

Statement of Performance Expectations

1 JULY 2019 – 30 JUNE 2020



Statement of Responsibility

This Statement of Performance Expectations accords with the requirements of sections 149C, 149E and 149G of the Crown Entities Act 2004.

It aligns with the New Zealand Infrastructure Commission/Te Waihanga's (Infracom's) 1 July 2019 – 30 June 2024 Statement of Intent, and describes Infracom's performance measures and annual forecast financial statements.

The Statement of Performance Expectations should be read in conjunction with the Statement of Intent.



Dr Alan Bollard CNZM
Board Chair
Date: 23 June 2020



Suzanne Tindal FCPA, CMInstD
Deputy Chair
Date: 23 June 2020

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New Zealand Infrastructure Commission/Te Waihanga (Infracom)
Statement of Performance Expectations 2019/20
Date: June 2020

ISSN 2703-5735 (Print)
ISSN 2703-5670 (Online)

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Front and back cover photo by Rebekah Emerson
Inside front cover photo by Chris Sisarich

Statement of Performance Expectations

Infracom's principal objective over the long-term is to deliver a step change in New Zealand's planning and delivery of infrastructure, its systems and settings. It is important to acknowledge that given the long lead times, and the complexity of infrastructure planning and delivery, the impact we seek to make will take time to be realised.

To deliver our outcomes effectively, Infracom will build the internal capability and capacity to deliver our legislative functions. In 2019/20, we will develop an internal organisation strategy and recruit at least 75% of staff by the fourth quarter.

The Statement of Intent 2019-2024 sets out our medium-term outcomes and outputs. Leading towards that, our short to medium-term focus will therefore be on achieving the outcomes below. These are directly related to the functions of Infracom.

This Statement of Performance Expectations 2019/20 sets out the outcomes we aim to achieve and their related outputs, as well as the standards against which we will assess our performance.

	OUTCOME	OUTPUT
1	An agreed programme of reforms and initiatives to drive better infrastructure outcomes in the long-term	30-Year Strategy Report
2	The construction sector has a clear forward works programme, which the sector can rely on	Infrastructure Pipeline
3	The infrastructure procurement capability of government agencies and the construction sector is improved	Procurement Capability and Project Delivery Support through Project Support Agreements
4	Decision makers have a basis for bold reform and policy change, informed by independent, evidence-based recommendations	Special Topic Reports

Impact of COVID-19

At the time of writing, the spread of the COVID-19 virus has reached pandemic proportions. New Zealand's international border is closed; however, the New Zealand and Australian Prime Ministers are considering a plan for a 'Trans-Tasman Bubble' to allow travel between the two countries. The Government's strategy has been to eliminate the virus (control it by tracking and tracing), while investing significantly in the economic restart and longer-term recovery. Infracom is working to meet the immediate needs of the infrastructure sector, while keeping its focus on developing the 30-year strategy report.

Improving
New Zealanders'
lives through **better**
infrastructure

Outcome 1:

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

Working with Māori as Treaty partners; central and local government, the private sector and other stakeholders, Infracom will develop a 30-year infrastructure strategy report. The strategy report will be evidence based and articulate: the ability of existing infrastructure to meet community expectations; the current and future infrastructure needs and priorities; and any barriers that could impede the delivery of infrastructure or services arising from it.

The strategy will be developed in collaboration with stakeholders, and their feedback to inform our thinking. We will seek consensus on the strategy, providing a clear, shared view of the present and potential future states.

When preparing the strategy, Infracom must have regard to long-term trends affecting infrastructure such as changes to demographics, the emergence and availability of new technology and matters relating to the adaptation and mitigation of the effects of climate change.

The output comprises steps towards delivering the 30-year strategy report. Infracom will be taking the following actions:

- Building the internal capability and capacity to deliver a nationwide strategy
- Developing a plan for the first 30-year strategy report
- Creating a map of our stakeholders to deepen our understanding so that we have a strong basis for meaningful engagement

If we are successful, the following outcome will be achieved:

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 and local government, the private sector and other stakeholders on the recommendations needed to achieve better infrastructure outcomes over the long-term
INDICATOR 2	There is broad Ministerial acceptance of Infracom's recommendations
INDICATOR 3	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

This is how we will measure our performance of this outcome:

