



Crown
Infrastructure
Partners

Hanga Ngātahi • Building Together

CROWN INFRASTRUCTURE PARTNERS LIMITED

STATEMENT OF PERFORMANCE EXPECTATIONS

1 JULY 2023 - 30 JUNE 2024

June 2023

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





1: INTRODUCTION

This Statement of Performance Expectations (**SPE**) is submitted by the Board of Directors of Crown Infrastructure Partners Limited (**CIP**), pursuant to the Crown Entities Act 2004. It sets out the performance expected of CIP for the period 1 July 2023 to 30 June 2024.

STATEMENT OF RESPONSIBILITY

CIP is responsible for the statements contained in this document, including the appropriateness of the business assumptions underlying them. CIP is also responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.

A stylized blue ink signature of Mark Binns.

Mark Binns, Chair
30 June 2023

A stylized blue ink signature of Bella Takiari-Brame.

Bella Takiari-Brame, Director
30 June 2023

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2: CIP’S VISION, OBJECTIVES, AND FUNCTIONS

This SPE sets out the targets and forward budgets for CIP for the financial year ending 30 June 2024 (FY24), which are consistent with the expectations in shareholding Ministers’ Letter of Expectations to CIP of 20 December 2022.

The following diagram sets out CIP’s vision, strategic objectives, functions and strategic priorities.

CIP VISION

“To partner with the private sector, iwi and local government to deliver infrastructure to improve the lives of New Zealanders”

Hanga Ngātahi - Building Together

STRATEGIC OBJECTIVES

Strategic objectives are to:

- Improve rural broadband coverage and capacity for those rural households and businesses identified as being in need of improved coverage or capacity (the **Rural Broadband Strategic Objective**) and mobile coverage on state highways, regional roads, rural settlements¹ and in tourist areas (the **Mobile Black Spots Strategic Objective**);
- improve broadband coverage for the most remote rural households and businesses who will not receive coverage under the Rural Broadband Strategic Objective or via commercial terrestrial networks (the **Remote Users Strategic Objective**);
- deliver fibre links to provide resilience and improve connectivity to households, businesses and wireless networks (the **Fibre Links Strategic Objective**);
- act as delivery partner together with NZ Police for the Public Safety Network by supporting procurement and delivery of radio and cellular network infrastructure (the **Public Safety Network Strategic Objective**);
- implement and co-ordinate the Infrastructure Reference Group work programme (the **Infrastructure Reference Group Strategic Objective**);
- assist with the monitoring of the Government’s Affordable Water “Better Off” package and implementing the rural drinking water programme (the **Affordable Water Strategic Objective**); and
- implement and/or facilitate funding and financing of infrastructure, including in accordance with the Infrastructure Funding and Financing Act 2020 (the **Infrastructure Funding and Financing Strategic Objective**).

CIP FUNCTIONS

CIP will ensure its functions are achieved by:

- establishing **effective infrastructure delivery monitoring tools and databases** across all programmes;
- **intervening** where appropriate if infrastructure programmes are not performing or forecast not to deliver to time, cost, and scope;
- **conducting appropriate procurement** in compliance with All of Government procurement policies and to high standards of probity to secure appropriate infrastructure delivery partners to achieve policy objectives;
- utilising **geospatial information systems and other engineering tools** to assist in establishing infrastructure coverage requirements and to inform officials’ advice towards Government policy goals;
- **establish, manage, and monitor contracts** with infrastructure delivery partners;
- **raising debt capital** to fund and finance infrastructure;
- utilising the **Infrastructure Funding and Financing Act** to fund infrastructure and to provide funding to support financing of infrastructure;
- **reporting** on all infrastructure programmes to Government and the public;
- proactively **managing stakeholder relationships** with Government officials, local territorial authorities, iwi, members of the public and other stakeholders;
- **monitoring and investing Crown funds** in infrastructure partners;
- **monitoring health and safety performance** by partners and promoting improvement where necessary;
- **accounting for costs and revenues, funding delivery partners and managing cash flows**;
- **recruiting, retaining, and developing suitably qualified staff** to manage the various infrastructure programmes; and
- **developing a Te Ao Māori plan**, and increasing focus on supporting the Government to achieve its Te Ao Māori and Te Tiriti obligations across CIP’s programmes.

STRATEGIC PRIORITIES

Strategic priorities are:

- that infrastructure programmes **deliver the policy outcomes sought by Government**, including further infrastructure funding and financing, delivering Infrastructure Reference Group projects, managing/ monitoring the Affordable Water rural drinking water and ‘Better Off’ programmes, and various connectivity programmes that are underway;
- that **infrastructure is financed at the most effective cost** to provide funding for its delivery, and developing further infrastructure financing solutions where appropriate;
- that **Government is fully advised of the progress and likely outcomes** of infrastructure programmes, with timely and informative reporting to meet Government expectations;
- to **manage within fiscal envelopes** for the infrastructure programmes;
- to ensure **return of invested funds from infrastructure partners** as per contractual arrangements and return funds to Government or reinvest as appropriate;
- that the **public is informed on the progress of infrastructure programmes** with appropriate public reporting disclosure and an effective website;
- to **take into account the Government’s wellbeing, sustainability and climate change reduction policies** when implementing programmes, and to support increasing focus on resilience of essential infrastructure;
- to **establish and operate effective internal databases and information management systems** for the range of programmes that CIP is delivering;
- to **retain and develop engaged personnel**, respecting diversity and achieving **gender neutral remuneration**;
- to **keep contractors and staff safe from harm or injury**; and
- to **support the Government to achieve its Te Ao Māori and Te Tiriti obligations** across CIP’s programmes.

