



# Annual Report

26 SEPTEMBER 2019 – 30 JUNE 2020



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pursuant to section 150 of the Crown Entities Act 2004

**New Zealand Infrastructure Commission  
/Te Waihanga (Infracom)**

Annual Report 2019/2020

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Cover photo by Sara Orme





Dr Allan Bollard, Board Chair

## PART ONE: Introduction

# Message from the Chair

The New Zealand Infrastructure Commission/Te Waihanga (Infracom) was established to help New Zealand get the quality infrastructure investment it needs. By lifting infrastructure planning and delivery to a more strategic level, we aim to improve New Zealand's long-term economic performance, social wellbeing and environmental outcomes. The past year has focused on our establishment – both internally and within the infrastructure sector.

I whakatūria a Te Waihanga (Infracom) hei āwhina i Aotearoa ki te whiwhi pūtea whakangao mō te hanganga kouniga e matea ana e te motu nei. Mā te hiki ake i te kouniga ki taumata whai tikanga kē ake mō te whakamahere hanganga me te whakatū hanganga, e whai nei mātou ki te whakapai ake i te whakatutukitanga ōhanga pae tawhiti a Aotearoa, me ana whakaputanga oranga tonutanga ā-pāpori, ā-taiao anō hoki. I te tau kua hori ake nei kua aro kē mātou ki tō mātou whakapūmautanga – i roto, i waho anō hoki i te rāngai hanganga.

Infracom has now been established. Since its formation in September 2019, significant progress has been made, and the Board is confident that Infracom is building the necessary foundations to deliver the 30-year Strategy, which will be presented to Parliament in late 2021.

This first Annual Report details Infracom's key activities and successes to date. I am pleased we have been able to provide advice to central and local government on numerous infrastructure issues, including procurement and delivery. We have also made submissions on a range of legislation, from the Resource Management Reform Bill to the Infrastructure Funding and Finance Bill.

Kua whakapūmautia a Infracom ināianei. Nō tana whakaritenga i te Mahuru i te tau 2019, he nui ngā mahi i tutuki ai, ā, e ngākau māia ana te Poari e whakatakoto ana a Infracom i ngā tūāpapa e matea ana e tutuki ai te Rautaki 30-tau, ā, ka whakatakotoria taua rautaki anō ki te Whare Pāremata i te paunga o te tau 2021.

E āta arohaehae te Pūrongo ā-Tau i ngā mahi me ngā angitutanga ā mohoa nei. E harikoa nei ahau e hia nei ngā wā kua āhei i a mātou te whakatakoto whakaaro mō ngā take hanganga me te kaitaonga me te whakatutuki mahi ki ngā kāwanatanga ā-rohe, ā-motu anō hoki. Kua whakatakoto tāpaenga anō hoki mātou mō te tini o ngā hanganga ture, pērā i te ture Resource Management Reform Bill tae atu ki te ture Infrastructure Funding and Finance Bill.



We have a high aspiration that our Infrastructure Pipeline will make a valuable contribution to the view of near-term infrastructure projects, providing greater certainty to the market and helping to identify opportunities for collaboration across sectors. However, as it has been for all other New Zealand organisations, the COVID-19 pandemic has affected our timeline and plans, as well as the way we have been able to engage. Many infrastructure projects featured in the Pipeline have had their timeframes revised. We have been supporting the Government's COVID-19 response as a member of both the Construction Sector Accord (providing advice on contracts and procurement) and the Infrastructure Industry Reference Group, created to identify shovel-ready projects valued at more than \$10 million. Nonetheless, Infracom's focus remains on developing the 30-year Strategy for New Zealand's infrastructure and tracking the three to five-year Infrastructure Pipeline.

On behalf of the Board, I would like to thank all Infracom staff for helping to shape the organisation in its early stages and enabling us to commence operations from our own office from December 2019. The organisation has been resourcing up (as at 30 June, we have 22.1 full-time equivalent employees) and continues to grow. Our current Chief Executive, Ross Copland, commenced work on 29 June, and his leadership will be instrumental in taking Infracom to the next stage.

New Zealand's slow approval process and high construction costs mean we lag behind other comparable economies with regard to infrastructure and productivity. Doing this better should improve our social, economic and environmental outcomes. Through working with others, understanding their needs and building broad consensus we hope Infracom will be able to improve our record of infrastructure for a thriving New Zealand.



**Dr Alan Bollard CNZM**

Board Chair

Date: 1 December 2020

Ko tō mātou wawata nui ka riro tō mātou Maramataka Hanganga hei āwhina i te tirohanga o ngā kaupapa hanganga pae tata, mā te whakakaha ake i te taunaki ki te māketē me te tautohu anō hoki i ngā āheinga mō te mahi ngātahi i roto i ngā rāngai. He ahakoa, pērā i ērā atu o ngā whakahaere huri noa i Aotearoa, kua pāngia tā mātou rārangi wā me ā mātou mahere e te Mate KOWHEORI-19, me te āhua anō hoki o tō mātou āhe i te kōrero kanohi ki te kanohi. He tini ngā kaupapa hanganga i te Maramataka kua mate kia tīnīhia ngā angawā. Kua tautoko matou i te urupare a te Kāwanatanga ki te Mate KOWHEORI-19 hei mema o te Construction Sector Accord (e whakatakoto whakaaro ana mō ngā kirimana me te whakahaere kaitaonga) me te Infrastructure Industry Reference Group, he mea hanga ki te tautohu i ngā kaupapa hāpara-rite e uaratia ana ki kō atu i te 10 miriona tāra. He ahakoa rā, e ū tonu ana te aronga o Infracom ki te whakawhanake i te Rautaki 30-tau mō te hanganga o Aotearoa me te whai i te Maramataka Hanganga toru ki te rima tau te roa.

Hei upoko o te Poari, e mihi atu nei au ki ngā kaimahi Infracom katoa i tā rātou āwhina ki te hanga i te whakahaere i tōna tamarikitanga me te whakaahe i a mātou ki te tīmata i ngā mahi i tō mātou ake tari nō te Hakihea i te tau 2019. Kua kimi rauemi te whakahaere (i te rā 30 o Pipiri, e 22.1 kaimahi tūturu rite ā mātou), ā, e whanake tonu ana. I tīmata tō mātou Tāhūhū Rangapū mōhoa nei, a Ross Copland, i te 29 o Pipiri, ā, ka whakaaweawetia a Infracom e tōna kaiārahitanga ki te eke ki kōeke kē ake.

Nō te pōturitanga o te tukanga whakaae a Aotearoa, me te nui anō hoki o ngā utu hanganga, e autō ana tātou i ērā atu ōhanga e ōrite ana te korahi mō te taha ki te hanganga me te whakaputaranga. Mehemea ka pai ake tēnei tūāhua, ka piki ake ngā whakaputanga ā-pāpori, ā-ōhanga, ā-taiao anō hoki. Mā te mahi ngātahi ki ētahi atu, me te whai mārama ki ō rātou hiahia, me te whakakotahi i ngā whakaaro, ko tō mātou wawata mā Infracom hei whakapai ake i tā mātou rīkoata hanganga mō tētahi Aotearoa e ora rawa atu ana.

**“By lifting infrastructure planning and delivery to a more strategic level, we aim to improve New Zealand’s long-term economic performance, social wellbeing and environmental outcomes.”**





**Our Purpose:**  
Infracom seeks to **lift infrastructure planning and delivery** to a more strategic level, and by doing so improve New Zealand's long-term economic performance and social, cultural and environmental wellbeing.



# Who we are

## ● Meaning of Te Waihanga:

**The te reo Māori name for Infracom, Te Waihanga, means a cornerstone, or to make, create, develop, build, construct, or generate. The name Te Waihanga therefore describes how significant Infracom will be in shaping New Zealand's future through infrastructure planning and investment.**



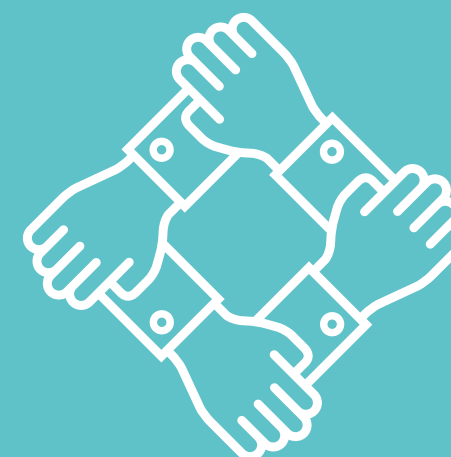
## OUR VISION

Infrastructure for a thriving New Zealand



## OUR PURPOSE

To improve New Zealanders' lives through better infrastructure



## OUR VALUES

Free thinking/Whakaaro nui, Courageous/Māia, Trustworthy/Pono, Empathetic/Ngākau aroha



## Established

On 26 September 2019 Infracom was established as an autonomous Crown entity under the New Zealand Infrastructure Commission/Te Waihanga Act 2019.

## Responsible Minister

We are responsible to the Minister for Infrastructure as their principal advisor.

**The Minister's annual letter of expectations 2019/20 sets out the following as specific outputs on which Infracom should make progress, or deliver, in the first year:**

- Progress on a national infrastructure strategy
- An up-to-date and promoted Infrastructure Pipeline
- Special Topic Reports
- Statement of Intent/Statement of Performance Expectations
- Advice on improving infrastructure procurement practices
- Recruit an additional Board member.

# Governance



Board Members from left to right: Top row - Maurice Davis, David Cochrane, Raveen Jaduram, Stephen Selwood. Bottom row - Sue Tindal, Dr Alan Bollard, Sarah Sinclair

Seven Board members have been appointed by the Minister for Infrastructure.

**Chair:** Dr Alan Bollard

**Deputy Chair:** Sue Tindal

**Appointed Members:** David Cochrane, Maurice Davis (appointed from 1 July 2020), Raveen Jaduram, Stephen Selwood and Sarah Sinclair

The Board has a sub-committee, the Audit and Risk Committee (ARC). The ARC comprises three Board members and one independent member (appointed by the Board).

**ARC Chair:** Sue Tindal

**Members:** David Cochrane, Murray Harrington (independent member) and Raveen Jaduram

The Board, including the Audit and Risk Committee, operates under the Board Charter (April 2020), which sets out the corporate governance for Infracom.

**Directions issued by Ministers:** In 2019/20 no Ministerial directions were given to Infracom.

# Our Objective

To deliver a step change in New Zealand's planning and delivery of infrastructure, its systems and settings, through four main outcomes:

### Outcome 1

An agreed programme of reforms and initiatives to drive better infrastructure outcomes in the long-term.

