

Statement of Performance Expectations

1 July 2024 - 30 June 2025

(as updated in November 2024)



Presented to the House of Representatives pursuant
to section 149 of the Crown Entities Act 2004

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New Zealand Infrastructure Commission, Te Waihangā

Statement of Performance Expectations 2024/25

June 2024 (as updated in November 2024)

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Statement of responsibility

Tauākī haepapa

This document constitutes the Commission's Statement of Performance Expectations (SPE) as required under the Crown Entities Act 2004.

The descriptions of the Commission's purpose, role and functions are consistent with the New Zealand Infrastructure/Te Waihangā Act 2019. The SPE covers a one-year period between 1 July 2024 and 30 June 2025. It should be read in conjunction with the Commission's Statement of Intent 2023-27.

The Board is responsible for the content of this SPE, which comprises the reportable outputs and the prospective financial statements for the year, including the assumptions on which they are based, and the judgements used in preparing them.

The prospective financial statements have been prepared in accordance with generally accepted accounting practices in New Zealand.

The Commission has consulted with the Minister for Infrastructure in the preparation of this SPE.

This document was first presented in June 2024, and has been updated to reflect changes as a result of the establishment of the National Infrastructure Agency.



Dr Alan Bollard CNZM

Board Chair

20 November 2024



Suzanne Tindal FCPA, CMInstD

Deputy Chair

20 November 2024



Who we are

Ko wai mātou

New Zealand's infrastructure is the roads we use to get to work or move goods to market, the power connections that heat our homes, the schools where our children learn, the hospitals that heal us.

It's a system supporting almost everything we do, and this means the decisions we make about it affect us all. Because of the long life and size of our infrastructure, these decisions can also have an impact for decades, even centuries, and involve millions or billions of dollars.

The Commission helps government and others to shape this system, to grow wellbeing and drive a strong economy. Established in September 2019 as an Autonomous Crown Entity, the Commission is the Government's independent advisor for infrastructure.

The New Zealand Infrastructure Commission/Te Waihanganga Act 2019 outlines the functions of the Commission that guide our work. These functions are broad. They range from: being a system leader, to advising on projects, to understanding infrastructure needs, to identifying opportunities to improve the system and delivering strategy reports.

Not only are our functions broad, but the infrastructure system is also broad – with multiple infrastructure sectors, multiple models for delivery and supply in each sector and a complex matrix of regulation that governs the system.

New Zealand spends an average of 5.8% of GDP on infrastructure, not to mention the economic benefit that comes from infrastructure. While we are a small advisory organisation of 50 people, we recognise the significant impact we can have for New Zealand if we target our resources to the areas that will drive the most significant positive shift.



Our vision

Infrastructure for a thriving
New Zealand



Our purpose

To improve all New Zealanders'
lives through better infrastructure

Our values

Free thinking
Whakaaro nui

Courageous
Māia

Trustworthy
Pono

Empathetic
Ngākau aroha



Meaning of Te Waihangā

Our full legislative name is the New Zealand Infrastructure Commission I Te Waihangā. In te reo Māori, waihangā means a cornerstone, or to make, create, develop, build, construct, or generate. The name Te Waihangā describes our commitment to shaping New Zealand's future through infrastructure planning and investment.



Strategic objectives of the Commission

Ngā whāinga rautaki a Te Waihanga

The Commission seeks to deliver a positive change in the way New Zealand plans, invests in, funds, delivers and manages infrastructure. To achieve this, we are focused on developing and leading a transparent and evidence-based approach that supports central and local government and the private sector to collectively plan and deliver infrastructure that improves the wellbeing of all New Zealanders. To do this effectively, the Commission needs to influence change through others.

The Commission was established in 2019 and for the first four years we focused on:

- developing a rigorous evidence base to support decision-making
- building trust and respect with central and local government and the private sector
- engaging with the public
- developing our first 30-year Strategy.

With the benefit of this work, this year we are increasing our focus on influencing change in the system in order to:

- ensure effective prioritisation of infrastructure investment
- support projects being delivered on time and on budget more often
- support agencies to develop and use funding and financing tools that are fit for purpose
- support asset owners to get more from existing infrastructure.

The complexity of infrastructure in New Zealand means that there is considerable work that needs to be done by many parties to achieve these desired outcomes. While we can't achieve these outcomes alone, the work we are prioritising this year will support government to make positive change.

Measuring and reporting our progress towards the outcomes we are seeking to impact is fundamental to our continued success. An open and transparent approach allows the Government and our stakeholders to measure our performance. However, the Commission faces two challenges in measuring its performance.