1: This refers to rural settlements that may have broadband but do not have mobile coverage. The 3.5GHz spectrum programme is providing additional funding to roll out further mobile towers across state highways, regional roads, rural settlements and in tourist areas. CIP’s role is to approve business cases.

3: REPORTABLE OUTPUTS

Section 3 describes CIP’s outputs for the period from 1 July 2023 to 30 June 2024, which are reportable under section 149E(1)(a) of the Crown Entities Act 2004. Performance on these measures will be reported in CIP’s Annual Report.

CIP also monitors health and safety performance across the various infrastructure programmes. Accordingly, these matters are regarded by CIP as non-reportable outputs for FY24 under section 149E(1)(c) of the Crown Entities Act.

3.1 CIP’S PERFORMANCE MEASURES¹

3.1.1 Rural Broadband, Mobile Black Spots, Rural Mobile Tower expansion and the Rural Capacity Upgrades programmes

| PERFORMANCE TARGETS FOR THE RURAL BROADBAND, MOBILE BLACK SPOTS, THE RURAL MOBILE TOWER EXPANSION AND THE RURAL CAPACITY UPGRADES PROGRAMMES | | | | | |
|--|-------------|----------|-------------|-------------|---------------------|
| REPORTABLE MEASURE | FISCAL 2023 | | | FISCAL 2024 | PROGRAMME TARGET |
| | PLAN | FORECAST | % COMPLETED | PLAN | |
| Rural households and businesses to receive improved broadband | 80,500 | 80,500 | 96% | 83,809 | 84,327 ² |
| Mobile Black Spots: mobile coverage of tourist areas | 115 | 120 | 71% | 156 | 168 ² |
| Mobile Black Spots: mobile coverage of State Highways (kilometres covered) | 1,235 | 1,301 | 93% | 1,408 | 1,406 ² |
| Rural Mobile Tower expansion business cases ³ | N/A | N/A | N/A | 25 | 60 |
| Rural households and businesses receiving upgraded broadband capacity ⁴ | 29,750 | 32,604 | 47% | 54,667 | 69,869 ⁵ |

Rural Broadband Initiative

This class of outputs tracks CIP’s progress towards the achievement of the Rural Broadband Strategic Objective. CIP’s performance in terms of the number of rural broadband households and businesses able to receive improved broadband is based on the number of rural households and businesses handed over by the partners. This reflects the achievement of the Rural Broadband policy outcomes set by Government. CIP’s performance in terms of these measures is measured by CIP and its rural broadband partners using a geospatial dataset.

Mobile Black Spots initiative

For Mobile Black Spots, there are two outputs that track CIP’s progress towards achievement of the Mobile Black Spots Strategic Objective:

- contracted tourist areas covered, and
- contracted state highway kilometres covered.

CIP’s performance in terms of the number of tourist areas and state highway kilometres covered with mobile coverage is based on the number of areas and kilometres of coverage handed over by the partners. This is measured by CIP and its partners using a geospatial dataset as mobile towers are completed and handed over to CIP.

Rural Mobile Tower Expansion

The new measure of Rural Mobile Tower expansion business cases is based on the number of expansion business cases received and approved by CIP and will be measured by CIP based on approvals. CIP’s performance in terms of the Rural Mobile Tower expansion business cases is based on the number of business cases approved for tourist areas, rural settlements, regional roads and state highways provided with mobile coverage.

1 We note that this performance information relates to CIP which is the only significant entity in the group.

2 Targeted to be complete by calendar 2024.

3 This refers to business cases for expansion of mobile towers by RCG to further tourism areas, rural settlements, regional roads and state highways using funding from the three mobile network operators following the Government’s allocation of 3.5 GHz 5G radio spectrum.

4 This refers to households and businesses that have degraded broadband capacity available or are not able to access existing broadband due to a “stop sell” on the available network.

5 Targeted to be complete by calendar 2025.

Rural Capacity Upgrades

This class of outputs tracks CIP’s progress towards the achievement of the rural broadband capacity upgrades component of the Rural Broadband Strategic Objective which will enable rural households and businesses to receive improved broadband capacity or connect to broadband infrastructure in rural broadband areas that previously had their broadband capacity exhausted or congested.

CIP’s performance in terms of the number of rural households and businesses able to receive improved broadband capacity is based on the number of rural households and businesses handed over by the partners. This is measured by CIP and its partners using a geospatial dataset.

3.1.2 Remote Users Scheme

| PERFORMANCE TARGETS FOR THE REMOTE USERS SCHEME | | | | | |
|---|-------------|----------|-------------|---|------------------|
| REPORTABLE MEASURE | FISCAL 2023 | | | FISCAL 2024 | PROGRAMME TARGET |
| | PLAN | FORECAST | % COMPLETED | PLAN | |
| Remote Users Scheme contracting and implementation | N/A | N/A | N/A | RFP contracted and implementation commenced | N/A |
| Percentage of eligible remote households and businesses who have either been contracted to a build partner, or have received funding via the voucher scheme | N/A | N/A | N/A | 75% | N/A |

This class of outputs tracks CIP’s progress towards the achievement of the Remote Users Strategic Objective. CIP’s performance in terms of this measure is based on contracting the Request for Proposals for the deployment of terrestrial telecommunications network infrastructure with partners, and the commencement of implementation of the programme. CIP’s performance is also based on achieving a minimum number of eligible remote rural households and businesses that have either been contracted to a build partner to cover, or have received funding via the voucher scheme up to the maximum provided for by the available budget. The Remote User Scheme was approved by Government in FY23, hence no measures in place for FY23.

