,000	537,000
NET SURPLUS	0	0	0	0

REGIONAL IMPROVEMENTS

INFLOWS				
Capital contribution National Land Transport Fund	0	65,000	75,000	85,000
Total inflows	0	65,000	75,000	85,000
OUTFLOWS				
Transport Agency investment in the state highway network	0	65,000	75,000	85,000
Total outflows	0	65,000	75,000	85,000
NET SURPLUS	0	0	0	0

Managing the state highway network

STATE HIGHWAY IMPROVEMENTS				
	Projected 2013/14 \$000	Budget 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000
INFLOWS				
Capital contribution National Land Transport Fund	786,462	774,101	836,654	863,653
National Land Transport Fund	465,000	470,000	475,000	480,000
National Land Transport Fund (rental and interest revenue)	17,900	16,330	13,210	11,710
State highway disposals	57,600	50,550	44,129	68,726
Borrowing from the Crown (Tauranga Eastern Link)	107,000	0	0	0
Total inflows	1,433,962	1,310,981	1,368,993	1,424,089
OUTFLOWS				
Transport Agency operating activities	30,605	33,253	34,665	35,417
Transport Agency investment in the state highway network	1,292,520	1,269,787	1,321,311	1,377,567
Transport Agency investment (Tauranga Eastern Link)	107,000	0	0	0
Total outflows	1,430,125	1,303,040	1,355,976	1,412,984
NET SURPLUS	3,837	7,941	13,017	11,105

Net surpluses reflect the interest payable on borrowing.

STATE HIGHWAY MAINTENANCE				
INFLOWS				
Capital contribution National Land Transport Fund	170,196	180,000	170,000	160,000
National Land Transport Fund	376,291	380,000	391,000	403,000
Other (fees and contributions)	2,868	988	986	994
Total inflows	549,355	560,988	561,986	563,994
OUTFLOWS				
Transport Agency operating activities	26,206	28,105	29,229	29,930
Transport Agency investment in the state highway network	521,269	532,883	532,757	534,064
Total outflows	547,475	560,988	561,986	563,994
NET SURPLUS	1,880	0	0	0

Specific projects funded by the Crown

SUPERGOLD CARD PUBLIC TRANSPORT CONCESSIONS FOR CARDHOLDERS				
	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Crown	26,100	28,129	28,605	30,605
Total inflows	26,100	28,129	28,605	30,605
OUTFLOWS				
Funding to approved organisations	26,500	28,129	28,605	30,605
Total outflows	26,500	28,129	28,605	30,605
NET SURPLUS	(400)	0	0	0

SUPERGOLD CARD ADMINISTRATION				
INFLOWS				
Crown	95	95	95	95
Total inflows	95	95	95	95
OUTFLOWS				
Transport Agency operating activities	95	95	95	95
Total outflows	95	95	95	95
NET SURPLUS	0	0	0	0

AUCKLAND ACCELERATED PACKAGE				
INFLOWS				
Borrowing from the Crown	0	50,000	213,000	112,000
Total inflows	0	50,000	213,000	112,000
OUTFLOWS				
Transport Agency investment in the state highway network	0	50,000	208,000	112,000
Funding to approved organisations	0	0	5,000	0
Total outflows	0	50,000	213,000	112,000
NET SURPLUS	0	0	0	0

REGIONAL STATE HIGHWAYS				
INFLOWS				
Capital contribution Crown	13,789	45,000	86,500	65,000
Total inflows	13,789	45,000	86,500	65,000
OUTFLOWS				
Transport Agency investment in the state highway network	13,789	45,000	86,500	65,000
Total outflows	13,789	45,000	86,500	65,000
NET SURPLUS	0	0	0	0

REINSTATEMENT OF EARTHQUAKE DAMAGED ROADS IN CHRISTCHURCH

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
National Land Transport Fund	0	0	0	44,000
Borrowing from the Crown	35,000	68,000	68,000	0
Total inflows	35,000	68,000	68,000	44,000
OUTFLOWS				
Funding to approved organisations	35,000	68,000	68,000	0
Repayment of borrowing	0	0	0	44,000
Total outflows	35,000	68,000	68,000	44,000
NET SURPLUS	0	0	0	0

The total value of road recovery work is \$85m, \$118m and \$118m (in 2014/15, 2015/16 and 2016/17 respectively) funding from the National Land Transport Fund under the Local road maintenance output class, as well as Borrowing from the Crown.

URBAN CYCLEWAYS

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Capital contribution Crown	0	3,000	4,000	4,000
Crown	5,000	28,000	28,000	28,000
Total inflows	5,000	31,000	32,000	32,000
OUTFLOWS				
Transport Agency investment in the state highway network	0	3,000	4,000	4,000
Funding to approved organisations	5,000	28,000	28,000	28,000
Total outflows	5,000	31,000	32,000	32,000
NET SURPLUS	0	0	0	0

CONSTRUCTION OF PASSING OPPORTUNITIES ON SH2 BETWEEN NAPIER AND GISBORNE

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Crown	500	0	0	0
Total inflows	500	0	0	0
OUTFLOWS				
Transport Agency investment in the state highway network	500	0	0	0
Total outflows	500	0	0	0
NET SURPLUS	0	0	0	0

NATIONAL WAR MEMORIAL PARK

	Projected 2014/15 \$000	Budget 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
INFLOWS				
Capital contribution Crown	10,000	0	0	0
Total inflows	10,000	0	0	0
OUTFLOWS				
Transport Agency investment in the state highway network	10,000	0	0	0
Total outflows	10,000	0	0	0
NET SURPLUS	0	0	0	0

NATIONAL LAND TRANSPORT FUND

Financial overview

The National Land Transport Fund is a key tool to facilitate the government's investment on behalf of transport users. All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- the funding of the NZ Police Road Policing Programme
- the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning.