MEASURE	ACTIVITY	TARGET 2019/20	ESTIMATED ACTUAL 2019/20
Early stakeholder engagement to introduce Infracom and its role	To hold a symposium with the sector	Symposium organised and held within 2 months	Achieved
	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"> • To create a methodology for building the 30-year strategy • To build an evidence base 	<ul style="list-style-type: none"> • Announce to our stakeholders the methodology for developing a 30-year strategy • Mid-way through development of Infrastructure Needs Assessment ('the evidence base') 	<ul style="list-style-type: none"> • Methodology measure achieved • Evidence base measure achieved • Stakeholder groups formed
Key stakeholders are identified/building stakeholder base	<ul style="list-style-type: none"> • To develop stakeholder groups 	<ul style="list-style-type: none"> • Key stakeholders met • Stakeholder groups formed 	<ul style="list-style-type: none"> • Key stakeholders met • Stakeholder groups formed

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

Outcome 2:

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

Infracom has a role to act as a 'shop front' for the market and to publish a pipeline of infrastructure projects. This will be an iterative process. When fully developed, the pipeline will help give the infrastructure market greater certainty about future infrastructure projects, which will assist it in gearing-up its capacity and capability to deliver.

The output is the Infrastructure Pipeline. Infracom will be taking the following actions:

- Building the internal capability and capacity to deliver a reliable pipeline
- Developing and maintaining a pipeline of works published to Infracom's website
- Continuing to grow the base of contributing procuring entities
- Considering technology enhancements for the wider value chain



Photo by Sara Ome

If we are successful, the following outcome will be achieved:

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

This is how we will measure our performance of this outcome:

MEASURE	ACTIVITY	TARGET 2019/20	ESTIMATED ACTUAL 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	New measure to establish baseline
Improved visibility of future infrastructure projects	Extent to which the content is up to date and extent to which it is relied on	Within 3 months	Timely updates (noting that updates have been adversely affected by COVID-19 and related pipeline impacts)

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

Outcome 3: The infrastructure procurement capability of government agencies and the construction sector is improved

Infracom aims to lift New Zealand's infrastructure procurement capability through assisting in the development of projects, commercial advice, project governance and procurement, and evaluation support. We are developing a strategic engagement model that will enable Infracom to push resources towards areas where they are most needed.

The output is Procurement Capability and Project Delivery Support through Project Support Agreements (PSAs). Infracom will be taking the following actions:

- Building the internal capability and capacity to deliver against the outcome
- Supporting the operation of the Investment Management System, led by the Treasury
- Consulting with procuring agencies and agreeing tailored support on projects when key criteria are met
- Advising on a portfolio of major infrastructure projects
- Developing and finalising the PSA, which sets out the services and support Infracom will provide (for example, project governance, ad-hoc advice, assistance with business case development, delivery model advice, procurement support and infrastructure finance advice)
- Developing issue-specific guidance for procuring major infrastructure
- Providing thought leadership and policy guidance on a range of infrastructure delivery models including national policy leadership for Public Private Partnerships (PPPs), but we will also assess other outcomes-focused delivery models
- Establishing the PPP Contract Managers Forum
- Actively supporting the Government's COVID-19 response including representation at the Construction Sector Accord, the Infrastructure Industry Reference Group, and advice to Ministers and relevant central government agencies



If we are successful, the following outcome will be achieved:

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 both 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

This is how we will measure our performance of this outcome:

MEASURE	ACTIVITY	TARGET 2019/20	ESTIMATED ACTUAL 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	Complete the development of the engagement survey
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	2 PSAs signed
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	Achieved

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

Outcome 4:

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

Infracom will provide high-quality advice in relation to infrastructure to help decision makers to push reform within infrastructure that improves the wellbeing of New Zealanders.

The outputs are Special Topic Reports. Infracom will be taking the following actions:

- A review of PPPs is currently underway based on a consideration of the New Zealand experience of the eight PPPs already brought to market. The review will consider changes to policy settings around PPP procurement and delivery based on lessons learned in this market
- A review of the port sector systems settings – Infracom is undertaking a study to understand the policy settings that drive the efficient location of port operations. The analysis will cover governance arrangements, regulatory settings, financing and the megatrends impacting port operations. The review will support and inform the review of the Upper North Island Supply Chain and the 30-year strategy report, by providing broader context on a wide range of matters that inform port development and location decisions
- Undertaking submissions to relevant infrastructure Bills being considered by Parliament, such as the Resource Management Amendment Bills, Infrastructure Funding and Financing Bill and Urban Development Bill
- Delivering other ‘deep dive’ reports



Photo courtesy of McConnell Dowell

If we are successful, the following outcome will be achieved:

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

This is how we will measure our performance of this outcome:

MEASURE	ACTIVITY	TARGET 2019/20	ESTIMATED ACTUAL 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	New measure to establish baseline
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	New measure to establish baseline
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	New measure to establish baseline

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

Summary of Funding and Costs

Appropriation

Ongoing funding for Infracom was established in Budget 2019 as a Non-Departmental appropriation within Vote Finance (administered by the Treasury, also the monitoring agency):

APPROPRIATION	2019/20 \$m	2020/21 \$m	2021/22 \$m	2022/23 and outyears \$m
Non-Departmental Output Expenses: Independent Infrastructure Advice and Oversight	8.100*	13.488	14.875	13.875

*Of the \$9.100m allocated in 2019/20, \$1.000m was transferred to Vote Finance Departmental in order to cover a funding shortfall relating to the Interim Infrastructure Transactions Unit (ITU) and the establishment of Infracom, reducing the appropriation for 2019/20 to \$8.100m.

Note that all costs incurred in connection with the ITU and establishing Infracom are captured in the Treasury’s Departmental accounts and will be reported by the Treasury in its annual report. All post-establishment costs from 16 December 2019 have been captured in Infracom’s accounts.

This section explains how we plan to utilise funding to achieve the outcomes and our work programme in 2019/20.

Assumptions

The following assumptions have been used in preparing these prospective financial statements:

- Infracom will continue to operate in its current structure and form, subject to changes due to COVID-19 that are beyond Infracom’s control
- Infracom’s statutory functions will remain unchanged
- Revenue from the Crown of \$8.100m will be available in 2019/20
- There will be no change in premises occupancy or any other significant operating costs
- Externally driven costs will increase by no more than the rate of inflation
- Apart from COVID-19, it is not anticipated that there will be events that are beyond Infracom’s control (such as natural disasters) that will require significant operating or capital expenditure to be incurred



Photo by Chris Sisarich

Prospective Financial Information

The financial statements presented are Infracom's first set of prospective financial statements presented under the Public Benefit Entity Standards.

Under the Crown Entities Act 2004, Infracom must include prospective financial statements in its Statement of Performance Expectations.

These financial statements indicate the likely financial impacts of implementing Infracom's strategic direction. The information is indicative and may not be appropriate for any other purpose. These financial statements have not been audited.

Statement of prospective comprehensive revenue and expenses for the year ending 30 June 2020

	Updated Forecast 2019/20 \$000
Revenue	
Revenue from Crown	8,100
Interest	8
Total revenue	8,108
Expenses	
Personnel	3,015
Consultancy	1,064
Other expenses	1,270
Depreciation and amortisation	95
Total expenses	5,444
Net surplus/(deficit)	2,664
Other comprehensive income	-
Total comprehensive revenue and expenses	2,664

The Statement of Accounting Policies (pages 18 - 21) forms part of, and is to be read in conjunction with, the statement of prospective comprehensive revenue and expenses.

Infracom has been built around an agile resourcing business model, where permanent staff are supported by consultants who provide the specialist technical skills required to deliver the outcomes we aim to achieve. Consultancy costs are likely to increase when specialised pieces of work need to be delivered, such as 'deep dives' or evidence-based components of Infracom's work, including the 30-year strategy report.

Statement of prospective changes in equity for the year ending 30 June 2020

	Updated Forecast 2019/20 \$000
Balance as at 1 July	-
Comprehensive revenue and expense Surplus/(deficit)	2,664
Total comprehensive revenue and expense	2,664
Owner transactions	
Repayment of surplus	-
Balance as at 30 June	2,664

The Statement of Accounting Policies (pages 18 - 21) forms part of, and is to be read in conjunction with, the statement of prospective changes in equity.

Statement of prospective financial position for the year ending 30 June 2020

	Updated Forecast 2019/20 \$000
Current assets	
Cash and cash equivalents	2,285
Debtors and other receivables	29
Total current assets	2,314
Non-current assets	
Property, plant and equipment	805
Intangible assets	25
Total non-current assets	830
Total assets	3,144
Current liabilities	
Creditors and other payables	300
Employee entitlements	50
Lease incentive	20
Total current liabilities	370
Non-current liabilities	
Lease incentive	90
Provisions - lease	20
Total non-current liabilities	110
Total liabilities	480
Net assets	2,664
Equity	
Contributed capital	-
Accumulated surplus/(deficit)	2,664
Total equity	2,664

The Statement of Accounting Policies (pages 18 - 21) forms part of, and is to be read in conjunction with, the statement of prospective financial position.