3.1.3 Fibre Links programme

| PERFORMANCE TARGETS FOR THE FIBRE LINKS PROGRAMME | | | | |
|---|--|-------------------------------------|--|--|
| REPORTABLE MEASURES | FISCAL 2023 | | FISCAL 2024 | PROGRAMME TARGET |
| | PLAN | FORECAST | PLAN | |
| Progress of fibre links | Completion of Milford Fibre Link by 31 December 2022 | Mostly achieved; completed May 2023 | Completion of Te Anau Fibre Ring by 31 December 2023 | Completion of Te Anau Fibre Ring by 31 December 2023 |

The fibre links measure tracks CIP’s progress towards the achievement of the Fibre Links Strategic Objective (the West Coast link was complete in March 2022 and the Milford link was completed in May 2023, so the remaining measure is the Te Anau fibre ring). CIP’s performance is based on the build progress of the Te Anau ring being on track to meet its end completion date of 31 December 2023. Completion of the fibre ring will be determined by CIP receiving formal handover of the fibre ring following User Acceptance Testing (UAT).

Completion of the Milford Fibre Link by 31 December 2022 was affected by deployment hitting harder rock and more difficult terrain than was expected, as well as avalanche, rock fall and weather risks, however the target was 90% achieved, and hence was ‘mostly achieved’ as at 31 December 2022⁶.

6. Where targets have a numeric aspect we treat 90% and above as ‘mostly achieved’. Where less than 90%, we treat as ‘not achieved’. Where 100% or greater is treated as achieved.

3.1.4 Public Safety Network programme

| PERFORMANCE TARGETS FOR THE PUBLIC SAFETY NETWORK PROGRAMME | | | |
|---|--|-----------------------|--|
| REPORTABLE MEASURE | FISCAL 2023 | | FISCAL 2024 |
| | PLAN | FORECAST | PLAN |
| Procurement, contracting and implementation | Initial pilot site deployment commenced by end of FY23 | Likely to be achieved | N/A |
| Mobile implementation | N/A | N/A | Roaming user acceptance tested. Prioritisation build underway |
| Land mobile radio | N/A | N/A | Land mobile radio for the pilot area and one region having completed User Acceptance Testing |

This class of outputs tracks progress towards the achievement of the Public Safety Network Strategic Objective by CIP as the telecommunications infrastructure procurement partner for the Public Safety Network’s Critical Communications Network. The Public Safety Network comprises two major infrastructure elements; first, a new digital P25 Land Mobile Radio network, and second an upgrade to the One.nz and Spark mobile networks to provide roaming and service priority/pre-emption/quality of service (**Priority Mobile**) for the emergency services agencies. CIP has partnered with the Next Generation Critical Communications group of NZ Police as the infrastructure delivery partner.

The Public Safety Network contracting was completed in 2022, and last year’s target was to have commenced an initial pilot site by the end of FY23.

This year, two new target measures have been introduced which reflect the current stage of the programme. The first measure, Priority Mobile implementation, reflects the goal of having roaming functionality completed, UAT and the build of the Priority Mobile functionality underway, and will be measured based on receipt by CIP of UAT and other confirmations. The second measure, land mobile radio, reflects the goal of the land mobile radio network for the pilot area and one region having completed network UAT.

3.1.5 Infrastructure Funding and Financing programme

| PERFORMANCE TARGETS FOR THE INFRASTRUCTURE FUNDING AND FINANCING PROGRAMME | | | |
|--|---|----------|--|
| REPORTABLE MEASURE | FISCAL 2023 | | FISCAL 2024 |
| | PLAN | FORECAST | PLAN |
| Advancing transaction | Achieve financial close on at least one focus project by the end of FY23 ⁷ | Achieved | Achieve financial close on at least one focus project by the end of FY24 |

This class of outputs tracks CIP’s progress towards the achievement of the Infrastructure Funding and Financing Strategic Objective, which supports the Government’s policy target of having one further Infrastructure Funding and Financing transaction completed by the end of FY24. Measurement will be through reporting to the Board and Government on progress.

Note that, in previous years, there was an additional performance measure for the Infrastructure Funding and Financing Strategic Objective relating to developing a pipeline of projects to support achievement of the Objective. This measure is no longer included as the pipeline has been developed and is now in place (and being maintained).



Otago Polytech

7 Noting that the timing of completion of any particular infrastructure funding and financing transaction is subject to a number of third party constraints and factors outside of CIP’s control and influence.

3.1.6 Infrastructure Reference Group programme

| PERFORMANCE TARGETS FOR THE INFRASTRUCTURE REFERENCE GROUP PROGRAMME | | | |
|--|---|-----------------------|---|
| REPORTABLE MEASURE | FISCAL 2023 | | FISCAL 2024 |
| | PLAN | FORECAST | PLAN |
| Project implementation: CIP projects advanced during year, measured by amount of Government funding invested versus total Government funding approved for projects | Investment of 60% of Government funding that was approved at 30 June 2022 | Likely to be achieved | Investment of 80% of Government funding that was approved at 30 June 2023 |
| CIP projects completion: minimum number of CIP IRG projects completed, project to date | N/A | N/A | 22 |

Infrastructure Reference Group programme

This class of outputs tracks CIP’s progress towards the achievement of the Infrastructure Reference Group Strategic Objective. The Infrastructure Reference Group programme is in the implementation phase, so the policy targets are to continue overall delivery of the projects across the board (measured by the amount of Government funding invested versus the total Government funding for approved projects), and for projects which CIP oversees, the completion of at least 22 projects to date, including 12 projects completed as at 30 June 2023.