Achieved through:

- Developing a 30-year Strategy Report, working with Māori as Treaty partners, central and local government, the private sector and other stakeholders
- Building an evidence base.

### Outcome 2

The construction sector has a clear forward works programme, which the sector can rely on.

Achieved through:

- Publishing a reliable Pipeline of planned forward works programmes.

### Outcome 3

The infrastructure procurement capability of government agencies and the construction sector is improved.

Achieved through:

- Supporting procuring agencies in the preparation of business cases
- Supporting market engagement activities
- Bolstering project governance
- Project Support Agreements
- Managing New Zealand's Public Private Partnership (PPP) Programme.

### Outcome 4

Decision-makers have a basis for bold reform and policy change, informed by independent, evidence-based recommendations.

Achieved through:

- Special Topic Reports.

# Our Organisation

The whole organisation supports Outcomes 1 – 4, and the teams that work directly to achieve Outcomes 1 – 4 are noted below:

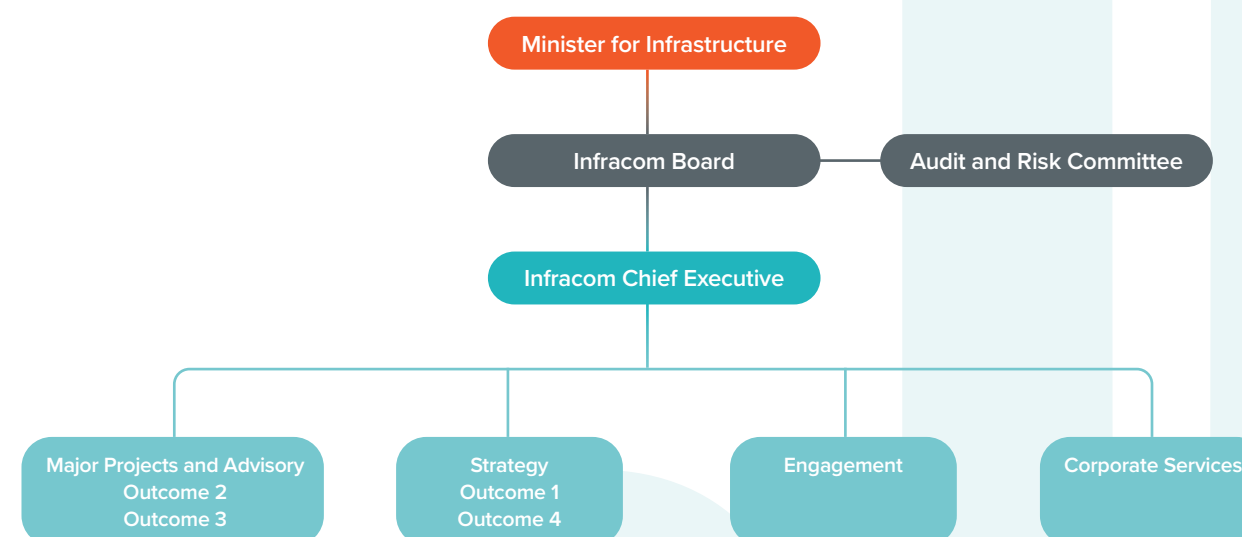


Figure 1: Infracom Organisation Structure



# Our Journey

## 2018

JUL

AUG

SEP

OCT

NOV

DEC

JAN

FEB

MAR

APR

MAY

JUN

JUL

AUG

SEP

OCT

**1 OCTOBER 2019**

The Government Procurement Rules, 4th edition came into force.

**26 SEPTEMBER 2019**

The New Zealand Infrastructure Commission/ Te Waihanga Act 2019 established Infracom as an autonomous Crown entity.

## 2019

**10 OCTOBER 2019**

Cabinet Office Circular (19) 6, 'Investment Management and Asset Performance in the State Services' replaced Cabinet Office Circular (15) 5 of the same title. This circular set out Cabinet's expectations for the management of investments and identified where Cabinet approval was required.

**9 MAY 2019**

The first iteration of the Infrastructure Pipeline was published by the ITU. It grew to \$36 billion worth of projects in our first year.

## 2020

**3 JUNE 2020**

Ross Copland was appointed as Chief Executive of Infracom.

**29 JUNE 2020**

Ross Copland commenced his role as Chief Executive of Infracom.

**31 JULY 2020**

Establishment Chief Executive Jon Grayson finished his role with Infracom.

**16 DECEMBER 2019**

Ten staff were moved from the Treasury to Infracom and a physical office was opened. Infracom commenced its own recruitment.

**28 FEBRUARY 2020**

Infracom held its first symposium, 'Infrastructure 2020: Looking Ahead', to help consider the key issues for infrastructure in 2020 and the next 30 years.

**12 JUNE 2020**

Guest speakers from Infracom were featured in a Visionweek webinar, talking about how New Zealand is creating an infrastructure vision for the next 30 years.

### In the 2019/20 financial year

*Infracom built on the work of the Interim Infrastructure Transactions Unit to improve and deliver an Infrastructure Pipeline that would be a trusted source of information. Growing to the value of \$36 billion in our first year, the Infrastructure Pipeline is an important part of the work delivered under Outcome 2.*



PART TWO:

# Our Performance Framework

Photo courtesy of  
McConnell Dowell



**INFRACOM'S VISION:**  
Infrastructure for a thriving New Zealand.



**INFRACOM'S PURPOSE:**  
To improve New Zealanders' lives through better infrastructure.



**INFRACOM'S OBJECTIVE:**  
To deliver a step change in New Zealand's planning and delivery of infrastructure, its systems and settings.

This section outlines our performance framework and the indicators we are using to measure our performance.

Infracom's measurement framework is closely aligned to Infracom's long-term objective: to deliver a step change in New Zealand's planning and delivery of infrastructure, its systems and settings. To pursue this, our focus is on four key outcomes.

<b>INFRACOM FUNCTIONS</b>	<b>1.</b> To coordinate, develop and promote an approach to infrastructure that improves the wellbeing of New Zealanders.	<b>2.</b> To improve the certainty of future New Zealand infrastructure projects.	<b>3.</b> To lift New Zealand's infrastructure procurement capability.	<b>4.</b> To provide high-quality advice in relation to infrastructure.
<b>INFRACOM OUTCOMES</b>	<b>1. Strategy:</b> An agreed programme of reforms and initiatives to drive better infrastructure outcomes in the long term.	<b>2. Infrastructure Pipeline:</b> The construction sector has a clear forward works programme, which the sector can rely on.	<b>3. Procurement Capability and Project Delivery Support:</b> The infrastructure procurement capability of government agencies and the construction sector is improved.	<b>4. Special Topic Reports:</b> Decision-makers have a basis for bold reform and policy change, informed by independent, evidence-based recommendations.
<b>OUTCOME INDICATORS</b>	<ul style="list-style-type: none"><li>Broad consensus with Māori as Treaty partners, central and local government, the private sector and other stakeholders on the recommendations needed to achieve better infrastructure outcomes for the long-term.</li><li>There is broad Ministerial acceptance of Infracom's recommendations.</li><li>Māori as Treaty partners, central and local government, the private sector and other stakeholders are satisfied with Infracom's engagement and the methodology that we suggest.</li></ul>	<ul style="list-style-type: none"><li>There is improved flow to market of major projects and demand can more readily be met by supply – including by international players.</li><li>The Pipeline is considered the trusted source for information; it is the 'go-to' place.</li><li>There is improved visibility of regional investment pipelines.</li></ul>	<ul style="list-style-type: none"><li>The projects/matters Infracom supports are delivered to the satisfaction of all parties and the delivery market counterparties.</li><li>Infracom is regarded as a trusted advisor.</li><li>Project governance best practices are in place on the projects Infracom supports.</li><li>Infracom is driving innovation in procurement.</li></ul>	<ul style="list-style-type: none"><li>Special Topic Reports in the Minister's Letter of Expectations.</li><li>Additional Special Topic Reports as determined by Infracom.</li></ul>
<b>INFRACOM OUTPUTS</b>	30-year Strategy Report.	Infrastructure Pipeline.	Procurement Capability and Project Delivery Support through Project Support Agreements.	Special Topic Reports.





# Outcome 1

In 2019/20, the output of this outcome was the steps towards delivering the 30-year Strategy Report.

**Outcome:** An agreed programme of reforms and initiatives to drive better infrastructure outcomes in the long term.

## Indicator 1

Broad consensus with Māori as Treaty partners, central government, local government, and private sector stakeholders on the recommendations needed to achieve better infrastructure outcomes for the long term.

## Indicator 2

There is broad Ministerial acceptance of Infracom's recommendations.

## Indicator 3

Māori as Treaty partners, central and local government and private sector stakeholders are satisfied with Infracom's engagement and the methodology that we suggest.

Infracom has taken the following actions:

- Built internal capability and capacity to deliver a nationwide strategy
- Developed a plan for the first 30-year Strategy Report
- Created a map of our stakeholders to deepen our understanding so that they have a strong basis for meaningful engagement.

Infracom has put in place a substantial work programme that forms the building blocks of the Strategy Report. It includes an Infrastructure Needs Assessment for each sector that will ultimately form the evidence base for the Strategy. Current actions towards this are:

- A detailed current-state analysis of water, waste, energy, transport, telecommunications and social (schools and hospitals) networks across New Zealand. This work began in 2019/20 and will continue into the 2020/21 financial year.
- A comprehensive survey of infrastructure asset owners to understand what they see as the barriers and opportunities to improve wellbeing through infrastructure, both now and in the future. The survey was commissioned in 2019/20 and was sent to recipients in September 2020
- The development of performance indicators to measure the findings from the current-state analysis and asset owner survey, and track developments into the future.
- A strategic foresight programme to facilitate consensus with stakeholders on our vision for infrastructure's contribution to wellbeing, the future probable scenarios in which we will likely operate, and the steps we need to take to get there. Engagement on this will begin in the 2020/21 financial year.

Infracom established a Local Government Reference Group with the help of Local Government New Zealand. The Group provides insights on infrastructure systems and settings at regional, spatial and catchment levels. The Group also provides checks, balance and support as the Strategy is developed. In the 2020/21 financial year we plan to create further working groups with a wide range of stakeholders to gather feedback and expert input on the four items listed above.



## Outcome 1: Continued from previous page

### Engagement

Infracom has engaged across central government, local government and the infrastructure sector to prepare stakeholders for involvement in the development of the Strategy.