Statement of prospective cash flows for the year ending 30 June 2020

	Updated Forecast 2019/20 \$000
Cash flow from operating activities	
Crown funding received	8,100
Interest received	6
Supplier payments	(1,904)
Employee payments	(2,965)
Goods and services tax (net)	(27)
Net cash inflow/(outflow) from operating activities	3,210
Cash flow from investing activities	
Property, plant and equipment purchases	(900)
Intangible asset purchases	(25)
Net cash inflow/(outflow) from investing activities	(925)
Cash flows from financing activities	
Reserves returned to the Crown	-
Net cash inflow/(outflow) from financing activities	-
Net increase/(decrease) in cash and cash equivalents	2,285
Opening cash and cash equivalents	-
Closing cash and cash equivalents	2,285

The Statement of Accounting Policies (pages 18 - 21) forms part of, and is to be read in conjunction with, the statement of prospective cash flows.

Statement of Accounting Policies

Statement of compliance

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice (NZGAAP) for public sector public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of Infracom. The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variations may be material.

These prospective financial statements have been prepared on the basis of assumptions about future events that Infracom reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated.

Infracom has designated itself as a Public Benefit Entity (Tier 2) for financial reporting purposes.

The purpose for which these prospective financial statements have been prepared is for inclusion in Infracom's Statement of Performance Expectations for the period ending 30 June 2020. As this is the first year of operation for Infracom there is no annual historical financial statements for the above period.

The prospective financial statements were authorised for issue by the Board on 9 June 2020. The Board is responsible for the prospective financial statements presented including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Measurement base

The prospective financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Infracom is New Zealand dollars.

Going concern

The prospective financial statements have been prepared on a going concern basis.

Significant accounting policies

The significant accounting policies that materially affect the measurement of financial performance position and cash flows have been applied consistently for all reporting periods covered by these financial statements.

Revenue

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

Revenue from the Crown

Revenue from Crown transactions are considered non-exchange transactions. Infracom is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation.

Other revenue

Other revenue transactions including interest revenue are considered exchange transactions. Interest revenue is recognised using the effective interest method.

Expenditure

All expenditure incurred in the provision of outputs for the Crown is recognised in the surplus or deficit when an obligation arises, using an accrual basis.

Leases

Infracom is party to an operating lease as a lessee. As the lessor retains substantially all the risk and rewards of ownership of the leased property, plant and equipment, the operating lease payments are recognised in the surplus or deficit only in the periods in which they occur. Any lease incentives received or obligations to make good on the condition of the leased premises are recognised in the surplus or deficit over the term of the lease. At balance date, any unamortised incentive or outstanding obligation for reinstatement is recognised as a liability in the statement of financial position.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: information technology assets; furniture; office equipment; and leasehold improvements.

Additions

All items of property, plant and equipment owned are recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the items of property, plant and equipment are in their final state and ready for their intended use. 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 recognised in the surplus or deficit as expenditure when incurred.

The cost of 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 and the cost of the item can be measured reliably. Assets are capitalised if the purchase price is \$2,000 or greater. Items (such as chairs) with a lower individual cost are considered to be capitalised by being aggregated into the asset class. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains or losses arising from the sale or disposal of items of property, plant and equipment are recognised in the surplus or deficit in the periods in which the items of property, plant and equipment are sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit.

The estimated useful lives of the major asset classes are:

Information Technology Equipment.....	5 years
Leasehold Improvements	6 years
Office Equipment	5 years
Furniture	6 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition

Acquired computer software licences 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. 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 recognised in the surplus or deficit.

The useful life of intangible assets has been estimated as follows:

Purchased software.....	5 years
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Impairment of property, plant and equipment and intangible assets

Infracom does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's fair value less costs to see and value in use. Value in use is determined based on a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and the availability of information. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the receivable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

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

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from IR, including the GST relating to investing and financing activities, is classified as 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 income tax under section CW 38 of the Income Tax Act 2004. Accordingly, no provision has been made for income tax.

Equity

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

- contributed capital
- accumulated surplus/(deficit)

Cash flows

The prospective cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive revenue and expense.

Performance outputs

Direct costs are charged directly to outputs. Overhead costs are charged to outputs based on the proportion of direct costs of each output.

Critical judgements in applying accounting policies

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

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to Infracom. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised. Infracom has exercised its judgement on the appropriate classification of equipment leases, and has determined that none of the lease arrangements are finance leases.