FUNDING INFLOWS AND OUTFLOWS 2015/16



PROSPECTIVE FINANCIAL STATEMENTS

NLTF PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	Projected 2014/15 \$m	Budget 2015/16 \$m	Forecast 2016/17 \$m	Forecast 2017/18 \$m
REVENUE INFLOWS^a				
Land transport revenue	3,187	3,331	3,437	3,515
Management of Crown land and interest	79	67	57	80
Total revenue flows	3,266	3,398	3,494	3,595
OUTFLOWS				
National Land Transport Programme	3,006	3,095	3,191	3,292
Road Policing Programme	304	297	297	297
Fuel excise duty/road user charges administration	5	5	5	5
Forecasting and strategy	1	1	1	1
Total outflows	3,316	3,398	3,494	3,595
SURPLUS/(DEFICIT)	(50)	0	0	0

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

NLTF PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Projected 2014/15 \$m	Budget 2015/16 \$m	Forecast 2016/17 \$m	Forecast 2017/18 \$m
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	92	86	90	97
Receivables	243	257	263	269
Total assets	335	343	353	366
LIABILITIES				
CURRENT LIABILITIES				
Payables	488	496	506	518
Total liabilities	488	496	506	518
NET ASSETS	(153)	(153)	(153)	(153)
General funds	(153)	(153)	(153)	(153)
GENERAL FUNDS CLOSING BALANCE^a	(153)	(153)	(153)	(153)

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

NLTF PROSPECTIVE STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDING 30 JUNE

	Projected 2014/15 \$m	Budget 2015/16 \$m	Forecast 2016/17 \$m	Forecast 2017/18 \$m
GENERAL FUNDS OPENING BALANCE	(103)	(153)	(153)	(153)
CHANGES IN GENERAL FUNDS BALANCE				
Surplus/(deficit)	(50)	0	0	0
Total changes in general funds balance	(50)	0	0	0
TOTAL GENERAL FUNDS CLOSING BALANCE ^a	(153)	(153)	(153)	(153)

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

NLTF PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

	Projected 2014/15 \$m	Budget 2015/16 \$m	Forecast 2016/17 \$m	Forecast 2017/18 \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue	3,252	3,384	3,487	3,589
Payments to suppliers	(3,296)	(3,390)	(3,483)	(3,582)
Net cash from operating activities	(44)	(6)	4	7
Net (decrease)/increase in amounts held by the Crown	(44)	(6)	4	7
Amounts held by the Crown at the beginning of the year	136	92	86	90
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR ^a	92	86	90	97

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

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, for the purpose of providing information on the National Land Transport Fund's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 Prospective Financial Statements in the preparation of these National Land Transport Fund prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented, and that some variations may be material.

The Transport Agency does not intend to update the prospective financial statements subsequent to the publication of these statements.

Statement of significant underlying assumptions

The Transport Agency has made a number of assumptions in preparing the National Land Transport Fund prospective financial statements. The most significant of these are outlined below.

Land transport revenue	Revenue forecasts for fuel excise duty, road user charges and motor vehicle registrations are based on future performance and trends.
Management of Crown land and interest	Forecast revenues are influenced by the management of rental properties and interest revenue on cash holdings. Assumptions are based on historical performance and trends.
National Land Transport Programme	<p>The Transport Agency has developed a National Land Transport Programme for 2015-2018. The expenditure for the forecasted out years are most likely to change depending on the progress of the programme.</p> <p>The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.</p>
Opening equity	Estimated opening equity assumes a 2014/15 year deficit of \$50 million. This impacts on estimated amounts of cash on hand and net assets.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

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

- the funding of the NZ Police Road Policing Programme
- the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning.

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

The National Land Transport Fund has designated itself a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

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

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. The financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m).

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

The National Land Transport Fund has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on or after 1 July 2015.

SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax.

Revenue is recognised when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

Interest revenue is recognised using the effective interest method.

Outflows

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

- The Transport Agency - for the funding of the National Land Transport Programme, and fuel excise duty/road user charges administration
- The Police - who provide the Road Policing Programme
- The Ministry of Transport - for forecasting and strategy

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

The various activities are outlined in the statement of service performance.

Assets

The National Land Transport Fund being a national account does not hold physical assets.

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis.

Income tax

The National Land Transport Fund is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

STATEMENT OF SERVICE PERFORMANCE - FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY

	Projected 2014/15 \$m	Budget 2015/16 \$m	Forecast 2016/17 \$m	Forecast 2017/18 \$m
Investment management	52	59	60	61
Public transport	298	331	340	349
Walking and cycling	28	31	31	32
Road safety promotion	33	34	34	34
Local road improvements	188	149	153	163
Local road maintenance	534	555	568	537
Regional improvements	0	65	75	85
State highway improvements	1,327	1,311	1,369	1,424
State highway maintenance	546	560	561	563
Reinstatement of earthquake damaged roads in Christchurch	0	0	0	44
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,006	3,095	3,191	3,292