Public events have helped raise awareness of Infracom's mandate. In February more than 140 people attended Infracom's flagship event, the 'Infrastructure 2020: Looking Ahead' symposium. The symposium provided a forum for attendees to consider the key issues in infrastructure in 2020 and the coming decades. It was also an opportunity to discuss the first steps towards the 30-year Strategy. The event featured speakers from across the infrastructure sector and beyond, including Infrastructure Victoria, Infrastructure New Zealand, KiwiRail, Beca New Zealand, Civil Contractors New Zealand, Ngāti Whātua and the Whakatōhea Māori Trust Board.

During the COVID-19 Alert Level 4 lockdown, Chair Dr Alan Bollard and the Establishment Chief Executive, Jon Grayson, video-conferenced with mayors across New Zealand to introduce them to Infracom's work and invite them to engage in the future. Infracom Board members have since attended a range of regional meetings to understand the local issues and priorities, ahead of the wider regional workshops to develop the 30-year Strategy with local communities in the 2020/21 financial year.

In June, Infracom hosted two well-attended webinars as part of Visionweek, based on the themes of the 30-year Strategy and future planning.

Infracom also formed a content partnership with media outlet Newsroom and began collaborating on a six-part series on infrastructure innovation called 'Beyond the New Normal'. The first article 'Home is Where the Water is' interviewed a range of thought leaders and explored issues and ideas around water infrastructure.

Infracom was involved in policy development on key matters impacting infrastructure planning and delivery. In particular, Infracom made submissions on:

- Resource Management Review Panel Issues and Options Paper (February 2020)
- Urban Development Bill (February 2020)
- Infrastructure Funding and Financing Bill (March 2020)
- Draft Government Policy Statement on land transport 2021 (May 2020)
- COVID-19 Recovery (Fast-track Consenting) Bill (June 2020)

### The impacts of COVID- 19

Despite some delays in our initial engagement work, caused by COVID-19, the work done in 2019/20 has put Infracom in a good position to deliver a programme of Special Topic Reports and deliver the bulk of the Strategy in the 2020/21 financial year.

MEASURE	ACTIVITY	TARGET 2019/20	OUTCOME 2019/20
Early stakeholder engagement to introduce Infracom and its role.	To hold a symposium with the sector.	Symposium organised and held within two months.	Achieved 'Infrastructure 2020: Looking Ahead' symposium held in February 2020.
	To carry out a survey in quarter three to receive feedback on the Infracom symposium.	Satisfaction better than 'good' or 'likely'.	The majority overall considered the event to be 'very good' and said they would 'very likely' attend another event by Infracom.
Plan developed for 30-year Strategy Report.	<ul style="list-style-type: none"> <li>• To create a methodology for building the 30-year Strategy.</li> <li>• To build an evidence base.</li> </ul>	<ul style="list-style-type: none"> <li>• Announce to our stakeholders the methodology for developing a 30-year Strategy.</li> <li>• Mid way through development of Infrastructure Needs Assessment (the 'evidence base').</li> </ul>	<ul style="list-style-type: none"> <li>• Methodology measure achieved.</li> <li>• Evidence base measure achieved.</li> <li>• Stakeholder groups formed.</li> <li>• Methodology presented at 'Infrastructure 2020: Looking Ahead' symposium.</li> <li>• Planned strategy development outlined in Visionweek webinars.</li> <li>• Strategy development process information available on Infracom website: <a href="https://infracom.govt.nz/strategy/strategy-development/">https://infracom.govt.nz/strategy/strategy-development/</a></li> </ul>
Key stakeholders are identified/building stakeholder base.	<ul style="list-style-type: none"> <li>• To develop stakeholder groups.</li> </ul>	<ul style="list-style-type: none"> <li>• Key stakeholders met.</li> <li>• Stakeholder groups formed.</li> </ul>	<ul style="list-style-type: none"> <li>• Key stakeholders have been identified.</li> <li>• Stakeholder meetings held.</li> <li>• Stakeholder groups planned.</li> <li>• Local Government Reference Group formed and first met on 26 June 2020.</li> </ul>

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 1	UPDATED FORECAST 2019/20 (\$000)	ACTUAL 2019/20 (\$000)
Revenue from the Crown	3,724	3,724
Interest	3	2
<b>Total output revenue</b>	<b>3,727</b>	<b>3,726</b>
<b>Total output expenditure</b>	<b>2,503</b>	<b>2,783</b>
<b>Net surplus/(deficit)</b>	<b>1,224</b>	<b>943</b>

Infracom forecast a net surplus for 2019/20 anticipating it would not be spending all Revenue from the Crown in its first 10 months of establishment. The budget and work programme for 2019/20 were set simultaneously but the work programme continued to evolve. This work programme required additional resources to meet the set timeframes. These factors contributed to the overall increased expenditure and the resulting lower than forecast actual net surplus for Outcome 1. Delays involving specialist external consultants were also encountered. The delayed aspects of the work programme will continue to be progressed in 2020/21.



# Outcome 2

In 2019/20 the output of this outcome was the Infrastructure Pipeline.

**Outcome:** The construction sector has a clear forward works programme which the sector can rely on.

## Indicator 1

There is improved flow to market of major projects and demand can more readily be met by supply – including by international players.

## Indicator 2

The Pipeline is considered the trusted source for information; it is the 'go-to' place.

## Indicator 3

There is improved visibility of regional investment pipelines.

Infracom has taken the following actions:

- Built internal capability and capacity to deliver a reliable pipeline
- Developed and maintained a pipeline of works published on Infracom's website
- Continued to grow the base of contributing procuring entities.

Infracom's Infrastructure Pipeline tool was developed by the ITU within the Treasury and was first published on 9 May 2019. The tool, which is now hosted on Infracom's website, addresses the issue of the lack of a visible coordinated pipeline of work in New Zealand. It aims to be a single, trusted source of information for the construction industry, enabling the sector to plan in order to enhance the use of resources and its capability and capacity.

Improvements have been made to the Infrastructure Pipeline tool since it was established, including the addition of new project statuses to allow earlier visibility of upcoming projects and the addition of more data fields.

The Pipeline includes projects from the Government's New Zealand Upgrade Programme. It also includes projects from high-growth councils and capital-intensive government agencies. Transport was the largest sector represented on the Pipeline as at 30 June 2020.

## Pipeline context pre-Infracom

Consultation between government and the private sector in the first half of 2019 identified a consistent theme: the need for a long-term forecast of infrastructure spending and projects to help the market focus, plan and resource. This became the Infrastructure Pipeline.

The ITU within the Treasury was established as a precursor to Infracom and, through quarters one and two of 2019/20, built the prototype pipeline with the involvement of the five central government contributing agencies:

- Waka Kotahi NZ Transport Agency
- Ministry of Education
- Ministry of Health
- New Zealand Defence Force
- Department of Corrections.

## Pipeline evolution under Infracom

- Infracom was established on 26 September 2019, and the prototype pipeline was transferred to Infracom and established on the new website platform. Users can filter by sector, region, organisation, and cost range. There is also a downloadable copy of the data available in an open-data format.
- By November 2019 the Pipeline had grown to 506 projects from 15 contributing organisations. The organisations were largely those that Infracom had engaged with either through its agency/project support and advisory function or through more general engagement and included councils, water services' providers and central government agencies.
- In December 2019 efficiencies were established in the pipeline data-acquisition process. These included shifting approvals to use the data to each organisation rather than requiring them to get Ministerial approval after collecting the data.
- The March 2020 pipeline update added data from the existing 15 organisations augmented by a further four contributing agencies, with project numbers increasing to 2,290.
- The data fields that Infracom captures for each project were increased to include information on the funding status and procurement type. The range of projects was expanded to include those in the early planning stage. This was in response to feedback requesting earlier visibility of projects for more advanced planning.
- In April 2020 the long-term Pipeline Strategy, in development since January 2020, was signed off by the Board. The Strategy involved the inclusion of additional data displayed using interactive dashboards and mapping, and an investigation into the creation tools to replace the manual collection of data.

## Publication

We published a response to the Ministry of Business, Innovation and Employment's (MBIE's) National Construction Pipeline Report (September 2019).

## The impacts of COVID-19

The arrival of COVID-19 had significant impacts on forward works plans. As a result, Infracom encouraged all organisations submitting to the Pipeline to advise it of any changes in project information as soon as they were confirmed. This enabled Infracom to update the Pipeline as these were received.

In May and June 2020, the Major Projects and Advisory team's focus shifted to providing advice on the COVID-19 recovery stimulus and wider recovery efforts, such as the rapid mobilisation work for the Construction Sector Accord. The opportunity was taken to assess business intelligence tools for use on the website for alternative displays of data in dashboards and maps, which resulted in refined draft dashboards and improved data presentation. Infracom shifted from a scheduled Pipeline update model to more reactive, dynamic updates of project data.

## Infrastructure Pipeline Progress

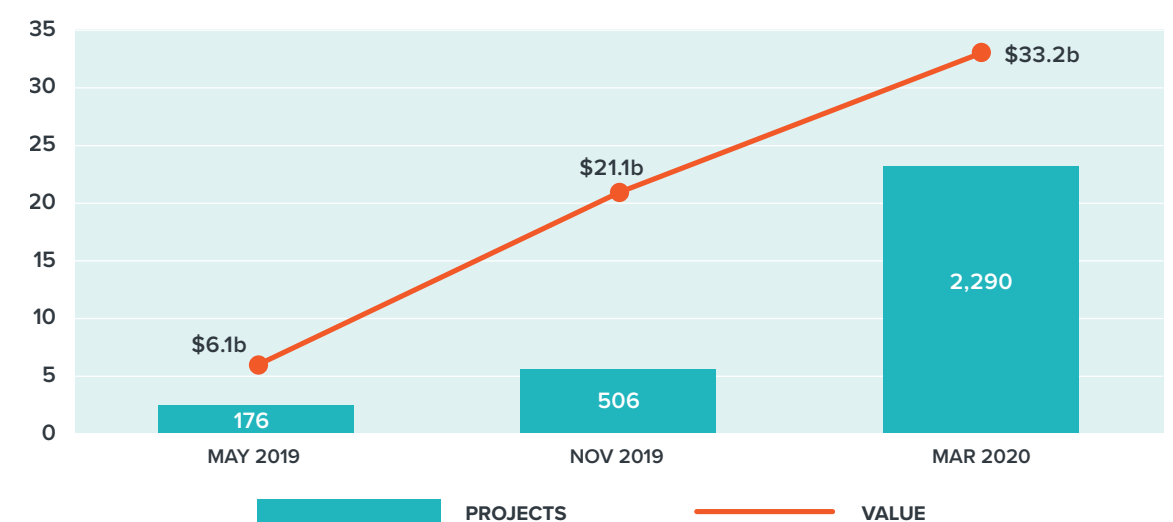


Figure 2: Infracom Pipeline Data



## Outcome 2: Continued from previous page

MEASURE	ACTIVITY	TARGET 2019/20	OUTCOME 2019/20
Improved flow to market of major projects.	Number of projects published on Pipeline.	Create Pipeline, gather information and publish to website.	2,290 projects published to Pipeline.
The Pipeline is a trusted source of information.	Number of entities contributing.	Create Pipeline, gather information and publish to website.	19 entities contributing.
Improved visibility of future infrastructure projects.	Pipeline satisfaction survey.	New measure to establish baseline.	Survey deferred until the 2020/21 financial year, due to COVID-19 recovery work taking priority in quarter four of 2019/20.
Improved visibility of future infrastructure projects.	Extent to which the content is up to date and extent to which it is relied upon.	Within three months.	Updates occurred on 12 November 2019, and 18 March 2020. The scheduled June update for 2019/20 was deferred due to COVID-19 and more reactive dynamic updates of project data were implemented.