Eastern Bays Shared Pathway – Wellington (Tupua Horo Nuku)

3.1.7 Affordable Waters programme

| PERFORMANCE TARGETS FOR THE AFFORDABLE WATERS PROGRAMME | | | |
|---|---|-----------------------|--|
| REPORTABLE MEASURE | FISCAL 2023 | | FISCAL 2024 |
| | PLAN | FORECAST | PLAN |
| Rural drinking water contracting and installations: minimum number of kāinga and other rural water treatment plants installed | Contract head vendors, and commence implementation with initial sites underway by end of FY23 | Likely to be achieved | 50 |
| Rural drinking water installation satisfaction: minimum number of kāinga and other rural satisfied with installation | N/A | N/A | 80% |
| “Better Off” package | Provide bi-annual Government and public reporting on progress that are fit for purpose | Likely to be achieved | Provide bi-annual Government and public reporting on progress that are fit for purpose |

This class of outputs tracks CIP’s progress towards the achievement of the Affordable Waters programme objectives. The objectives for Affordable Waters relate to the Rural Drinking Water and “Better Off” programmes.

CIP manages the implementation of the Rural Drinking Water programme, as part of its Affordable Waters responsibilities. The programme is now contracted and being implemented, with initial sites underway in FY23. In FY24, performance will be measured by the number of kāinga⁸ and other rural water treatment plants installed (including 6 installed as at 30 June 2023) and the user satisfaction with those installations, as determined by CIP based on the outcomes of a survey of relevant kāinga and other rural. No satisfaction surveys were conducted in FY23.

CIP also monitors the “Better Off” programme, as part of its Affordable Waters responsibilities.

3.1.8 CIP’s performance targets for financial and operational efficiency

| PERFORMANCE TARGETS FOR FINANCIAL AND OPERATIONAL EFFICIENCY | | | |
|--|-------------|----------|-------------|
| REPORTABLE MEASURE | FISCAL 2023 | | FISCAL 2024 |
| | PLAN | FORECAST | PLAN |
| CIP net operational cost as percentage of annual investment/grants | 5% | 4% | 5% |

This measure outlines the operational efficiency of establishing and managing the various infrastructure programmes. During FY24, CIP is involved in two programmes (being the Public Safety Network and Affordable Waters “Better Off” programme) where CIP is not directly funding the investments but is incurring the management costs. If the investment relating to those programmes is taken into account, CIP’s operational efficiency is improved further.

Each year the CIP Board plans CIP’s future level of resourcing, which depends on CIP’s scope of work and functions.

3.1.9 Note on measures no longer included

It is noted that two groups of performance measures are no longer included in this SPE:

- those relating to the Ultra-fast Broadband programme, and
- those relating to the Marae Digital Connectivity programme;

this is because both of these programmes have now been completed.

8. Kāinga includes marae, te kohanga reos, and papakāinga reticulated housing.

4: REPORTABLE MEASURES



3 Waters South Taranaki, Pater water supply bore



IRG Auckland Soundstages

4.1 CIP’S REPORTABLE MEASURES

CIP monitors health and safety as described in this section. The health and safety of partners and their contractors and staff is the responsibility of those partners; CIP’s role is to monitor performance to ensure that contractual requirements are being met.

4.2 HEALTH AND SAFETY

CIP will ensure that it complies with its obligations under the Health and Safety at Work Act 2015. CIP is committed to the wellbeing, health and safety of its employees, its contractors and the community. CIP will continue to encourage its partners to achieve zero serious harm injuries.

CIP will also continually seek to improve health and safety processes, awareness and compliance across its own organisation and through its infrastructure delivery partners, and will encourage its contractors to do the same.

CIP benchmarks the performance of partners against key health and safety metrics such as the Total Recordable Injury Frequency Rate (**TRIFR**). The performance on TRIFR across Partners as at 31 May 2023 (on the basis of a rolling 12-month average) is shown below:

| PARTNERS’ PERFORMANCE AGAINST WORKPLACE HEALTH AND SAFETY BENCHMARK FOR INFRASTRUCTURE DEPLOYMENT | | | |
|---|------|-----------------|-----------------------|
| SAFETY METRIC | CIP | BENCHMARKS | |
| | | NZ CONSTRUCTION | NZ MINING & UTILITIES |
| TRIFR ⁹ | 3.12 | 12 | 11 |

CIP also focuses on the health, safety and wellness of its own staff, and has a zero-harm environment.

Infrastructure delivery partners have measures in place to stay below this threshold, and this will be reported on in CIP’s Annual Report.

9 A TRIFR of 10 means there were 10 total recordable injuries (including lost time injuries and medical treatment injuries) per one million hours worked. It is expected that TRIFR across rural broadband and mobile blackspots, regional digital connectivity programmes and the rural drinking water programme for fiscal year 2024 should remain within a range of 3-5.

5: NON-REPORTABLE MEASURES

5.1 CIP’S NON-REPORTABLE MEASURES

CIP places considerable emphasis on stakeholder engagement and ensuring good relationships are in place with key Government officials, Ministers’ offices, local territorial authorities, iwi and members of the public in order to execute CIP’s strategic functions and objectives.

CIP is also developing a process to record and report its greenhouse gas emissions which is expected to measure all operational emissions required under the international standard for carbon footprints, ISO 14064-1, including vehicles, business travel, fuel and electricity, paper, and waste. CIP’s main area where it is supporting the Government’s climate change reduction goals is through the investment in several projects with partners that support the Government’s environmental sustainability goals and reduce carbon emissions, and will report on progress of these sustainable projects in its Annual Report.

CIP is developing a number of relationships with tangata whenua throughout the motu with several of its infrastructure programmes. These relationships are developed in support of the Government’s approach to Crown-Māori relations, and CIP works closely with the relevant Government agency in developing its relationships with iwi and hapū. The main CIP programmes which have a tangata whenua focus are elements of the IRG programme, the Marae Digital Connectivity and kāinga rural drinking water programme.