Firstly, it is difficult to attribute changes to the infrastructure system directly to our performance - we are one of many players who contribute to the changes. There is a huge amount of work that needs to be done by many parties to achieve the desired changes. However, the Commission is clear that as a system leader and the Government's independent infrastructure advisor we need to show leadership and be the change agents to lift the delivery and performance of infrastructure in New Zealand.

The second challenge is that many of the outcomes that the Commission is seeking to impact will take a number of years to show up. For example, changes to the resource management framework should enable infrastructure projects to be delivered on time and on budget more often. However, it is most likely that the positive impact of these changes will show up on projects that are yet to start. That means the positive impact is unlikely to be seen for some years.

Despite these challenges, the Commission wants to maintain its ambition in terms of the outcomes it is seeking to impact. The way we will address these challenges in our performance measures is to:

- Include both short and long-term measures. We expect progress against the long-term measures to take a number of years to show up in a meaningful way but would like to continue to track progress.
- Continue to measure the quality of our advice and how our advice is being received.
- Be clear on the priority deliverables that we will work on this year that will positively impact the outcomes.
- Include descriptors of progress to track progress against the measures.

Figure 1 below illustrates our performance framework and how we expect to make a difference to the infrastructure system in New Zealand and the services it provides.



Vision

Infrastructure for a thriving New Zealand



Purpose

To improve all New Zealanders' lives through better infrastructure

Output 1	Output 2	Output 3	Output 4
Information and insights on Infrastructure needs, priorities and the current project pipeline	Identifying and advising on infrastructure policy priorities	Independent advice on current and proposed projects	Delivering strategy reports



Outcome	Decision makers make effective infrastructure investment decisions, including effectively prioritising infrastructure investment	Delivery agencies improve delivery certainty (time, cost and quality)	Agencies develop and use funding and financing tools that are fit for purpose and enable revenue sufficiency	Asset owners get more from existing infrastructure
Priority Deliverables	<ul style="list-style-type: none"> National Infrastructure Plan (Infrastructure Pipeline, Priorities Programme, Needs Assessment) System leadership in line with IMS System leadership support in line with CO(23)9 (e.g. Risk Profile Assessments) 	<ul style="list-style-type: none"> National Infrastructure Plan (Priority Reforms) Advice on Resource Management Reform Support housing growth reforms Major Projects Leadership (architecture for set-up) Advice on at-risk projects Project reviews (on a cost-recovery basis) 	<ul style="list-style-type: none"> Advice on the establishment of the National Infrastructure Agency Advice on a refresh of the PPP Model (completed September 2024 and then handed over to the NIA from 1 December 2024) Advice and support on existing PPP projects up until 1 December 2024, when handed over to NIA. 	<ul style="list-style-type: none"> Asset management guidance Advice on non-built solutions (e.g. demand management through pricing)
Short term measures – FY25	<ol style="list-style-type: none"> Survey of pipeline users on the value of the pipeline - exceeds 70% satisfaction. The percentage of projects reviewed by the Treasury's Investment Panel (for Budget) that have a completed business case increases The next strategy report (the National Infrastructure Plan), to be delivered in 2025, is delivered without an additional appropriation. 	<ol style="list-style-type: none"> Annual feedback from lead policy agencies regarding the Commission's input into their policy work on the quality of advice and ease of working together - rated 3 or above (scale 1 – 4) The number of references to the Commission's work (including its original purpose) - by other government agencies, local government, Parliament, Select Committees, overseas authorities, academics and media is maintained 	<ol style="list-style-type: none"> Annual feedback sought from the Minister for Infrastructure as to whether the Commission is meeting expectations - rated 3 or above (scale 1 – 4) 	<ol style="list-style-type: none"> Annual feedback sought from projects we have supported as to whether the Commission is adding value to the project - rated 3 or above (scale 1 – 4)
Long-term measures (~5 years)	<ol style="list-style-type: none"> Of projects selected for investment, the percentage that come from the National Infrastructure Plan increases 	<ol style="list-style-type: none"> The percentage of projects in the QIR facing cost pressures decreases. The percentage of projects in the QIR facing time delays decreases. 	<ol style="list-style-type: none"> At least two new funding mechanisms are being used or actively implemented by 2026 (e.g. Value capture, congestion charging, lease backs, tolling of new roads) 	<ol style="list-style-type: none"> Improvement in where NZ sits in international rankings of infrastructure performance

Reportable outputs

Ngā hua ka taea te pūrongo

This section provides a description of the intended outputs for the period 1 July 2024 to 30 June 2025 that are reportable under section 149E(1)(a) of the Crown Entities Act 2004.