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 2	UPDATED FORECAST 2019/20 (\$000)	ACTUAL 2019/20 (\$000)
Revenue from the Crown	567	567
Interest	1	1
<b>Total output revenue</b>	<b>568</b>	<b>568</b>
<b>Total output expenditure</b>	<b>381</b>	<b>265</b>
<b>Net surplus/(deficit)</b>	<b>187</b>	<b>303</b>

Infracom forecast a net surplus for 2019/20 anticipating it would not be spending all Revenue from the Crown in its first 10 months of establishment. The actual net surplus for Outcome 2 was higher than forecast mainly due to the impact of COVID-19 delaying workstreams. The delayed workstreams will continue to be progressed in 2020/21.

## Outcome 3

In legislation, Infracom is required to promote a strategic and coordinated approach and provide support services for the delivery of current and proposed infrastructure projects. In central government and state service agencies, this mandate relates specifically to infrastructure projects worth more than \$50 million.

In 2019/20, the output of this outcome was Procurement Capability and Project Delivery Support through Project Support Agreements (PSA's).

### Outcome: The infrastructure procurement capability of government agencies and the construction sector is improved.

#### Indicator 1

The projects/matters Infracom supports are delivered to the satisfaction of all parties and the delivery market counterparties.

#### Indicator 2

Infracom is regarded as a trusted advisor.

#### Indicator 3

Project governance best practices are in place on the projects Infracom supports.

#### Indicator 4

Infracom is driving innovation in procurement.

Infracom has taken the following actions:

### Project and Agency Support Agreements

Infracom has developed two template agreements to formalise the ways it works with procuring agencies: PSA's and Agency Support Agreements (ASA's). PSA's have been signed with the New Zealand Defence Force and the Ministry for Primary Industries.

Infracom has prepared research and best-practice guidance on major infrastructure procurement and provided guidance on specific issues. We have an oversight role alongside the Treasury for coordinating the New Zealand PPP Programme and for maintaining and developing the New Zealand PPP model.

### PPP events

Infracom presented at the October 2019 Australia National PPP Contract Managers Forum in Sydney. We convened two New Zealand PPP Contract Management events.

Infracom also engaged with agencies on key life-of-project transactions, such as refinancing and changes of ownership.

### PPP documentation

We republished the 'Standard Form Public Private Partnership (PPP) Project Agreement' guidance suite and developed and consulted on a PPP Practice Note outlining Infracom's expectations regarding its involvement in PPP contract-management activities.



## PPP procurement support

We supported the New Zealand Defence Force with an informal market engagement for its Accommodation, Messing and Dining Modernisation Programme, which explored the possibility of using PPP procurement. Our Project Support Agreement with the New Zealand Defence Force also includes a consideration of PPP procurement.

## PPP COVID-19 support

Infracom, working with the Treasury, coordinated the Crown's response to the COVID-19-related negotiations in relation to the in-construction PPP projects i.e. the Puhoi to Warkworth and Transmission Gully motorway projects and the Waikeria Prison construction project.

## New Zealand PPP model review

Infracom progressed a review of the New Zealand PPP model, which began in the Treasury's ITU in mid-2019. We concluded an extensive series of workshops with key industry participants and completed an advanced draft report outlining our findings. However, given that COVID-19 has subsequently materially affected the PPP projects in construction and led to complex negotiations between procuring agencies and contractors, in the 2020/21 financial year Infracom will be considering the outcomes of the negotiations and will integrate the lessons learned in the report before concluding the New Zealand PPP model review.

## Additional Information

Additional Major Projects and Advisory work that support the indicators of outcome 3 are listed below:

### Indicator 1 – The projects/matters Infracom supports are delivered to the satisfaction of all parties and the delivery market counterparties

- As this is Infracom's first (part) year of establishment, our involvement with agencies and projects is in its infancy and as such we have yet to formally survey those agencies with which we engage on our performance. It is notable, however, that we experienced positive anecdotal feedback to the end of 2019/20 and are continuing to receive this feedback in the 2020/21 financial year. This is translating to an increase in demand for our services.
- The Pipeline's success is self-evident through the continued rise in contributing agencies and subscribers, as documented in our response to outcome 2.
- Infracom will develop a more formal process for surveying our collaborators and thus assessing our performance in the 2020/21 financial year, as we develop a more mature portfolio of engagement that starts to show results that can be measured.

### Indicator 2 – Infracom is regarded as a trusted advisor

#### Our Crown advisory work:

- Prepared a submission on the Infrastructure Funding and Financing Bill.
- Supported the Crown sponsors (the Treasury and Ministry of Transport) in relation to the City Rail Link project decision-making and monitoring.
- Provided independent advice to the Crown in relation to the Auckland Light Rail project.
- Supported the Ministry of Transport-led process for the Upper North Island Supply Chain Strategy.
- Supported Waka Kotahi NZ Transport Agency in its review of KiwiRail business cases. Engaged with KiwiRail on the next generation ferry project, the Inter-island Resilience Connection project (iReX).
- Supported the Treasury capital intentions budget prioritisation process.
- Member of New Zealand Upgrade Programme Oversight Group for transport project (managed by Ministry of Transport).
- Drafted Cabinet Office Circular (19) 6 'Investment Management and Asset Performance in the State Services', to supersede Cabinet Office Circular (15) 5.
- Review of the use of institutional equity vs sovereign funds for major projects is almost complete.
- Prepared Ministerial advice on the establishment of the Health Infrastructure Unit within the Ministry of Health.

#### Agency and other support work:

- PSA with the New Zealand Defence Force for Accommodation, Messing and Dining Modernisation Programme.
- PSA with the Ministry for Primary Industries for the Plant Health and Environment Capability Programme.
- Let's Get Wellington Moving – member of the Funding and Finance Committee.
- Supported the Drury Transport Infrastructure Programme through to conclusion of the Ministerial Report.
- Gave ad hoc Ministerial advice on shovel-ready roading projects in the pre-COVID-19 environment.
- Review of the Business Case for Christchurch Multi-Use Arena advisory work.
- Review of the Business Case for Dunedin Hospital for the Ministry of Health.
- Review of the Business Case for the Defence Estate Regeneration Programme.
- The Treasury – system leadership in the investment management system. We were involved in supporting business case assurance processes, including reviews of business cases and business case clinics with central agencies, and participation in Gateway processes. These included:
  - New Zealand Defence Force (on the Ōhakea Infrastructure Programme and the Defence Housing Programme)
  - Ministry for Primary Industries (for the Plant Health and Environment Laboratory)
  - Antarctica New Zealand (Scott Base Redevelopment).

#### Support in the development of the Construction Sector Accord:

- Infracom is a Steering Group member of the Construction Sector Accord and co-leads the Procurement and Risk workstream within the Transformation Delivery Group.

#### Other:

- Membership of the Infrastructure Industry Reference Group assessing shovel-ready projects for stimulus funding.
- Membership of the public sector Construction Collaborative Forum and engagement with a range of central government and local government organisations regarding major projects' intentions, including the Ministry of Education, the Department of Corrections, Waka Kotahi NZ Transport Agency, the Ministries of Transport, Health, Justice and Defence, universities and high-growth councils and their council-controlled organisations.

### Indicator 3 – Project governance best practices are in place on the projects Infracom supports

This indicator has been met through the following actions:

Infracom has built on the ITU's 'Major Infrastructure Project Governance Guidance' document through the investigation of themes and criteria required to develop a governance 'tool kit' (the details of which will evolve under the leadership of the Senior Advisor National Project Governance from July 2020).

### Indicator 4 – Infracom is driving innovation in procurement

#### PPP Programme:

- The Major Projects and Advisory team participate in governance groups for major projects – Puhoi to Warkworth state highway PPP, Transmission Gully PPP, Waikeria Prison PPP, new Dunedin Hospital.
- The Major Project and Advisory team, together with Treasury, advised the Crown in relation to the successful negotiation of COVID-19 related settlements on the three construction-phase PPPs: Puhoi to Warkworth, Transmission Gully and Waikeria prison.
- In 2019/20 we engaged with the Ministry of Education regarding the expansion of its New Zealand Schools PPP programme and this will continue into the 2020/21 financial year.
- A workstream for developing PPP refinancing guidance for agencies is ongoing.
- Performance 'stock take' of the New Zealand PPP portfolio.
- Commenced a comprehensive review of the New Zealand PPP Model that is ongoing for completion in the first quarter of the 2020/21 financial year. (This review is separate from the stock take mentioned above).
- Re-establishment of the PPP Contract Managers Forum and input to Infrastructure Partnerships Australia's work examining whether PPPs in New Zealand and Australia have delivered on their service promise.





Photo by Chris Sisarich

#### Construction Sector Accord workstreams:

- Engagement in a number of projects in relation to the procurement and risk workstreams of the Construction Sector Accord.
- The Major Projects and Advisory team is a member of the Construction Sector Accord workstream established to scope out and progress the proposed review of the NZS 3910:2013. This largely fell out of the ITU's commissioned review released in August last year.
- Publication of COVID-19 construction contract management guidance, reviewing the 'excepted risks' provisions of NZS 3910:2013 and their interpretation in the face of COVID-19, resulting in formal guidance offered to agencies on the interpretation and administration of the contracts. The work flowing from this for the 2020/21 financial year includes an investigation of a future force majeure provision that provides greater clarity.
- We began to look at the role of 'Early contractor involvement (ECI)' in the project design and development process, and the establishment of guidelines on appropriate behaviours in the areas of collaboration, obligations of the parties, risk allocation and associated build contract implications.