Finally, CIP has a strategy in place to maintain and grow organisational health and workforce capability.



University of Auckland Green Star Design Review Rating achieved - highest ever New Zealand Green Building Council design rating of 93 points.

6: KEY BUSINESS ASSUMPTIONS

6.1 REPORTING ENTITY

The reporting entity is Crown Infrastructure Partners Limited (**CIP**, the **Parent** and the **Company**) and its controlled subsidiaries (the **Group**). As at 30 June 2023 the controlled entities were CIP Holdings Limited, Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, Milldale Holdco LP, Milldale Infrastructure LP, CIP Services Limited, TSP Finance GP Limited, Sludge Finance GP Limited, Sludge Finance 1 Limited and Sludge Finance 2 Limited which are 100% controlled. These controlled entities were established to facilitate accelerated development of bulk housing infrastructure for the Milldale development located at Wainui, Auckland, implementation of the Western Bay of Plenty Transport System Plan in Tauranga, and the Sludge Minimisation Facility in Wellington. CIP is a limited liability company incorporated under the Companies Act 1993, and is a Crown entity as defined by the Crown Entities Act. CIP is listed in Schedule 4A of the Public Finance Act 1989.

The primary purpose of the Company is to carry out the public policy objectives of the government to:

- (a) implement, fund, facilitate, monitor, advise or otherwise assist the government with any government objectives in relation to:
 - (i) radio and telecommunications connectivity and/or services;
 - (ii) three waters and climate resilience infrastructure and/or services;
 - (iii) the government's COVID-19 response and recovery infrastructure funding programme;
- (b) implement and/or facilitate funding and financing of infrastructure, including as provided for under the Infrastructure Funding and Financing Act, by:
 - (i) government investment (including through debt or equity); or
 - (ii) co-investment with, or facilitating investment from (including securing third-party debt or equity), private sector or other participants, to achieve the government's objectives for funding infrastructure; and
- (c) implement, facilitate, advise or otherwise assist the government with any transaction, or class of transactions, or provide assistance with any other matter, in relation to any Infrastructure Projects that are selected by the government, as agreed from time to time between the Company and the Shareholding Ministers.

As a consequence of carrying out the Company's primary purpose, the Company may, subject at all times to satisfying the requirements of the Act, repatriate surplus funds by way of distributions to its Shareholders.

CIP's aim is to provide services to the public and implement Government policy, and, as such, the Company is a company named in Schedule 4A of the Public Finance Act. The Company is recognised on Schedule 35 of the Income Tax Act 2007 as a public purpose Crown-controlled (**PPC**) company. Accordingly, CIP has designated itself as a PPC for the purposes of New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**). CIP is a public authority and so is exempt from the payment of income tax. Therefore, no provision has been made for income tax in CIP's financial statements.

6.2 BASIS OF PREPARATION

The prospective financial statements have been prepared on a consistent basis to the accounting policies in the existing Statement of Performance Expectations for Financial Year 2022/23 together with the additional accounting policies set out below.

These prospective financial statements have been prepared for the purpose of providing information required for a government agency Statement of Performance Expectations, and we caution that the information in these statements may not be appropriate for purposes other than those described. These statements comply with the GAAP.



IRG, Maidstone Sports Hub, Upper Hutt City

6.3 NOTES TO THE ACCOUNTS

- i.

Interest income: interest earned on cash balances with financial institutions, and imputed interest from financial securities. The table below shows the reconciliation of interest income;

| INTEREST INCOME | Forecast 2023 \$000 | Planned 2024 \$000 |
|--------------------------|---------------------------|--------------------------|
| Bank interest | 12,978 | 8,431 |
| IRG cash and equivalents | 8,513 | 4,836 |
| Imputed interest | 49,496 | 60,786 |
| BHI interest | 3,339 | 7,840 |
| Interest income | 74,326 | 81,893 |
- ii.

Grant Income: IRG grants are provided for the funding of infrastructure as part of the Infrastructure Reference Group work programme (the **IRG Grants**). As first recipient of the IRG Grant, CIP recognises the IRG Grants, as they are paid to project owners on completion of construction milestones for the projects, in the Statement of Comprehensive Income. The residual IRG Grant amounts are held as income in advance in the Statement of Financial Position.
- iii.

Right to levy income: reflects the revenue from the Order in Council to collect levies for infrastructure funded using the Infrastructure Funding and Financing Act. The revenue is recognised upfront to the extent funding is made available to the infrastructure owner to build infrastructure, in the Statement of Comprehensive Income. As it is collected it reduces the outstanding Levy receivable amounts in the Statement of Financial Position.
- iv.

Recoveries income: is reimbursement for infrastructure project transaction or management costs incurred by CIP on behalf of a project or Government Agency. These costs are usually in the nature of establishment, financing, reporting and monitoring costs directly attributable to a specific infrastructure project or programme.
- v.

Fair value changes on investments: gains and losses arising from changes in the fair value of CIP's investments, these include UFB investments, Milldale receivables, Infrastructure Reference Group loans, Infrastructure Funding and Financing Levy Receivable and other infrastructure investments.
- vi.

Fair value changes on debt: gains and losses arising from changes in the fair value of CIP's IFF fixed rate debt.
- vii.

Depreciation and amortisation: depreciation charges on property, plant and equipment.
- viii.