The Commission's functions are described in the New Zealand Infrastructure Commission/Te Waihanga Act 2019. We receive an annual appropriation to carry out these functions.

A reportable class of output is a category of output that we propose to provide in the financial year that is directly funded by our appropriation. In practice, for the Commission this means our reportable classes of outputs are aligned to our statutory functions.

Our reportable classes of outputs are a roll-up of our legislative functions. The reportable classes of output for FY2024-2025, along with the expected revenue and proposed expenditure (as required by s149E(2)(b) of the Crown Entities Act 2004) are:

Output 1	Revenue (\$000)	Expenditure (\$000)
Information and insights on infrastructure needs, priorities and current project pipeline ¹	-	-
Output 2	Revenue (\$000)	Expenditure (\$000)
Identifying and advising on infrastructure policy priorities	\$2,550	\$3,344
Output 3	Revenue (\$000)	Expenditure (\$000)
Independent advice on current and proposed projects	\$3,445	\$4,519
Output 4	Revenue (\$000)	Expenditure (\$000)
Delivering strategy reports	\$7,178	\$9,416
Total	\$13,173	\$17,279

Our legislation requires that we develop strategy reports every five years – i.e. it is cyclical in nature. The first strategy report was delivered in 2022 and we received an additional appropriation to recognise the cyclical nature of this work.

We had been anticipating producing the next strategy report in 2027 and have built up reserves to support that work. However, we were also anticipating an additional appropriation. In his Letter of Expectations, the Minister for Infrastructure asked the Commission to prioritise delivery of a 30-year infrastructure plan by 2025. We are delivering the National Infrastructure Plan as a strategy report – accelerating the delivery of the next strategy report by two years.

In the absence of an additional budget bid, we are drawing on reserves to deliver the National Infrastructure Plan. The Commission's fiscal prudence in previous years means the planned budget deficit in FY2024-2025 of \$4.106m can be funded from the Commission's reserves. The prospective Equity balance is forecasted to be \$5.047m at 30 June 2024).

¹ In FY2024/25 the Commission will deliver a 30-year National Infrastructure Plan (NIP). The NIP will be delivered as a Strategy Report and for this reason all revenue and expenditure associated with the NIP has been allocated against Output 4. While there is no revenue or expenditure allocated against Output 1, for completeness we note that the NIP will include work providing information and insights on infrastructure needs, priorities and current project pipeline.

Outcomes the reportable outputs are seeking to achieve

Ngā putanga e whai ana ngā hua ki te whakatutuki

This section provides an explanation of what the reportable classes of outputs are intended to achieve, as required by section 149E(2)(a) of the Crown Entities Act 2004.

The Commission is an autonomous Crown entity with no direct powers and does not directly deliver infrastructure projects or first line policy advice. However, as a system leader, we are clear on the positive shifts we are seeking to influence across the infrastructure system.

While achieving these shifts is not directly or entirely within our control and may take a number of years to achieve, we want to be ambitious and make clear the system shifts we expect our work in FY2024-2025 to positively impact.

In developing these outcomes, we have drawn on the extensive insights from our work over the last four years, including our 30-year Strategy published in 2022. We have also considered the expectations in the Minister for Infrastructure’s Letter of Expectations, and the positive impact the work we have been asked to prioritise will have.

To that end, the outcomes that we are seeking to impact as a result of the work across our reportable classes of output are:

Outcome 1	Outcome 2	Outcome 3	Outcome 4
Decision-makers make effective infrastructure investment decisions, including effectively prioritising infrastructure investment	Delivery agencies improve delivery certainty (time, cost and quality)	Agencies develop and use funding and financing tools that are fit for purpose	Asset owners get more from existing infrastructure

For completeness, we note that there is not a one to one mapping of outputs to outcomes in this SPE. We expect to positively impact these outcomes by undertaking work across all four outputs.

Priority deliverables

Ngā tukunga mātāmua

Since its establishment in 2019, the Commission has captured and developed the baseline data and insights to support decisions to improve infrastructure delivery in New Zealand. This data and these insights have allowed us to identify the actions that will have the biggest impact on the outcomes we are seeking to influence.

This work, along with the Letter of Expectations and Cabinet's decisions on establishing the NIA, have informed our proposed priority deliverables in FY2024-2025.