#### Other procurement-focused actions:

- Publication of 'Lifting Our Gaze' – a think piece on seeking broader outcomes in procurement.
- A review of lessons from the establishment of Special Purpose Vehicles for major projects is almost complete.
- Input to revised 'Government Procurement Rules' 4th Edition and revised 'Construction Procurement Guidelines' prepared by MBIE.
- A procurement strategy guidance document is under development.
- Input into the development of a construction firm supplier financial tool and associated framework of vetted suppliers, in conjunction with the Ministry of Education, the Department of Corrections, Kāinga Ora and Waka Kotahi NZ Transport Agency.
- The preparation (with MBIE) of guidance on rapid mobilisation models for recovery post COVID-19.

#### The impact of COVID-19

Due to the COVID-19 lockdown, we were limited in the number of Project Support Agreements we were able to formalise.

MEASURE	ACTIVITY	TARGET 2019/20	OUTCOME 2019/20
Infracom is a trusted advisor, and the project support delivered by Infracom is to the satisfaction of all parties involved.	PSA engagement survey.	Develop the engagement survey.	<ul style="list-style-type: none"> <li>Engagement under PSA arrangements remains preliminary.</li> <li>Both projects supported are in early phases of development and no formal advice has been provided.</li> <li>PSA engagement survey is to be developed in the 2020/21 financial year.</li> </ul>
Engagement with central and local government agencies.	Number of projects supported through PSAs and Value of projects supported through PSAs.	New measure to establish baseline.	<ul style="list-style-type: none"> <li>PSAs have been signed with the New Zealand Defence Force and the Ministry for Primary Industries (approximate value \$600 million).</li> <li>Infracom supported the New Zealand Defence Force with a trans-Tasman market engagement for the proposed Accommodation, Messing and Dining Linton pilot in December 2019, including attendance at all market interviews and reviews of market engagement material.</li> <li>Ongoing discussions for new PSAs are underway.</li> <li>Local and regional consultation process is underway with a report anticipated in September 2020.</li> </ul>
The New Zealand Public Private Partnership Programme is coordinated by Infracom.	Hold contract managers' group quarterly forums and have closer integration with Australian contract managers.	Organise forums and have closer integration with Australian contract managers.	<ul style="list-style-type: none"> <li>Two New Zealand PPP Contract Managers Forums were facilitated in 2019/20.</li> <li>Infracom presented at the October 2019 Australia National PPP Contract Managers Forum in Sydney.</li> <li>PPP policy development progressed, including substantial progress on the PPP Review and republishing of Standard Form PPP Project Agreement.</li> <li>PPP procurement support was provided to the New Zealand Defence Force.</li> <li>While international engagement is currently limited by border restrictions due to COVID-19, Infracom has maintained regular dialogue with Australian 'iBodies' and Treasury PPP units.</li> </ul>

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 3	UPDATED FORECAST 2019/20 (\$000)	ACTUAL 2019/20 (\$000)
Revenue from the Crown	3,242	3,242
Interest	3	2
<b>Total output revenue</b>	<b>3,245</b>	<b>3,244</b>
<b>Total output expenditure</b>	<b>2,179</b>	<b>2,158</b>
<b>Net surplus/(deficit)</b>	<b>1,066</b>	<b>1,086</b>

Infracom forecast a net surplus for 2019/20 anticipating it would not be spending all Revenue from the Crown in its first 10 months of establishment. The actual net surplus for Outcome 3 was higher than forecast mainly due to the impact of COVID-19 delaying workstreams, and reprioritising Major Projects and Advisory work to support agencies during lockdown and the Government's economic recovery plan. The delayed workstreams will continue to be progressed in 2020/21.



# Outcome 4

The outputs for this outcome were Special Topic Reports.

**Outcome:** Decision-makers have a basis for bold reform and policy change, informed by independent, evidence-based recommendations.

**Indicator 1**

Special Topic Reports in the Minister’s Letter of Expectations.

**Indicator 2**

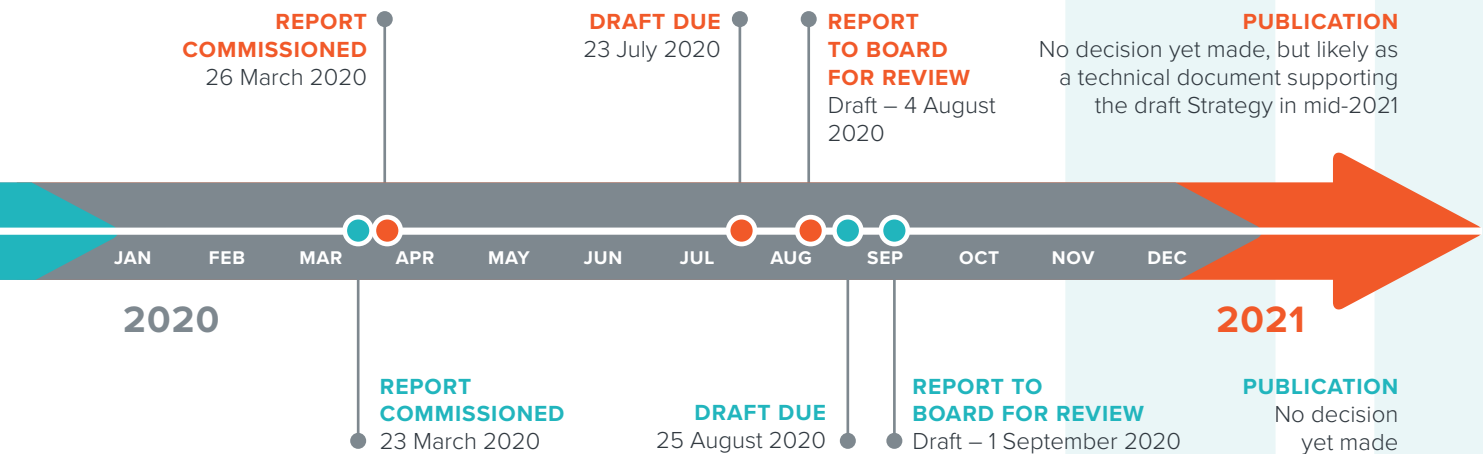
Additional Special Topic Reports as determined by Infracom.

Infracom has taken the following actions:

Infracom has put in place a work programme and team to develop and implement Special Topic Reports. These are the key deliverables for giving decision-makers a basis for bold reform and policy change.

The Special Topic Reports we commissioned in 2019/20 included:

**Port System Settings – the governance settings that underpin port operational efficiency, and emerging megatrends in the sector (to support the ‘Upper North Island Supply Chain Study’)**



**Three Waters Reform – governance and regulatory settings required to lift the performance of the sector (to support the Three Waters Reform work led by the Department of Internal Affairs)**

MEASURE	ACTIVITY	TARGET 2019/20	OUTCOME 2019/20
Our ‘deep dive’ recommendations are taken into account by central and local government policy-makers.	Informal stakeholder feedback that they found ‘deep dives’ of value.	New measure to establish baseline.	Two Special Topic Reports on relevant infrastructure matters underway.
Central and local government decision-makers recognise Infracom as a provider of high-quality, evidence-based advice.	Informal stakeholder feedback that they found Infracom’s advice to be high-quality and evidence-based.	New measure to establish baseline.	Two Special Topic Reports on relevant infrastructure matters underway.
Central and local government decision-makers view Infracom as identifying the right priority areas for ‘deep dives’ that will inform our strategy.	Informal stakeholder feedback that they found Infracom had identified the right priority areas for ‘deep dives’ that will inform our strategy.	New measure to establish baseline.	Two Special Topic Reports on relevant infrastructure matters underway.

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 4	UPDATED FORECAST 2019/20 (\$000)	ACTUAL 2019/20 (\$000)
Revenue from the Crown	567	567
Interest	1	–
Total output revenue	568	567
Total output expenditure	381	129
Net surplus/(deficit)	187	438

Infracom forecast a net surplus for 2019/20 anticipating it would not be spending all Revenue from the Crown in its first 10 months of establishment. The actual net surplus for Outcome 4 was higher than forecast mainly due to the impact of COVID-19 delaying work programmes. The delayed work programmes will continue to be progressed in 2020/21.







## PART THREE: Our Organisation

# Building Our Organisation

When Infracom was established as an autonomous Crown entity on 26 September 2019, a small establishment Leadership team and core group of permanent advisors were the foundation for establishing the delivery of Infracom's outcomes and building the permanent organisation.

In an industry that is highly competitive, our people are our biggest asset. We recognised that staff attraction, retention and development were critical to our success. We placed a high priority on talent acquisition and building the capability of our team.

### We developed: **Our Values**



#### FREE-THINKING

Whakaaro nui – we arrive at creative yet considered solutions



#### COURAGEOUS

Māia – we will have honest conversations that reflect our independence



#### TRUSTWORTHY

Pono – you can depend on us to behave ethically and impartially



#### EMPATHETIC

Ngākau aroha – we're listening and respectful of different views

### We developed: **'The Way We Work' - our operations policy**

Both Our Values and 'The Way We Work' guide our direction on being a good employer and an employer of choice.



# Good Employer

Being a good employer is important to us, and in the first year we focused on building strong frameworks in the following areas.

## Leadership, accountability and culture

We have a professional, supportive, safe and healthy workplace. Our people work smart and hard and have good judgement.

### Principles

We do the right thing – legally, ethically and commercially:

- We value diversity of thought, ideas, skills, experience and background.
- We maintain appropriate standards of behaviour, language and dress, and ensure we represent Infracom positively in all aspects of our work.
- We are public sector – we use Infracom property and resources responsibly.

### Conduct

- We comply with the State Services Commission (now Te Kawa Mataaho with effect from the Public Service Act 2020) Standards of Integrity and Conduct.
- We remain politically neutral at work.
- We place a strong emphasis on creating a high-performing and constructive environment.

## Employee development, promotion and exit

We have built an agile resourcing business model, where permanent employees are supported by consultants who provide the specialist technical skills required to deliver the outcomes we aim to achieve.

We are committed to offering equal employment opportunities to prospective and existing staff. Investing in professional development opportunities is central to our employment offering.

Permanent employees and employees on fixed-term contracts of more than six months have performance development plans, and we apply a 70/20/10 approach to development. Poor performance and disciplinary issues are addressed promptly, respectfully and lawfully.

Exit guidelines and an exit interview process are in place for people who leave the organisation.

## Flexibility and work design

We support flexible working, and all staff are provided with devices and secure systems to enable them to work remotely. Remote working was activated during COVID-19 and we were able to operate with minimal business interruption.

## Recruitment, induction and selection

Infracom's recruitment and selection processes are conducted in accordance with merit and equity principles while meeting the requirements of Government guidelines and New Zealand employment legislation, the Human Rights Act 1993 and the Privacy Act 1993. All positions are independently graded through a position classification process and candidates are assessed equitably against key selection criteria.