Grant Expenses: these expenses are the cost of the Rural Broadband and Mobile Black Spots programmes that CIP is paying to Rural Connectivity Group and Wireless Internet Service Providers (**WISPs**) funded from the Telecommunications Development Levy and the Provincial Growth Fund for improving rural broadband connectivity, reducing mobile blackspots, providing fibre links to Haast and Milford, and digital connectivity to Marae/Rural Digital Hubs. Infrastructure Reference Group grant expenses are the funding of infrastructure as part of the Infrastructure Reference Group work programme and reflected as an expense as they are incurred.
- ix.

CIP funded expenses: CIP funds rural broadband and mobile black spots including site leases, operational expenditure and rural broadband capacity upgrades, urban marae connectivity and some of the Chatham Islands' satellite backhaul capacity expenses that are not covered by Grant Funding.
- x.

Other company overheads: administrative costs for CIP which include any additional costs associated with CIP's responsibilities for Infrastructure Reference Group and Affordable Waters programme monitoring.

- xi.

UFB contribution - Chorus Equity Securities and Debt Securities: The difference on initial recognition between the fair value of the investment and the contribution by CIP, represents CIP's and the Crown's contribution towards deployment by one of its Partners, Chorus, that is funded through the issue of debt and equity securities.
- xii.

Loan asset contribution: is difference on initial recognition of loans and their market value. The contribution by CIP represents CIP's contribution arising as a result of the concessionary interest rate nature, if any, of the loan.
- xiii.

Cash and cash equivalents: cash on hand with New Zealand's major trading banks or Treasury Bills with a maturity of less than three months.
- xiv.

Investment in Treasury Bills: are Treasury Bills with a maturity of more than three months.
- xv.

Capital: the Crown investment made in CIP is represented by 1,664,281,200 ordinary shares issued at a value of \$1.00. CIP forecasts calling \$22.0 million.

6.4 INVESTMENT, REVENUE, AND EXPENSES BY REPORTABLE OUTPUTS

The tables below show the investment, revenue, expenses, funding, grants and debt by reportable outputs that support the performance objectives of CIP.

| PROGRAMME INVESTMENTS | PTD 2022 \$000 | Planned 2023 \$000 | Forecast 2023 \$000 | Planned 2024 \$000 | To be completed beyond 2024 | Total \$000 |
|--|----------------------|--------------------------|---------------------------|--------------------------|--------------------------------------|----------------|
| UFB programme | 1,698,760 | 47,038 | 44,915 | - | - | 1,743,675 |
| Digital Connectivity programmes^ | 265,150 | 90,537 | 60,275 | 122,331 | 93,045 | 540,801 |
| Infrastructure Reference Group Work programme* | 464,314 | 384,332 | 351,694 | 365,834 | 137,291 | 1,319,133 |
| Affordable Waters infrastructure | - | 55,750 | 54,417 | 11,293 | 12,357 | 78,067 |
| Infrastructure Funding and Financing # | 40,576 | 86,149 | 3,418 | 19,980 | 709,037 | 773,011 |
| Closing balance 30 June | 2,468,800 | 663,806 | 514,719 | 519,438 | 951,730 | 4,454,687 |

^ Includes Rural Broadband & Mobile Black Spots and Regional Digital Connectivity programmes
* Only for approved projects
Includes Capital and 3rd party debt funding

| REVENUE BY PROGRAMME | Planned 2023 \$000 | Forecast 2023 \$000 | Planned 2024 \$000 |
|--|--------------------------|---------------------------|--------------------------|
| UFB & Digital Connectivity programme | - | - | - |
| Infrastructure Reference Group Work programme* | 422 | 640 | 1,060 |
| Affordable Waters | - | - | - |
| IFF/ Urban Infrastructure Developments* | - | 33,461 | 168,546 |
| Closing balance 30 June | 422 | 34,101 | 169,606 |

* Interest income from loan assets
Right-to-levy income from IFF levy payers

| OPERATING EXPENSES BY PROGRAMME | Planned 2023 \$000 | Forecast 2023 \$000 | Planned 2024 \$000 |
|---|--------------------------|---------------------------|--------------------------|
| Unrecovered operational expense | (4,814) | (2,032) | (1,971) |
| UFB & Digital Connectivity programme^ | (6,059) | (5,421) | (4,742) |
| Infrastructure Reference Group Work programme | (1,850) | (1,538) | (1,840) |
| Affordable Waters | (2,011) | (2,091) | (1,698) |
| IFF/ Urban Infrastructure Developments* | (10,066) | (6,830) | (7,113) |
| Closing balance 30 June | (24,800) | (17,912) | (17,355) |

^ Includes Ultrafast Fibre Broadband, Rural Broadband & Mobile Black Spots and Regional Digital Connectivity programmes
Includes transactional costs

| CIP FUNDING, GRANT AND DEBTS | Planned 2023 \$000 | Forecast 2023 \$000 | Planned 2024 \$000 |
|---|--------------------------|---------------------------|--------------------------|
| Share Capital | | | |
| UFB | - | - | - |
| IFF/ Urban Infrastructure Developments | 64,687 | 57,700 | 22,000 |
| Total Share Capital | 64,687 | 57,700 | 22,000 |
| Government Grants | | | |
| Digital Connectivity programme^ | - | 16,800 | 56,600 |
| Infrastructure Reference Group Work programme | 31,337 | 12,090 | 325,082 |
| Affordable Waters | 20,000 | 29,617 | 20,000 |
| Total Government Grants | 51,337 | 58,507 | 401,682 |
| External Debt | | | |
| IFF/ Urban Infrastructure Developments | 54,003 | 35,683 | 176,527 |
| Total External Debt | 54,003 | 35,683 | 176,527 |
| Total at 30 June | 170,027 | 151,890 | 600,209 |

^ Includes Ultrafast Fibre Broadband, Rural Broadband & Mobile Black Spots and Regional Digital Connectivity programmes



RCG Whiteman's Valley Wellington

7: SIGNIFICANT ACCOUNTING POLICIES

7.1 FORECAST FINANCIAL INFORMATION

The financial information contained below is prospective and, by its nature, contains assumptions which may lead to material differences between the prospective financial information and the actual financial results prepared in future reporting periods. CIP has undertaken a review of its financial models, and believes they remain fit for purpose in assisting CIP in preparing prospective financial information. Significant assumptions in the preparation of prospective financial information are for the investments in Chorus, Northpower Fibre Limited, Milldale LP, IRG loans and any future infrastructure investments. The prospective information for IFF is subject to significant management judgement relating to the timing and quantum of the investments, and the prospective information reflects the best information available to management.