The deliverables we will complete in order to support the outcomes we are seeking to impact are:

Outcome 1	Priority deliverables
Decision-makers make effective infrastructure investment decisions, including effectively prioritising infrastructure investment	<ul style="list-style-type: none"> • National Infrastructure Plan (Infrastructure Priorities Programme, Needs Assessment) • System leadership in line with IMS • System leadership in line with CO(23)9 (e.g. Risk Profile Assessments)
Outcome 2	Priority deliverables
Delivery agencies improve delivery certainty (time, cost and quality)	<ul style="list-style-type: none"> • National Infrastructure Plan (Priority Reforms) • Advice on Resource Management Reform • Support housing growth reforms • Major Projects Leadership Academy (architecture for set-up) • Advise on at-risk projects • Project reviews (on a cost-recovery basis)
Outcome 3	Priority deliverables
Agencies develop and use funding and financing tools that are fit for purpose	<ul style="list-style-type: none"> • Advice on the establishment of the NIA • Advice on a refresh of the PPP Model (work completed in September 2024 and then handed over to the NIA from 1 December 2024) • Advice and support on existing PPP projects (up until 1 December 2024 when handed over to the NIA)
Outcome 4	Priority deliverables
Asset owners get more from existing infrastructure	<ul style="list-style-type: none"> • Asset Management guidance • Advice on non-built solutions (e.g. demand management through pricing)

The following section provides a brief description of some of the key deliverables listed in the table above.

Development of a 30-year National Infrastructure Plan

The 30-Year National Infrastructure Plan will be delivered as a Strategy Report for the purposes of s12 of the New Zealand Infrastructure Commission/Te Waihanga Act 2019. It will signal what is required for the future, both in terms of the better utilisation of existing assets and what new infrastructure is required. Specifically, the plan will consider:

- What New Zealand should be spending on infrastructure over a 30-year time horizon across different sectors and, where possible, regions.
- The planned spend on infrastructure maintenance, renewals and new investments over the next 10 years. Together, these two pieces of information will help us understand the gap between planned and required investment in infrastructure.
- Opportunities to close any gap. This will include identifying high quality projects and proposals of national importance that can be considered for investment, as well as policy and system reforms to improve infrastructure efficiency.

In turn, the plan will support better investment decision making.

The Commission's ability to deliver for 'all sectors' in the plan will be dependent on agencies' willingness and ability to engage in providing us with necessary information.

This first plan will not provide a full list of all infrastructure investment and projects across all sectors and regions. However, as we close information gaps and reforms are implemented over time, we hope to build on this in future.

Delivery of the National Infrastructure Plan by 2025 will be a significant undertaking and will absorb the majority of the Commission's resources in FY2024-2025. The Commission's fiscal prudence in previous years means that we have reserves that will allow us to deliver on the plan. However, there are trade-offs in terms of our ability to deliver other priorities this year and in future years.

Resource management reforms

The Commission will continue to provide advice on the infrastructure content in the programme of Resource Management Act reforms, including Fast Track consenting legislation. The Commission's planning assumes that it will not lead on specific aspects of the resource management reforms. If it were asked to lead, additional funding would be required.

We expect that the resource management reforms will help ensure projects are delivered on time and on budget more often.

Major Projects Leadership

The Commission will establish the initial architecture for a Major Projects Leadership Academy. This will include the design and pilot of an SRO Masterclass short course, mentoring programme pilot for Project Directors, pocket guides, and a pilot of Project Commercial Acumen short course. To deliver a full academy programme would require additional funding.

Lifting the capability of project leaders will support projects being delivered on time and on budget and to the desired quality.

Funding and financing and investment management system

Under Cabinet Circular CO(23)9, the Commission is deemed to have a system leadership role in the infrastructure system. In terms of the priorities noted above, the Commission will undertake its system leadership role this year through:

- continuing our support of existing PPP projects (up until 1 December 2024, when it will be handed over to the NIA)
- refreshing the existing PPP model (work completed by September 2024 and then handed over to the NIA from 1 December 2024)

- working on other funding and financing tools as part of the National Infrastructure Plan
- working to improve asset management across the system, including providing guidelines
- moderating Risk Profile Assessments
- participating in Gateway reviews
- supporting Treasury in our role on the Investment Panel
- undertaking other work supporting projects and the Investment Management System as internal resourcing allows.

Together, this work will support all four outcomes.

We have assumed that any project reviews will be on a cost recovery basis and funded by the respective agency, entity or project.

