

Statement of Performance Expectations

1 JULY 2020 – 30 JUNE 2021



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 2020/21
Date: June 2020

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

Photo by Sara Ome

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.

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 2020/21 importantly 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.

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:

- Producing an Infrastructure Needs Assessment evidence base
- Surveying stakeholders and receiving submissions to build the evidence base for the first 30-year strategy report
- Developing draft recommendations and receiving stakeholder feedback



Photo by Chris Sisarich

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 in 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	2019/20	2020/21
Extent to which evidence base and draft recommendations are amended/accepted post engagement	Evidence base is developed and tested, recommendations are developed and tested	N/A	60% or more respondents are satisfied with the evidence base and draft recommendations
The Minister is broadly accepting of the recommendations by June 2021	Regular engagement with and feedback from the Minister	N/A	Achieved
Stakeholders are satisfied with the methodology for engagement and strategy development	Brief surveys at strategy milestones prior to full satisfaction survey	N/A	65% satisfaction

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 1	UPDATED FORECAST 2019/20 (\$000)	FORECAST 2020/21 (\$000)
Revenue from Crown	3,724	6,200
Interest	3	10
Total output revenue	3,727	6,210
Total output expenditure	2,503	6,200
Net surplus/(deficit)	1,224	10

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:

- 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



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	2019/20	2020/21
Improved flow to market of major projects	Number of projects published on pipeline	2,290 projects published to pipeline	Report on the change to the baseline and reason for increase or decrease
The pipeline is a trusted source of information	Number of entities contributing	19 entities contributing	All capital-intensive government agencies that deliver infrastructure and 75% of local government projects by value
Improved visibility of future infrastructure projects	Pipeline satisfaction survey	New measure to establish baseline	65% satisfaction
Improved visibility of future infrastructure projects	Extent to which the content is up to date and extent to which it is relied on	Timely updates (noting that updates have been adversely affected by COVID-19 and related pipeline impacts)	Within 3 months

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 2	UPDATED FORECAST 2019/20 (\$000)	FORECAST 2020/21 (\$000)
Revenue from Crown	567	945
Interest	1	1
Total output revenue	568	946
Total output expenditure	381	945
Net surplus/(deficit)	187	1

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:

- Continuing to support the operation of the Investment Management System, led by the Treasury
- Consulting with procuring agencies and agreeing tailored support for projects when key criteria are met
- Advising on a portfolio of major infrastructure projects
- Continuing to engage central and local government agencies and sign them up to PSAs, which set 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
- Continuing the PPP Contract Managers Forum
- Continuing to actively support 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



Photo courtesy of Beca

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	2019/20	2020/21
Infracom is a trusted advisor, and the project support delivered by Infracom is to the satisfaction of all parties involved	PSA engagement survey	Complete the development of the engagement survey	65% satisfaction
Engagement with central and local government agencies	Number of projects supported through PSAs and Value of projects supported through PSAs	2 PSAs signed	Report on the activity
The New Zealand Public Private Partnership Programme is coordinated by Infracom	Hold quarterly Contract Managers' Forums, and have closer integration with Australian Contract Managers	Achieved	Achieved

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 3	UPDATED FORECAST 2019/20 (\$000)	FORECAST 2020/21 (\$000)
Revenue from Crown	3,242	5,398
Interest	3	8
Total output revenue	3,245	5,406
Total output expenditure	2,179	5,398
Net surplus/(deficit)	1,066	8

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 push reform within infrastructure that improves the wellbeing of New Zealanders.

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

- Providing Special Topic Reports as requested by the Minister's Letter of Expectations
- Publishing other Special Topic Reports to deliver its functions under the New Zealand Infrastructure Commission/Te Waihanga Act 2019



Photo courtesy of Auckland Transport

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	2019/20	2020/21
Our ‘deep dive’ recommendations are taken into account by central and local government policy makers	Stakeholder surveys that they found ‘deep dives’ of value	New measure to establish baseline	65% satisfaction
Central and local government decision makers recognise Infracom as a provider of high-quality, evidence-based advice	Stakeholder surveys that they found Infracom’s advice to be high-quality and evidence-based	New measure to establish baseline	65% satisfaction
Central and local government decision makers view Infracom as identifying the right priority areas for ‘deep dives’ that will inform our strategy	Stakeholder surveys that they found Infracom had identified the right priority areas for ‘deep dives’ that will inform our strategy	New measure to establish baseline	65% satisfaction

COSTS TO DELIVER THE OUTPUT TO ACHIEVE OUTCOME 4	UPDATED FORECAST 2019/20 (\$000)	FORECAST 2020/21 (\$000)
Revenue from Crown	567	945
Interest	1	1
Total output revenue	568	946
Total output expenditure	381	945
Net surplus/(deficit)	187	1

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 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 after 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 2020/21.

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 \$13.488m will be available in 2020/21
- 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 Paul Sutherland

Prospective Financial Information

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 impact 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 2021

	Updated Forecast 2019/20 \$000	Forecast 2020/21 \$000
Revenue		
Revenue from Crown	8,100	13,488
Interest	8	20
Total revenue	8,108	13,508
Expenses		
Personnel	3,015	5,674
Consultancy	1,064	3,685
Other expenses	1,270	3,934
Depreciation and amortisation	95	195
Total expenses	5,444	13,488
Net surplus/(deficit)	2,664	20
Other comprehensive income	-	-
Total comprehensive revenue and expenses	2,664	20

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 2021

	Updated Forecast 2019/20 \$000	Forecast 2020/21 \$000
Balance as at 1 July	-	2,664
Comprehensive revenue and expense Surplus/(deficit)	2,664	20
Total comprehensive revenue and expense	2,664	2,684
Owner transactions		
Repayment of surplus	-	-
Balance as at 30 June	2,664	2,684

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 2021

	Updated Forecast 2019/20 \$000	Forecast 2020/21 \$000
Current assets		
Cash and cash equivalents	2,285	2,336
Debtors and other receivables	29	97
Total current assets	2,314	2,433
Non-current assets		
Property, plant and equipment	805	622
Intangible assets	25	40
Total non-current assets	830	662
Total assets	3,144	3,095
Current liabilities		
Creditors and other payables	300	250
Employee entitlements	50	50
Lease incentive	20	20
Total current liabilities	370	320
Non-current liabilities		
Lease incentive	90	71
Provisions - lease	20	20
Total non-current liabilities	110	91
Total liabilities	480	411
Net assets	2,664	2,684
Equity		
Contributed capital	-	-
Accumulated surplus/(deficit)	2,664	2,684
Total equity	2,664	2,684

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 2021

	Updated Forecast 2019/20 \$000	Forecast 2020/21 \$000
Cash flow from operating activities		
Crown funding received	8,100	13,488
Interest received	6	20
Supplier payments	(1,904)	(7,688)
Employee payments	(2,965)	(5,674)
Goods and services tax (net)	(27)	(68)
Net cash inflow/(outflow) from operating activities	3,210	78
Cash flow from investing activities		
Property, plant and equipment purchases	(900)	(12)
Intangible asset purchases	(25)	(15)
Net cash inflow/(outflow) from investing activities	(925)	(27)
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	51
Opening cash and cash equivalents	-	2,285
Closing cash and cash equivalents	2,285	2,336

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 2021.

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.