7.2 REVENUE

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

The IRG grants are recognised as non-exchange revenue (PBE IPSAS 23), and to recognise grant money as an asset, and the corresponding payments to the recipients as a liability in the Statement of Financial Position. As the IRG Grant conditions are satisfied and the monies paid the asset and liability are reduced, and the corresponding transactions are recognised as Grant income and expense in the Statement of Performance.

7.3 INVESTMENT IN INFRASTRUCTURE AND TREASURY BILLS

CIP's investment in Northpower Fibre Limited, Milldale, Infrastructure Funding and Financing projects and Infrastructure Reference Group loans is categorised as a "loans and receivables" financial asset and is measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Any difference on initial recognition between the fair value of the investment in Northpower Fibre Limited and Infrastructure Reference Group Loans and the contribution by CIP represents CIP's contribution to the Infrastructure Reference Group projects, and is reflected in the lines "Investment contributions". Interest income is recognised by applying the effective interest method. In CIP's financial statements, the investment in unlisted Chorus Equity Securities and Chorus Debt Securities is categorised as an available-for-sale financial asset and is measured at fair value.

Any difference on initial recognition between the fair value of the investment in the Chorus Debt and Equity Securities and the contribution by CIP represents CIP's and the Crown's contribution to the deployment of Ultra-fast Broadband in New Zealand and is reflected in the line "Investment contributions" in surplus or deficit in the statement of comprehensive income. CIP's investment in Chorus's warrants is treated as a derivative, which is categorised as a "fair value through profit or loss" financial instrument, is measured at fair value and is accounted for in the same manner as the "fair value through profit or loss" financial instruments above.

CIP's investment in Treasury Bills is to fund the Infrastructure Reference Group projects. The Treasury Bills are short-dated investments and are typically issued with 3, 6 and 12 month maturities. Treasury Bills do not pay a coupon instead they are issued as at discount to face value to reflect the interest yield on the bill. The interest yield is reflected as amortised interest in the profit or loss up to the face value of the instrument. The Treasury Bills are shown as current assets as their duration is no longer than 12 months. The investment in the Treasury Bills is categorised as a "fair value through profit or loss" financial instrument, is measured at fair value and is accounted for in the same manner as the "fair value through profit or loss" financial instruments above.

7.4 CREDITORS AND OTHER PAYABLES

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore, the carrying values of creditors and other payables approximate their fair values.



Wellington City Mission

7.5 GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of goods and services tax (**GST**), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net 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 operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed excluding GST.

7.6 INCOME TAX

The Company is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax by CIP in the Company's financial statements.

7.7 STATEMENT OF CASH FLOWS

The definitions of the terms used in the statement of cash flows are:

- i. **cash and cash equivalents** comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value;
- ii. **operating activities** are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities;
- iii. **investing activities** are those activities relating to the acquisition and disposal of current and non- current investments, property, plant and equipment, intangible assets and other non-current assets; and
- iv. **financing activities** are those activities that result in changes in the size and composition of the contributed equity of the Company.

7.8 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements CIP has made estimates and assumptions concerning the future, which may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has exercised its judgement in respect of arriving at the fair values of its investments in Chorus, IRG, Milldale, and Infrastructure Funding and Financing loans and receivables.

There is judgement made on the interest rates used to value the tranches of Chorus Equity and Debt Securities and IRG loans, as these interest rates impact the value recorded in the Statement of Comprehensive Revenue and Expense of the Crown contribution and their fair values.

8: FINANCIAL STATEMENTS

STATEMENT OF FORECAST COMPREHENSIVE INCOME

FOR THE PERIOD 2023-2024

| | Forecast 2023 \$000 | SPE 2024 \$000 |
|--------------------------------------|---------------------------|----------------------|
| Income | | |
| Interest income | 74,326 | 81,893 |
| Recoveries income | 2,282 | 2,733 |
| Grant income | 398,111 | 442,434 |
| Right to levy income | 33,461 | 112,831 |
| Net fair value gains on derivatives | 241 | - |
| Total income | 508,421 | 639,891 |
| Expenses | | |
| Directors' Fees | 190 | 205 |
| Personnel costs | 8,239 | 9,717 |
| Professional & advisory fees | 7,192 | 4,624 |
| Other expenses | 2,172 | 2,188 |
| Depreciation | 119 | 619 |
| Interest expense | 3,843 | 13,823 |
| Other financing costs | 250 | 2,858 |
| Non Grant project expenses* | 16,097 | 73,809 |
| Grant project expenses | 347,449 | 470,335 |
| Investment contributions | 104,137 | 33,685 |
| Net fair value losses on investments | 2,329 | 51,788 |
| Net fair value losses on derivatives | 80 | 2,040 |
| Impairments | 3,636 | 2,844 |
| Total expenses | 495,733 | 668,535 |
| Net surplus/(deficit) | 12,688 | (28,644) |