Establishment of the National Infrastructure Agency

We will continue to support Treasury on the establishment of the National Infrastructure Agency. Following decisions by Cabinet, the Commission will hand its PPP-related functions to Treasury and the NIA from 1 December 2024 and pick up an enhanced advisory function.

Mapping of priority deliverables to reportable output classes

The following table shows how the priority deliverables map to the reportable classes of outputs (i.e. our functions).

Output 1	Priority deliverables
Information and insights on infrastructure needs, priorities and current project pipeline	<ul style="list-style-type: none"> • National Infrastructure Plan (Infrastructure Priorities Programme, Needs Assessment)
Output 2	Priority deliverables
Identifying and advising on infrastructure policy priorities	<ul style="list-style-type: none"> • National Infrastructure Plan (Priority Reforms) • Advice on Resource Management Reform • Support housing growth reforms • Advice on the establishment of the National Infrastructure Agency • Advice on a refresh of the PPP Model (completed in September 2024 and then handed over to the NIA from 1 December 2024) • Advice on non-built solutions (e.g. demand management through pricing)
Output 3	Priority deliverables
Supporting current and proposed projects	<ul style="list-style-type: none"> • System leadership in line with IMS • System leadership in line with CO(23)9 (e.g. Risk Profile Assessments) • Major Projects Leadership Academy (architecture for set-up) • Support at-risk projects • Project reviews (on a cost-recovery basis) • Advice and support on existing PPP projects (up until 1 December 2024, when it will be handed over to the NIA) • Asset management guidance
Output 4	Priority deliverables
Delivering strategy reports	<ul style="list-style-type: none"> • National Infrastructure Plan

Performance measures for 2024-2025

Ngā Ine Tutukinga mō 2024-2025

This section provides an explanation of how we will measure performance against our reportable classes of outputs in FY25, as required by s149E(2)(c) of the Crown Entities Act 2004.

It is not enough for the Commission to simply produce high quality reports. The analysis and commentary in our work needs to be disseminated, understood and influence policy and other behaviours so that, in the long-term, New Zealand gets the infrastructure it needs to be productive, and the wellbeing of all New Zealanders is improved. We will continue to work collaboratively to provide support to government agencies who are developing policy advice that relates to infrastructure, and to those delivering infrastructure projects, and we will strike a balance between expressing our independent views and maintaining influence with decision makers.

Measuring our progress

Measuring and reporting our progress towards the outcomes we are seeking to impact is fundamental to our continued success. An open and transparent approach allows the Government and our stakeholders to measure our performance. However, the Commission faces two challenges in measuring its performance.

Firstly, it is difficult to attribute changes to the infrastructure system directly to our performance - we are one of many players who contribute to the changes. There is a huge amount of work that needs to be done by many parties to achieve the desired changes. However, the Commission is clear that as the Government's independent infrastructure advisor we need to show leadership and be the change agents to lift the delivery and performance of infrastructure in New Zealand.

The second challenge is that many of the outcomes that the Commission is seeking to impact will take a number of years to show up. For example, changes to the resource management framework should enable infrastructure projects to be delivered on time and on budget more often. However, it is most likely that the positive impact of these changes will show up on projects that are yet to start. That means the positive impact is unlikely to be seen for some years.

Despite these challenges, the Commission wants to maintain its ambition in terms of the outcomes it is seeking to impact. The way we will address these challenges in our performance measures is to:

- Include both short and long-term measures. We expect progress against the long-term measures to take a number of years to show up in a meaningful way but would like to continue to track progress.
- Continue to measure the quality of our advice and how our advice is being received.
- Be clear on the priority deliverables that we will work on this year that will positively impact the outcomes.
- Include descriptors of progress to track progress against the measures. We will use the following criteria to rate and report on our performance measures in our annual report at the end of the financial year:
 - Achieved – where the performance result for the year is equal to or above the target set, the performance measure will be assessed as achieved.
 - Substantially achieved – where the performance result for the year is below the target but has not been achieved by a slim margin, it will be assessed as substantially achieved.
 - Not achieved but progress made – where the performance result for the year is below the target, but progress has been made.
 - Not achieved – where the performance is below the target and no progress has been made.