As our needs become clearer and stabilise we are moving away from the engagement of contractors in favour of permanent employees. We are prudent in the use of consultants and engage them through a competitive process wherever appropriate.

## Harassment and bullying prevention

We have zero tolerance for bullying and harassment, and we are committed to the Standards of Integrity and Conduct that details our expected behaviours.

## Safe and healthy environment

Infracom maintains a professional, supportive, safe and healthy work environment. Our employees take responsibility for keeping each other and our guests safe from potential hazards both in the Infracom office and when visiting project sites.

Our health and safety policies, in accordance with the Health and Safety at Work Act 2015, aim to promote a mindset of risk identification and proactive management of health, safety and wellbeing issues. Our Leadership team and Board regularly discuss and consider any reported incidents, near misses and hazards.

We have a Business Continuity Plan that was activated during the COVID-19 lockdown period.

Infracom understands it has a role in promoting, protecting and supporting its people's physical and mental wellbeing. We are committed to taking all reasonable steps to prevent, eliminate or minimise workplace stress and to encourage our people to build and maintain their wellbeing.

Other support initiatives include:

- Wellbeing assistance contribution
- Employee Assistance Programme
- Discounted group medical insurance
- Annual flu vaccinations for staff
- Office sit-to-stand desks for staff
- Ergonomic assessments of all workstations, furniture and equipment
- Self-assessment tools for staff when working from home.

## Remuneration, recognition and conditions

- Permanent employees' remuneration will be reviewed at least annually.
- Our remuneration ranges for each role are reviewed annually and compared to relevant market data.
- Individual performance plans recognise delivery against key indicators and agreed actions.

The policies for and practices of the above areas are recorded in 'The Way We Work', which is available to all employees.



Leadership Team from left to right. Top row – Tracey Kai, Peter Murray  
Bottom row – Geoff Cooper, Ross Copland, Jasmine Tietjens



# Sustainability

**Infracom intends to play a strong part in leading sustainability in New Zealand's infrastructure sector. We recognise the impacts of our work on our environment, our people and our operations.**

Sustainability for us, as an organisation, means a commitment to adopting a strategy of best practice in measuring, reducing and reporting on our emissions profile and having it externally verified. We recognise that we have a responsibility to protect and restore the environment for future generations. This will be a focus for the 2020/21 financial year as we register our sustainability accreditation initiative with Toitū Envirocare. We will capture emission data from 2019/20 to set a recording baseline and complete carbon reduction accreditation by the end of the 2020/21 financial year.

Focus areas to reduce our carbon footprint will be travel, waste to landfill and office energy use.

We are committed to:

- Reducing the amount of travel we do and improving how we travel.
- Encouraging staff to make sustainable travel choices to and from the office.
- Continuing to use video/tele-conferencing technology for external meetings.
- Continuing to improve our existing office waste/recycling processes.
- Continuing to ensure we enlist suppliers who contribute to a low-emissions economy.



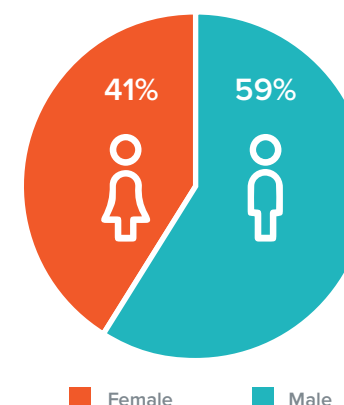
# Diversity and Inclusion

## Diversity and inclusion initiatives

We are committed to building a diverse and inclusive workplace, bringing together different perspectives and characteristics and encouraging workplace practices and behaviours that ensure employees are included in opportunities and feel a sense of belonging. We value our people's unique backgrounds, qualities and contributions to delivering value to our wide range of stakeholders. 'The Way We Work' highlights our organisational values and the sense of inclusiveness in all Infracom practices, which continue to be embedded in everything we do.

## People profile as at 30 June 2020

### Total workforce



### Executive level

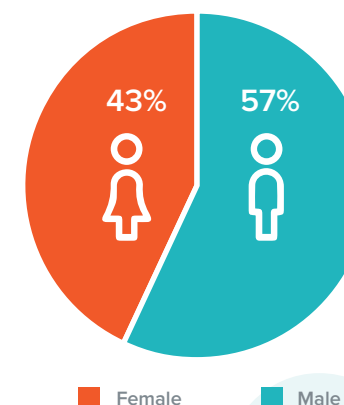


Figure 3: Total Infracom Workforce Gender Breakdown as at 30 June 2020

FULL-TIME-EQUIVALENT (FTE) PERMANENT AND FIXED-TERM EMPLOYEES	AS AT 30 JUNE 2020
Appropriation	35
Actual	22.1

## Gender pay action plan

Infracom is committed to eliminating the gender pay gap. As at 30 June 2020, we had 22.1 FTE employees. As we continue to grow, we will be addressing the workplace drivers of the gender pay gap to create equal opportunities.

## Accessibility charter

We are committed to working progressively over the next five years to ensure that all information intended for the public is accessible to everyone. As we grow, we will continue to champion accessibility.

## Pledge panel

We are committed to the Champions for Change Panel Pledge and understand the benefits of achieving more balanced gender and ethnic representation at conferences and on panels.



## PART FOUR:

# Statements of Financial Performance



# Statement of Responsibility

We are responsible for the preparation of the New Zealand Infrastructure Commission/Te Waihanga's financial statements and statement of financial performance, and for the judgements made in them.

We are responsible for any end of year performance information provided by the New Zealand Infrastructure Commission/Te Waihanga (Infracom) under section 19A of the Public Finance Act 1989.

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

In our opinion, these financial statements and statement of financial performance fairly reflect the financial position and operations of Infracom for the period from establishment on 26 September 2019 to 30 June 2020.

Signed on behalf of the Board:



**Dr Alan Bollard** CNZM

Board Chair

Date: 1 December 2020



**Sue Tindal** FCPA, CMInstD

Deputy Chair

Date: 1 December 2020

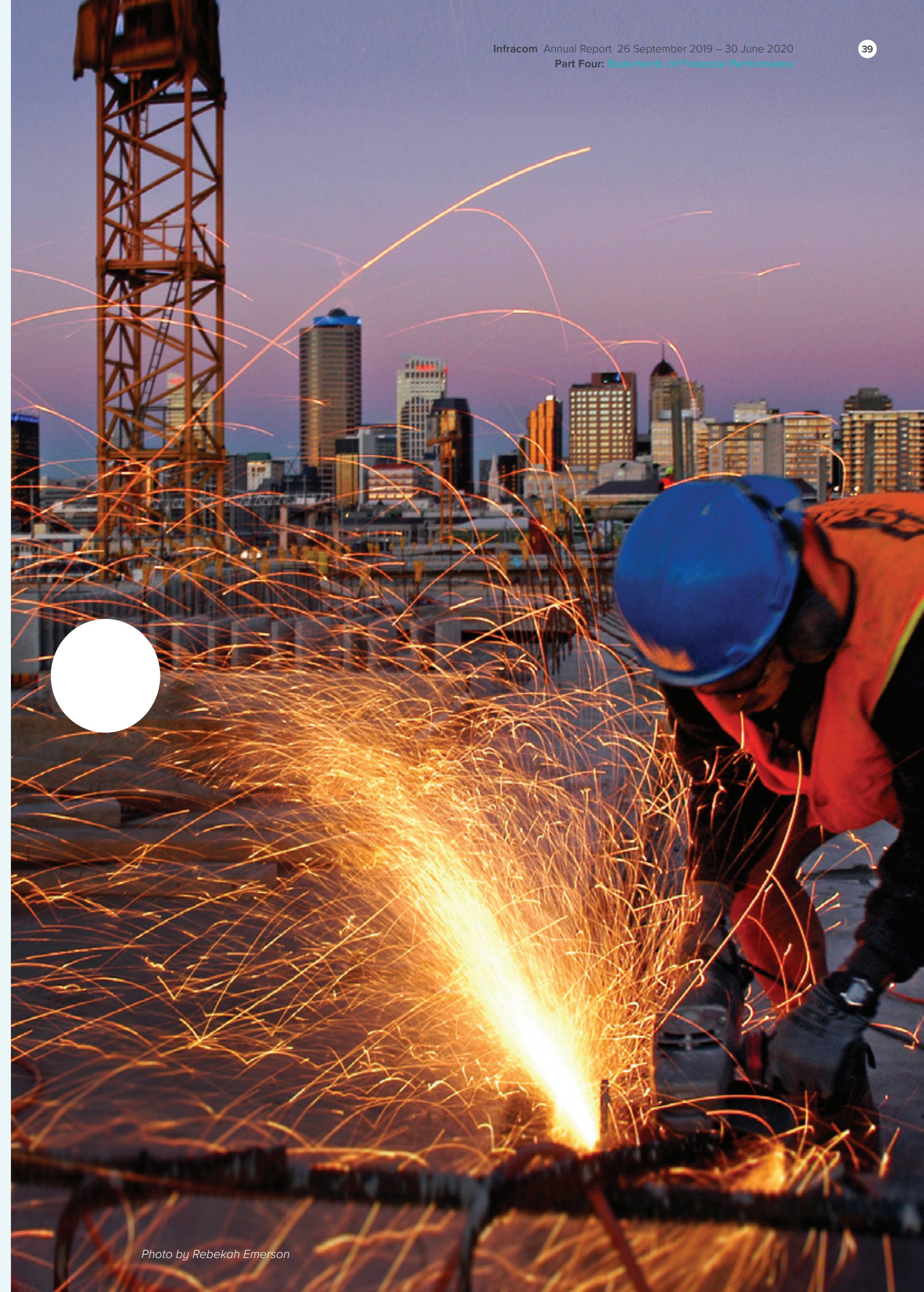


Photo by Rebekah Emerson



# Independent Auditor's Report

## To the readers of the New Zealand Infrastructure Commission/Te Waihanga's financial statements and performance information for the period ended 30 June 2020

The Auditor-General is the auditor of the New Zealand Infrastructure Commission/Te Waihanga (Infracom) which was established on 26 September 2019. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of Infracom on his behalf.

### Opinion

We have audited:

- the financial statements of Infracom on pages 43 to 58, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of Infracom on pages 14 to 29 and 42.