*CIP funds this through returned funds and cashflow

STATEMENT OF FORECAST CHANGES IN EQUITY

FOR THE PERIOD 2023-2024

| | Capital \$000 | Retained earnings \$000 | Total \$000 |
|-------------------------------------|------------------|-------------------------------|----------------|
| Opening balance 1 July 2022 | 1,597,500 | (703,688) | 893,812 |
| Net surplus/(deficits) | | 12,688 | 12,688 |
| Capital contributions | 67,700 | | 67,700 |
| Closing balance 30 June 2023 | 1,665,200 | (691,000) | 974,200 |
| Opening balance 1 July 2023 | 1,665,200 | (691,000) | 974,200 |
| Net surplus/(deficits) | | (28,644) | (28,644) |
| Capital contributions | 22,000 | | 22,000 |
| Return of capital | | (17,034) | (17,034) |
| Closing balance 30 June 2024 | 1,687,200 | (736,678) | 950,522 |

STATEMENT OF FORECAST FINANCIAL POSITION

FOR THE PERIOD 2023-2024

| | Forecast 2023 \$000 | SPE 2024 \$000 |
|--|---------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 303,229 | 370,523 |
| Investments in Treasury Bills | 100,000 | - |
| Trade and other receivables | 4,635 | 2,318 |
| GST receivables | 5,908 | - |
| Prepayments | 32 | 32 |
| Total current assets | 413,804 | 372,873 |
| Non-current assets | | |
| Property, plant and equipment | 10,354 | 9,935 |
| Levy receivables | 37,506 | 152,791 |
| Investments in Infrastructure financed projects | 54,256 | 82,175 |
| Investments in Chorus Debt and Equity Securities | 627,050 | 625,563 |
| Loans asset | 155,209 | 211,782 |
| Total non-current assets | 884,375 | 1,082,246 |
| Total assets | 1,298,179 | 1,455,119 |
| Liabilities | | |
| Current liabilities | | |
| Creditors and other payables | 3,807 | 2,586 |
| Derivatives at fair value | 80 | 2,120 |
| Deferred Revenue | 237,792 | 175,856 |
| Employee entitlements | 807 | 917 |
| Total current liabilities | 242,486 | 181,479 |
| Non-current liabilities | | |
| Deferred Revenue | - | 67,551 |
| Borrowings | 81,493 | 255,567 |
| Total non-current liabilities | 81,493 | 323,118 |
| Total liabilities | 323,979 | 504,597 |
| Net assets | 974,200 | 950,522 |
| Contributed capital | 1,665,200 | 1,687,200 |
| Retained earnings | (691,000) | (736,678) |
| Total equity | 974,200 | 950,522 |

STATEMENT OF FORECAST CASH FLOWS

FOR THE PERIOD 2023-2024

| | Forecast 2023 \$000 | SPE 2024 \$000 |
|--|---------------------------|----------------------|
| Cash flows from operating activities | | |
| Interest received | 17,197 | 15,585 |
| Other receipts | 2,092 | 4,638 |
| Grant received | 59,326 | 401,032 |
| Payments to suppliers | (12,550) | (10,563) |
| Payments to employees | (7,800) | (9,031) |
| Grant payments | (378,576) | (470,335) |
| Non Grant project payments | (17,384) | (75,309) |
| Goods and services tax (net) | (6,191) | 19,317 |
| Net cash outflow from operating activities | (343,886) | (124,666) |
| Cash flows from investing activities | | |
| Loan repayments received | - | 10,260 |
| Purchase of property, plant and equipment | (4,716) | (200) |
| Acquisition of investment in Chorus Debt and Equity Securities | (81,219) | - |
| Investment in IRG Loans | (136,301) | (68,145) |
| Acquisition of investments in Urban Development Infrastructure | (3,418) | (19,980) |
| Net cash outflow from investing activities | (225,654) | (78,065) |
| Cash flows from Financing activities | | |
| Capital contribution - Crown | 67,700 | 22,000 |
| Return of capital | - | (17,034) |
| Proceeds from borrowings | 35,683 | 176,527 |
| Infrastructure receipts | 1,815 | 2,355 |
| Interest paid | (3,843) | (13,823) |
| Net cash inflow from financing activities | 101,355 | 170,025 |
| Net increase/(decrease) in cash and cash equivalents | (468,185) | (32,706) |
| Cash and cash equivalents at the beginning of the year | 871,414 | 403,229 |
| Cash, cash equivalents and T-Bills at the end of the year | 403,229 | 370,523 |



APPENDIX: DIRECTORY

Shareholders

The Minister of Finance
The Minister for State Owned Enterprises

Registered office

c/- Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland Central
Auckland 1010, New Zealand

Contact address

PO Box 105321
Auckland City
Auckland 1143, New Zealand
Email: info@crowinfrastucture.govt.nz
www.crowninfrastructure.govt.nz
Phone: +64 9 912 1970

Auditor

The Auditor-General, pursuant to
section 15 of the Public Audit Act 2001

Solicitor

Bell Gully

Bankers

ANZ Bank New Zealand Limited
ASB Bank Limited
Bank of New Zealand Limited
Kiwibank Limited
Westpac New Zealand Limited

Senior Management

Graham Mitchell,
Chief Executive Officer

Sean Wynne,
Deputy Chief Executive Officer

Dougal Evison,
Chief Financial Officer

John Greenhough,
Chief Technology Officer

Helen Kerr,
GM Infrastructure Delivery

Nick Manning,
GM Government and Industry Affairs

Kathryn Mitchell,
Chief Legal and Risk Officer

Board of Directors

Mark Binns (Chair)
Alan Dent
Bella Takiari-Brame
Chris Gudgeon
Mei-Fern Johnson



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