Outcome	Decision makers make effective infrastructure investment decisions, including effectively prioritising infrastructure investment	Delivery agencies improve delivery certainty (time, cost and quality)	Agencies develop and use funding and financing tools that are fit for purpose and enable revenue sufficiency	Asset owners get more from existing infrastructure
Priority deliverables	<ul style="list-style-type: none"> National Infrastructure Plan (Infrastructure Pipeline, Priorities Programme, Needs Assessment) System leadership in line with IMS System leadership in line with CO(23)9 (e.g. Risk Profile Assessments) 	<ul style="list-style-type: none"> National Infrastructure Plan (Priority Reforms) Advice on Resource Management Reform Support housing growth reforms Major Projects Leadership Academy (architecture for set-up) Advise on at-risk projects Project reviews (on a cost-recovery basis) 	<ul style="list-style-type: none"> Advice on the establishment of the National Infrastructure Agency Advice on a refresh of the PPP Model (completed in September 2024, and to be handed over to the NIA from 1 December 2024) Advice and support on existing PPP projects (up until 1 December 2024, when it will be handed over to the NIA) 	<ul style="list-style-type: none"> Asset management guidance Advice on non-built solutions (e.g. demand management through pricing)
Short term measures – FY25	<ol style="list-style-type: none"> Survey of pipeline users on the value of the Pipeline - exceeds 70% satisfaction. The percentage of projects reviewed by the Treasury's Investment Panel (for Budget) that have a completed business case increases The next strategy report (the National Infrastructure Plan), to be delivered in 2025, is delivered without an additional appropriation. 	<ol style="list-style-type: none"> Annual feedback from lead policy agencies regarding the Commission's input into their policy work on the quality of advice and ease of working together - rated 3 or above (scale 1 – 4) The number of references to the Commission's work (including its original purpose) - by other government agencies, local government, Parliament, Select Committees, overseas authorities, academics and media is maintained 	<ol style="list-style-type: none"> Annual feedback sought from the Minister for Infrastructure as to whether the Commission is meeting expectations - rated 3 or above (scale 1 – 4) 	<ol style="list-style-type: none"> Annual feedback sought from projects we have supported as to whether the Commission is adding value to the project - rated 3 or above (scale 1 – 4)
Long-term measures (~5 years)	<ol style="list-style-type: none"> Of projects selected for investment, the percentage that come from the Infrastructure Priorities Programme increases 	<ol style="list-style-type: none"> The percentage of projects in the QIR facing cost pressures decreases. The percentage of projects in the QIR facing time delays decreases. 	<ol style="list-style-type: none"> At least two new funding mechanisms are being used or actively implemented by 2026 (e.g. Value capture, congestion charging, lease backs, tolling of new roads) 	<ol style="list-style-type: none"> Improvement in where NZ sits in international rankings of infrastructure performance

Fiscal restraint

The Commission also recognises the Government's focus on fiscal sustainability. As a small organisation of ~50 FTE with a small annual appropriation of \$13m, we have had to work in a fiscally prudent way since our establishment.

Our legislation requires that we develop strategy reports every five years, ie. it is cyclical in nature. The first strategy report was delivered in 2022 and we received an additional appropriation to recognise the cyclical nature of this work.

We had been anticipating producing the next strategy report in 2027 and have built up reserves to support that work. However, we were also anticipating an additional appropriation, so that reserves could also be used for other priorities. In his Letter of Expectations, the Minister for Infrastructure asked the Commission to prioritise delivery of a 30-year infrastructure plan by 2025. We are delivering the National Infrastructure Plan as a strategy report— accelerating the delivery of the next strategy report by two years.

In the absence of an additional budget bid, we are drawing on reserves to deliver the National Infrastructure Plan. The Commission's fiscal prudence in previous years means the planned budget deficit in FY2024-2025 of \$4.106m can be funded from the Commission's reserves (as at 30 June 2024 the prospective equity balance is forecasted to be \$5.047m). We have therefore included an efficiency and effectiveness measure of delivering the next strategy report without an additional appropriation.

While we support the focus on efficiency and value for money within agencies, we see the biggest opportunity for the Government to find savings as coming from better delivery and management of infrastructure. Our work on resource management reforms and improving the capability of project managers are two examples of work that could significantly reduce the cost of delivery of projects. This impact is captured in the measures above.

If the Commission were to receive additional funding to support projects, establish systems and guidelines and support system-level reforms, we could have a greater impact on ensuring New Zealand gets value for money from its infrastructure delivery.

However, in the interim, we will continue to be fiscally prudent by operating within our funding envelope (which includes both our annual appropriation and unspent reserves from previous years).

Prospective financial statements for 2024/25

Ngā pūrongo pūtea āmua mō 2024/25

Introduction

These prospective financial statements have been prepared for inclusion in the New Zealand Infrastructure Commission's / Te Waihanga's Statement of Performance Expectations for the period ending 30 June 2025.

The purpose of these prospective financial statements is to facilitate consideration by Parliament of the planned performance of the Commission. 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. The information has not been audited.