In our opinion:

- the financial statements of Infracom on pages 43 to 58:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the period then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 14 to 29 and 42:
  - presents fairly, in all material respects, Infracom's performance for the period ended 30 June 2020, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial period; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial period; and
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 1 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on Infracom. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Emphasis of matter – Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on Infracom as set out in note 19 to the financial statements and pages 14 to 29 of the performance information.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

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

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

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

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

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

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

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

report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Infracom to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board is responsible for the other information. The other information comprises the information included on pages 3 to 13, 31 to 35 and 38, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

### Independence

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

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



S B Lucy  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand



# Appropriation Performance Measures

The funding for Infracom was established in Budget 2019 as an appropriation within Vote Finance. The appropriation is administered and monitored by Treasury. The profile of the appropriation recognises that Infracom commenced activity part way through the financial year.

	2019/20 \$m	2020/21 \$m	2021/22 \$m	2022/23 and out-years \$m
Appropriation revenue				
Independent infrastructure advice and oversight	8.100*	13.488	14.875	13.875

\* Of the \$9.100m allocated in the Estimates of Appropriations 2019/20, \$1.000m was transferred to Treasury in the Supplementary Estimates of Appropriations 2019/20, in order to reallocate funding to the Interim Transactions Unit (ITU) and establishment expenses for Infracom, incurred within Treasury.

All costs incurred in connection with the ITU and establishing Infracom are captured in an appropriation held by Treasury. These will be reported by Treasury in its annual report. All expenses after Infracom had its own employees and, finance and payment systems from 16 December 2019 are presented in the Infracom financial statements.

## Scope of the appropriation

This appropriation is limited to Infracom providing services to improve New Zealand's infrastructure outcomes.

## Financial information

	Actual 2019/20 \$m	Budget 2019/20 \$m
Revenue from the Crown*	8.100	8.100
Other revenue	0.005	0.008
<b>Total revenue</b>	<b>8.105</b>	<b>8.108</b>
<b>Total expenditure</b>	<b>5.335</b>	<b>5.444</b>
<b>Surplus/(Deficit)</b>	<b>2.770</b>	<b>2.664</b>

\* The appropriation revenue received by Infracom equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure under the Public Finance Act 1989.

## Statement of Performance – What was achieved in this appropriation

Assessment of performance	Standard for 2019/20	Performance for 2019/20
The New Zealand Infrastructure Commission/Te Waihanga, will carry out its functions in accordance with its purpose as set out in its enabling legislation and its Statement of Intent	Achieved	Achieved
The New Zealand Infrastructure Commission/Te Waihanga, is legally established by 1 October 2019, and operating out of its own premises by 31 December 2019	Achieved	Achieved

# Financial Statements

## Statement of Comprehensive Revenue and Expense for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
<b>Revenue</b>			
Funding from the Crown	2	8,100	8,100
Interest revenue	2	5	8
<b>Total revenue</b>		<b>8,105</b>	<b>8,108</b>
<b>Expenses</b>			
Personnel costs	3	3,417	3,212
Depreciation and amortisation expense	7,8	86	95
Other expenses	4	1,832	2,137
<b>Total expenses</b>		<b>5,335</b>	<b>5,444</b>
<b>Surplus/(Deficit) and total comprehensive revenue and expense</b>		<b>2,770</b>	<b>2,664</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

## Statement of Changes in Equity for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
Balance at 26 September		-	-
Total comprehensive revenue and expense for the 10 months		2,770	2,664
<b>Balance at 30 June</b>	14	<b>2,770</b>	<b>2,664</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.



## Statement of Financial Position as at 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,913	2,285
Receivables	6	123	29
Total current assets		3,036	2,314
<b>Non-current assets</b>			
Property, plant and equipment	7	833	805
Intangible assets	8	146	25
Total non-current assets		979	830
<b>Total assets</b>		<b>4,015</b>	<b>3,144</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	9	938	300
Lease incentive	10	27	20
Employee entitlements	11	172	50
Total current liabilities		1,137	370
<b>Non-current liabilities</b>			
Lease incentive	10	87	90
Provisions	12	21	20
Total non-current liabilities		108	110
<b>Total liabilities</b>		<b>1,245</b>	<b>480</b>
<b>Net assets</b>		<b>2,770</b>	<b>2,664</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	14	2,770	2,664
<b>Total equity</b>		<b>2,770</b>	<b>2,664</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

## Statement of Cash Flows for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
<b>Cash flows from operating activities</b>			
Receipts from the Crown		8,100	8,100
Interest received		5	6
Payments to suppliers		(874)	(1,707)
Payments to employees		(3,145)	(3,162)
Goods and services tax (net)		(108)	(27)
<b>Net cash flow from operating activities</b>		<b>3,978</b>	<b>3,210</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(905)	(900)
Purchase of intangible assets		(160)	(25)
<b>Net cash flow from investing activities</b>		<b>(1,065)</b>	<b>(925)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,913</b>	<b>2,285</b>
Cash and cash equivalents at 26 September 2019		-	-
<b>Cash and cash equivalents at the end of the year</b>	5	<b>2,913</b>	<b>2,285</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.



# Notes to the financial statements

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# Notes to the financial statements

Note 1. Statement of accounting policies

Reporting entity

The New Zealand Infrastructure Commission/Te Waihanga (Infracom) is an autonomous Crown entity as defined by the Crown Entities Act 2004. It was established under the New Zealand Infrastructure Commission/Te Waihanga Act 2019 and its parent is the Crown. Infracom’s primary objective is to provide services to the public, rather than make a financial return.

Infracom is a public benefit entity (PBE) for financial reporting purposes. The entity was created when the enabling legislation received Royal assent and was passed on 26 September 2019. Infracom was operational from its establishment date of 26 September 2019, and until 15 December 2019, used Treasury’s personnel, systems and physical office. Treasury funded the payments made during this period as part of the establishment phase, and recorded the expenses relating to those payments. From 16 December 2019, Infracom employed its own personnel, and had its own systems and physical office.

The financial statements for Infracom are for the 10 months to 30 June 2020 and were approved by the Board on 1 December 2020.

Basis of preparation

The financial statements cover a period of less than 12 months as Infracom was established on 26 September 2019. 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 have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Infracom has applied the suite of Tier 2 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28-3) in preparing the 30 June 2020 financial statements. As Infracom has expenses of less than \$30 million, it is eligible to report in accordance with the PBE Standards Reduced Disclosure Regime. These financial statements comply with the PBE Standards Reduced Disclosure Regime

Presentation currency and rounding

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

Standard early adopted

In line with the Financial Statements of the Government, Infracom has elected to early adopt PBE IFRS 9 Financial Instruments.

Significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.



Note 1. Statement of accounting policies (Continued)

Goods and services tax

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, it is recognised as part of the related asset or expense. The net GST recoverable from, or payable to Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

The net amount of GST paid to, or received from IR, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rates 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.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocations

Direct costs are costs directly attributed to an output. Personnel costs are allocated to outputs based on time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs in each output.

Critical accounting estimates and assumptions

In preparing these financial statements Infracom has made estimates and assumptions concerning the future. These estimates and assumptions might 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 risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property, plant and equipment - refer Note 7
- Useful lives of software assets - refer Note 8

Management has exercised the following critical judgement in applying accounting policies:

- Classification of the rental lease as an operating lease - refer Note 4

Note 2. Revenue

Accounting Policy

Revenue is measured at the fair value of consideration received or that is receivable. Revenue is earned through the provision of outputs for the Crown, services to third parties and investment income.

Note 2. Revenue (Continued)

Funding from the Crown

Infracom is primarily funded through revenue from the Crown. Revenue receipts from the Crown transactions are considered to be non-exchange transactions. The funding is restricted in its use for the purpose of Infracom meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, Infracom considers there are no conditions attached to the funding. Revenue from the funding is recognised in the financial period to which the appropriation relates. The fair value of the revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Note 3. Personnel costs

Accounting Policy

Salaries and wages

Personnel costs are recognised as an expense as employees provide services.

Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are expensed in the surplus or deficit as incurred.

Defined benefit schemes

Infracom does not make employer contributions to any defined benefit superannuation scheme.

	2019/20 Actual \$000
Breakdown of personnel costs and further information	
Salaries and wages	3,266
Defined contribution plan employer contributions	40
Increase/(Decrease) in employee entitlements	111
Total personnel costs	3,417

	2019/20 Actual Number
Employee remuneration	
Total remuneration paid or payable that is or exceeds \$100,000:	
\$110,000 - 119,999	2
\$120,000 – 129,999	1
\$130,000 – 139,999	1
\$310,000 - 319,999	1
Total employees	5

The above disclosure shows the total remuneration paid or payable from 16 December 2019, when Infracom employed its first employees, to 30 June 2020.

No employees have received compensation or other benefits in relation to cessation.



Note 3. Personnel costs (Continued)

Board member remuneration

	Pre-establishment 1 July 2019 – 25 September 2019 (as designate Board members)	Post-establishment 26 September 2019 – 30 June 2020 (as appointed Board members)	2019/20 Actual \$000
The total value of fees paid or payable to each Board member during the year was:	\$000	\$000	
Dr Alan Bollard (Chair)	10	87	97
Sue Tindal (Deputy Chair)	6	45	51
David Cochrane	2	25	27
Raveen Jaduram	1	14	15
Stephen Selwood	4	30	34
Sarah Sinclair	2	8	10
<b>Total Board member remuneration</b>	<b>25</b>	<b>209</b>	<b>234</b>
Less amounts paid by Treasury	(12)	(12)	(24)
<b>Total Board member remuneration paid by Infracom</b>	<b>13</b>	<b>197</b>	<b>210</b>

During the financial year, payments made, or payable to, Murray Harrington, an independent member of the Audit and Risk Committee appointed by the Board but not a Board member, were \$1,250.

Infracom has provided a Deed of Indemnity to all Board members for certain acts and omissions (being acts and omissions in good faith and in the performance or intended performance of Infracom’s functions) to the maximum extent permitted by the Crown Entities Act 2004. Infracom has also obtained Professional Indemnity, and Directors and Officers Liability insurance for Board members.

No Board members have received compensation or other benefits in relation to cessation.

As per Note 1, between 26 September 2019 and 15 December 2019, Infracom’s expenses that were invoiced in that period were paid by Treasury.

Note 4. Other expenses

Accounting Policy

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expenses over the lease term.

	2019/20 Actual \$000
Fees to Audit New Zealand for audit of financial statements*	16
Operating lease expense	154
Personnel related expenses	420
Consultancy including professional services	594
Travel and accommodation	91
Technology expenses	288
Financial services**	104
Other expenses	165
<b>Total other operating expenses</b>	<b>1,832</b>

\* The disclosure is for audit work performed until 30 June 2020. The indicative total fee for the audit of the 2019/20 accounts is estimated to be \$40,000 (GST exclusive).