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

These prospective financial statements were authorised for issue by the Commission's Board on 12th June 2024.

Assumptions

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

- The Crown Revenue appropriation has been adjusted for the Government savings targets (6.5%) and therefore has decreased from \$13,875k to \$12,973k in FY2024/25.
- Any unplanned directives or deliverables will need to be on a cost recovery basis or require other additional funding.
- The maximum headcount budgeted in the 2024/25 year is 51. A smaller allowance

for vacancies across the year due to the expectation that there will be increased staff retention.

- Salary costs have been adjusted to reflect performance related adjustments on 1 July 2024, as appropriate for the retention of critical skills within the organisation.
- Domestic travel is forecasted to decrease by 25% on the 2023/24 budget. This reflects the continual expectations of fiscal restraint and an increased use of technology to hold meetings virtually. The same trend is expected with international travel.
- Consulting expenditure almost solely reflects the specialised expertise required to deliver the 30 year National Infrastructure Plan and other strategic priorities.
- Rental costs make up 70% of the total premises and equipment budget, with insurance being a further 21%.
- ICT costs include ongoing organisation ICT services and software expense costs as well as hosting expenses. These costs are largely fixed across the year.
- Capital expenditure totals \$0.35 million and relates to the development of the Infrastructure Pipeline. The associated depreciation has been included in the budget from the expected time of completion.
- Interest income is earned depending on the level of cash balance being held.

Assumptions regarding our resourcing model and delivery of the strategy report

The Commission's functions are broad, ranging from: being a system leader, to supporting projects, to understanding infrastructure needs, to identifying opportunities to improve the system and delivering strategy reports. Not only are our functions broad, but infrastructure system is also broad – with multiple infrastructure sectors, multiple models for delivery and supply in each sector and a complex matrix of regulation that governs the system.

As the Commission's annual appropriation is very small – at only \$13m - we can only afford to carry around 50 FTE. Given our remit, our resourcing model has generally been to hire more generalist experts who can support on a broad range of work across multiple years. It is not possible for us to have deep expertise across

the whole infrastructure system with an annual appropriation of \$13m. This means that when we need subject matter expertise, we contract this expertise in.

Our legislation requires that we develop strategy reports every five years, ie. it is cyclical in nature. The first strategy report was delivered in 2022 and we received an additional appropriation to recognise the cyclical nature of this work.

We had been anticipating producing the next strategy report in 2027 and have built up reserves to support that work. However, we were also anticipating an additional appropriation. In his Letter of Expectations, the Minister for Infrastructure asked the Commission to prioritise delivery of a 30-year infrastructure plan by 2025. We are delivering the National Infrastructure Plan as a strategy report – accelerating the delivery of the next strategy report by two years.

In the absence of an additional budget bid, we are drawing on reserves to deliver the National Infrastructure Plan. The Commission's fiscal prudence in previous years means the planned budget deficit in FY2024-2025 of \$4.106m can be funded from the Commission's reserves (the prospective Equity balance is forecast to be \$5.047m at 30 June 2024).

We will necessarily need to bring in additional expertise to support the delivery of the National Infrastructure Plan. Where we can, we will employ fixed term employees. However, we expect our consulting and contracting spend to increase this year, in line with the cyclical nature of the strategy report work.

Statement of accounting policies

A. Reporting entity

The Commission is an autonomous Crown entity in terms of the Crown Entities Act 2004. It was established under the New Zealand Infrastructure Commission / Te Waihanga Act 2019.

The Commission is a Public Benefit Entity (PBE) for financial reporting purposes.

B. Statement of compliance

These prospective 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).

The Commission has applied the suite of Tier 2 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28-3) in preparing these prospective financial statements. As the Commission 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.

C. 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.

D. 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 the Commission is New Zealand dollars.

E. Going concern

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

F. Significant accounting policies

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

Revenue

Revenue is measured at the fair value of the 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 is considered a non-exchange transaction. The Commission is primarily funded through revenue received from the Crown and the use of this revenue is restricted to 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.

The Commission will continue to investigate other revenue opportunities through cost reimbursements, charging attendance fees for events, or funding agreements with other agencies.

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

The Commission is party to an operating lease as a lessee. As the lessor retains substantially all the risks 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 item 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 items 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 the Commission and the cost of the item can be measured reliably. An asset is capitalised if the purchase price is \$1,000 or greater. Items (such as chairs) with lower individual costs 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	3 to 5 years
Leasehold improvements	6 years
Furniture and fittings	5 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 specific software. Staff training costs are recognised as expenses when incurred. Costs associated with maintaining computer software are recognised as expenses when incurred. An asset is capitalised if the purchase price is \$1,000 or more.

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

The Commission does not hold any cash-generating assets. Assets are considered cash-generating where their primary objectives are to generate commercial returns. Property, plant and equipment and intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell 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, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from Inland Revenue, 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

The Commission is a public authority and consequently is exempt from income tax under subpart 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:

Lease 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 the Commission. 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. The Commission has exercised its judgement on the appropriate classification of equipment leases, and has determined that none of the lease arrangements is a finance lease.

Prospective Statement of Comprehensive Revenue and Expenses

for the years ending 30 June:

	2024 Estimated Actual \$'000	2025 Budget \$'000
Revenue		
Crown Revenue	13,875	12,973
Interest Income	337	200
Total Revenue	14,212	13,173
Operating Expenses		
Personnel	9,757	10,268
Consultancy	2,270	4,537
Other Expenses	2,211	2,074
Depreciation & Amortisation	393	400
Total Operating Expenses	14,631	17,279
Net Surplus/(Deficit)	(\$419)	(\$4,106)

The 2024/25 budget reflects a significant increase in current year activity as the Commission will deliver on a 30-year National Infrastructure Plan in 2025. The budget deficit of \$4.106 million will be funded from the Commission's reserves (the prospective Equity balance is forecasted to be \$5.047 million as at 30 June 2024). Given the fiscally constrained environment the Commission will continue to ensure any spending represents value for money and resources are prioritised to deliver on Government priorities and statutory functions.

As noted above, the Commission 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 particular outcomes that the Commission aims to achieve. The Commission will continue to in-source its resources and only engage consultants where specialist advice or technical pieces of work needs to be delivered, such as research for the Infrastructure Strategy, Special Topic Reports and other evidence-based components.

Capital expenditure totals \$0.35 million and relates to the development of the National Infrastructure Pipeline.

Prospective Statement of Changes in Equity

for the years ending 30 June:

	2024 Estimated Actual \$'000	2025 Budget \$'000
Balance as at 1 July	5,466	5,047
Comprehensive revenue and expenses		
Surplus/(Deficit)	(419)	(4,106)
Total comprehensive revenue and expenses	(419)	(4,106)
Balances as at 30 June	5,047	941

Prospective Statement of Financial Position

as at 30 June:

	2024 Estimated Actual \$'000	2025 Budget \$'000
Current Assets		
Cash and cash equivalents*	5,198	1,221
Debtors and prepayments**	112	102
Total Current Assets	5,310	1,323
Property, Plant and Equipment and Intangibles***	714	664
Non-Current Assets	714	664
Total Assets	6,024	1,987
Current Liabilities		
Creditors and Other Payables	452	463
Annual Leave Liability	307	381
Goods and Services Tax	(88)	(84)
Lease incentive – current	20	8
Employee Entitlements	257	257
Total Current Liabilities	948	1,025
Non Current Liabilities		
Make Good Provision	21	21
Lease Incentive – Non Current	8	-
Total Non-Current Liabilities	29	21
Total Liabilities	977	1,046
Nets Assets	5,047	941
Equity	5,047	941

* Cash and cash equivalents is expected to reduce significantly, in line with the delivery of the 30 year National Infrastructure Plan.

** Debtors and prepayments as at 30 June 2024 reflect anticipated prepaid expenditure, and the 30 June 2025 position reflects a similar level of forecast prepaid expenditure.

*** Capital assets at 30 June 2025 are anticipated to total \$664K. This comprises the expected balance at 30 June 2024 of \$714K, less 2024/25 depreciation of \$400K, plus 2024/25 additions of \$350K.

Prospective Statement of Cash Flows

as at 30 June:

	2024 Estimated Actual \$000	2025 Budget \$000
Operating Activities		
Crown Revenue received	13,875	12,973
Interest received	336	200
Payments to suppliers and employees	(14,422)	(16,804)
Net Goods and Services Tax	(88)	4
Net Cash Flows from Operating Activities	(299)	(3,627)
Investing Activities		
Payment for Property, Plant, Equipment and Intangibles	(185)	(350)
Net Cash Flows from Investing Activities	(185)	(350)
Net Cash Flows	(484)	(3,977)
Cash and Cash Equivalents at the beginning of the period	5,682	5,198
Net change in cash for the period	(484)	(3,977)
Cash and cash equivalents at the end of the period	5,198	1,221