\*\* The Financial services relate to services Treasury provides to Infracom, including a supported transactional finance system, payroll, and accounting and payment processing services.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2019/20 Actual \$000
No later than one year	284
Later than one year and not later than five years	1,137
Later than five years	129
<b>Total non-cancellable operating leases</b>	<b>1,550</b>

The non-cancellable lease expense relates to the lease of Level 7, 95 Customhouse Quay, Wellington. The lease expires in December 2025. Infracom as lessee can exercise its right to renew in December 2025, with a final expiry date in December 2031. The rental expense is agreed to be \$23,687 (GST exclusive) per month.

As the lessor retains substantially all the risks and rewards of ownership of the leased property, the operating lease payments are recognised in the surplus or deficit only in the periods they are incurred.

Any lease incentive received is recognised in the surplus or deficit over the term of the lease.

Future amounts disclosed above are based on the current rental rates.

There are no restrictions placed on Infracom by any of the operating lease arrangements.



Note 5. Cash and cash equivalents

Accounting Policy

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

	2019/20 Actual \$000
Breakdown of cash and cash equivalents	
Cash at bank	2,913
Total cash and cash equivalents	2,913

Note 6. Receivables

Accounting Policy

Short-term receivables are recorded at the amounts due, less an allowance for credit losses. Infracom applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. Short-term receivables are written off when there is no reasonable expectation of recovery.

	2019/20 Actual \$000
Breakdown of receivables	
Receivables from the sale of goods and services (exchange transactions)	123
Total receivables	123

Note 7. Property, plant and equipment

Accounting Policy

Property, plant and equipment consists of the following asset classes: information technology equipment, leasehold improvements, and furniture and fittings. All items are measured at cost less accumulated depreciation and impairment losses. The capitalisation threshold is \$2,000.

Additions

An item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to Infracom beyond one year or more and the cost of the item can be measured reliably. Property, plant and equipment is initially recorded at its cost. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are expensed in the surplus or deficit as they are incurred. Work in progress is recognised at cost and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components at rates that will write off the cost of the assets to their estimated residual values over their useful lives. Leasehold improvements are depreciated over the unexpired period of the lease. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might 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. Any impairment losses are recognised in the surplus or deficit. At each balance date, the useful lives and residual values of the assets are reviewed.

Note 7. Property, plant and equipment (Continued)

The estimated useful lives of major asset classes are:

Type of asset	Estimated life (years)
Information technology equipment	3 to 5 years
Leasehold improvements	6 years
Furniture and fittings	5 years

Breakdown of property, plant and equipment and further information

	Information technology equipment \$000	Furniture & fittings \$000	Leasehold Improve- ments \$000	Work in progress \$000	Total \$000
Cost or valuation					
Balance at 26 September 2019	-	-	-	-	-
Additions	278	166	424	37	905
Balance at 30 June 2020	278	166	424	37	905
Accumulated depreciation					
Balance at 26 September 2019	-	-	-	-	-
Depreciation expense	33	10	29	-	72
Balance at 30 June 2020	33	10	29	-	72
Carrying amounts					
At 30 June 2020	245	156	395	37	833

Capital commitments

As at 30 June 2020, Infracom has no capital commitments.



## Note 8. Intangible assets

### Accounting Policy

#### Software acquisition

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Infracom's website are expensed when incurred. Assets are capitalised if the purchase price is \$2,000 or greater.

#### 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 financial year is expensed in the surplus or deficit.

Type of asset	Estimated life (years)
Computer software	3 years
	Intangible assets \$000
<b>Breakdown of intangibles and further information</b>	
<b>Cost</b>	
Balance at 26 September 2019	-
Additions	160
<b>Balance at 30 June 2020</b>	<b>160</b>
<b>Accumulated amortisation</b>	
Balance at 26 September 2019	-
Amortisation expense	14
<b>Balance at 30 June 2020</b>	<b>14</b>
<b>Carrying amount</b>	
<b>At 30 June 2020</b>	<b>146</b>

## Note 9. Payables

### Accounting Policy

Short-term payables are recorded at the amount payable.

	2019/20 Actual \$000
<b>Breakdown of payables</b>	
<b>Payables under exchange transactions</b>	
Accrued expenses	646
Creditors	235
Total payables under exchange transactions	881
<b>Payables under non-exchange transactions</b>	
Taxes payable (PAYE/WHT)	57
Total payables under non-exchange transactions	57
<b>Total Payables</b>	<b>938</b>

## Note 10. Lease incentive

### Accounting Policy

Any unamortised lease incentive received is recognised as a liability in the Statement of Financial Position.

A lease incentive liability is created to spread the incentive received at the inception of the lease, throughout the term of the lease. Infracom received an initial rent-free period when it commenced the lease of its office premises.

	2019/20 Actual \$000
<b>Breakdown of lease incentive</b>	
Current portion	27
Non-current portion	87
<b>Total lease incentive</b>	<b>114</b>

## Note 11. Employee entitlements

### Accounting Policy

#### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

#### Long-term employee entitlements

Infracom does not have long-term employee entitlements.

	2019/20 Actual \$000
<b>Breakdown of employee entitlements</b>	
Accrued annual leave	113
Accrued salaries and wages	59
<b>Total employee entitlements</b>	<b>172</b>



Note 12. Provisions

Accounting Policy

A provision is recognised for future expenditure of an 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 expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

	2019/20 Actual \$000
<b>Breakdown of provisions and further information</b>	
<b>Non-current portion</b>	
Lease make-good	21
<b>Total provisions</b>	<b>21</b>
	2019/20 Actual \$000
<b>Movements within the provision:</b>	
Balance at 26 September 2019	-
Additional provisions made	21
<b>Balance at 30 June 2020</b>	<b>21</b>

Infracom is required at the expiry of the lease term to make good its leased office premises. Infracom has the option to renew this lease, which affects the timing of expected cash outflows to make-good the premises. The cash flows associated with the provision are expected to occur in December 2025. Information about leasing arrangements is disclosed in Note 4.

Note 13. Contingencies

Infracom has no contingent liabilities and no contingent assets.

Note 14. Equity

Accounting Policy

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

- accumulated surplus/(deficit)

	2019/20 Actual \$000
<b>Breakdown of equity and further information</b>	
<b>Accumulated surplus/(deficit)</b>	
Balance at 26 September 2019	-
Surplus/(Deficit) for the year	2,770
<b>Balance at 30 June 2020</b>	<b>2,770</b>

Infracom is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, the acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. Infracom manages its equity as a by-product of prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure Infracom achieves its objectives and purpose effectively, while remaining a going concern.

Note 15. Financial instruments

Accounting Policy

All financial assets and liabilities held by Infracom are recognised at amortised cost. The carrying amount of financial assets and liabilities in each of the financial instrument categories are:

	2019/20 Actual \$000
<b>Financial assets measured at amortised cost</b>	
Cash and cash equivalents	2,913
Receivables	123
<b>Total financial assets measured at amortised cost</b>	<b>3,036</b>
<b>Financial liabilities measured at amortised cost</b>	
Payables	938
Lease incentive	114
<b>Total financial liabilities measured at amortised cost</b>	<b>1,052</b>

Note 16. Related party transactions

Infracom is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect Infracom to have adopted in dealing with the party at arm’s length in the same circumstances. Further, transactions with other Government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

Key personnel

No related party transactions were entered into during the year with key personnel.

Board members are appointed by the Minister for Infrastructure and are the Board for the purposes of the Crown Entities Act 2004. In addition to their roles with Infracom, Board members have other interests and may serve in positions with other organisations, including organisations to which Infracom is related. Actual or potential conflicts of interest are declared in the interests and gifts registers.



Note 16. Related party transactions (Continued)

Permission to act despite being interested in a matter

Section 68(6) of the Crown Entities Act 2004 requires the Board to disclose any interests to which a permission to act has been granted, despite a member being interested in a matter. During the 2019/20 financial year, the following permissions were granted:

- Sue Tindal – to participate in discussions and decisions with respect to the Upper North Island Supply Chain report. This was granted in December 2019 due to Sue Tindal's disclosed interest as a Director of Mainfreight Limited until she resigned from the Board of Mainfreight Limited on 2 June 2020. Permission was granted by the Board Chair due to the member's knowledge of freight, logistics and global supply chains.
- David Cochrane – to participate in discussions and decisions relating to the Infrastructure Funding and Financing Bill (the IFF Bill). This was granted on 11 January 2020 due to David Cochrane providing legal services to Treasury and the Department of Internal Affairs involving the policy development, preparation of drafting instructions, and review of drafts of the IFF Bill. Permission was granted by the Board Chair as the member's knowledge of the content and intent of the IFF Bill would assist Infracom to perform its statutory functions under sections 9 and 10(b)(iv) of the New Zealand Infrastructure Commission/Te Waihanga Act 2019.

	2019/20 Actual \$000
Key management personnel compensation	
Board members	
Remuneration	210
Full-time equivalent	0.59
Leadership team	924
Full-time equivalent	2.38
Total key management personnel remuneration	1,134
Total full-time equivalent	2.97

Key personnel are Board members, the Chief Executive and General Managers.

The full-time equivalent values have been calculated on the basis of actual work performed during the reporting period. At 30 June 2020, there were five employees in the leadership team.

Note 17. Events after balance date

There were no significant events after the balance date 30 June 2020.

Note 18. Explanation of major variances against budget

Infracom had a higher net surplus than estimated mainly due to COVID-19 delaying workstreams and work programmes that involve specialist external consultants. These delayed workstreams and work programmes will continue to be progressed in 2020/21. On the Statement of Financial Position, the payables total of \$938k is \$638k above the budget. This reflects the fact that there was a lot more work than expected that had been performed by suppliers but had not been invoiced by 30 June 2020. This is also reflected in the Statement of Cash Flows, where payments to suppliers are much lower than budget. The items included in the payables total at 30 June 2020 were paid promptly, in line with Infracom's target of paying suppliers within 10 working days of receiving invoices. The larger spend on intangibles compared to budget relates primarily to the capitalisation of the development of the website and information management tools that were not budgeted to be capitalised.

Note 19. Impact of COVID-19

The operations of Infracom have been impacted by COVID-19 as noted in each of the Outcomes in Part Two: Our Performance Framework of the Annual Report (see pages 14-29). Some workstreams and programmes were delayed, and Major Projects and Advisory resources were redeployed to support agencies during lockdown and the Government's economic recovery plan. There are, however, no financial impacts required to be reflected in these financial statements. There was no need to impair any fixed assets, nor assess the collectability of revenue. Infracom is a new organisation that is fully funded by the Crown.