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Regenerate Christchurch

Statement of Performance Expectations
For the period from 1 July 2017 to 30 June 2018

REGENERATE CHRISTCHURCH
TE KŌWATAWATA

INTRODUCTION

This Statement of Performance Expectations (SPE) has been prepared by the Board of Regenerate Christchurch in accordance with Part 2 of Schedule 5 of the Greater Christchurch Regeneration Act 2016.

It sets out the reportable classes of outputs for the 2017/2018 financial year and:

- Includes a concise explanation of what the classes of outputs are intended to achieve;
- Identifies the expected revenue and proposed expenses for each class of output;
- Includes a concise explanation of how the performance of each class of output will be assessed.

STATEMENT OF RESPONSIBILITY

The Board of Regenerate Christchurch is responsible for the statements contained in this document, including the appropriateness of the assumptions underlying the forecast financial statements.

The Board also has the responsibility for internal controls to provide reasonable assurance as to the integrity and reliability of financial reporting.

Signed on behalf of the Board

André J Lovatt
Chair

Date 22/6/17

Richard Holden
Board Member

Date 22/6/17

OUTPUT CLASSES

This Statement of Performance Expectations sets out the two output classes that Regenerate Christchurch will deliver in the 2017/18 financial year. Regenerate Christchurch is a special-purpose statutory entity established on 8 April 2016 pursuant to the Greater Christchurch Regeneration Act 2016. It is governed by the Board of Regenerate Christchurch and funded by the Christchurch City Council (Council) and the Minister supporting Greater Christchurch Regeneration.

Output Class One: Residential Red Zone

This output class will determine the long-term use and regeneration of residential red zone land in Christchurch through the development of visions, strategies and Regeneration Plans.

The performance targets for Output Class One: Residential Red Zone are set out in the following table:

2017		2018	
July 1 to Sep 30	Oct 1 to Dec 31	Jan 1 to Mar 31	Apr 1 to Jun 30
Ōtākaro Avon River Corridor			
Vision and objectives established	Preliminary Draft Regeneration Plan completed		Draft Regeneration Plan released for comment
Identification of land use options completed	Draft Programme Business Case		Finalised Programme Business Case
Land Use Feasibility/Assessments completed			
Monitor and Report			
Southshore and South New Brighton			
Commence Regeneration Strategy		Complete Regeneration Strategy	

Output Class One: Residential Red Zone - Revenue and Output Expenses

	2017/18 Prospective Unaudited
Revenue	
Crown	3,544,063
Council	3,544,063
Total Revenue	**7,088,126**
Expenditure	
Ōtākaro/Avon River Corridor	5,983,960
Southshore and South New Brighton	1,104,166
Total Expenditure	**7,088,126**
Net Surplus/(Deficit)	**-**

Output Class One includes costs directly attributable to the Residential Red Zone, and includes an allocation of organisational overheads.

Output Class Two: Strategy and Regeneration Planning

This output class will evaluate what is required to increase momentum and support the regeneration of both the central city and New Brighton. It will also support the identification of other regeneration opportunities, the provision of advice on Regeneration Plans by third party proponents as well as the provision of ongoing advice on identification and prioritisation of opportunities to use the planning tools of the Greater Christchurch Regeneration Act 2016.

The performance targets for Output Class Two: Strategy and Regeneration Planning are set out in the following table:

2017		2018	
July 1 to Sep 30	Oct 1 to Dec 31	Jan 1 to Mar 31	Apr 1 to Jun 30
Central City			
	Regeneration Strategy for Cathedral Square and surrounds released		
Oversee implementation of Cathedral Square and Surrounds Regeneration Strategy			
Evaluation of progress and provision of advice on what is required to increase momentum and support regeneration			
Monitor and Report			
New Brighton			
Advice provided to Development Christchurch Limited on its Implementation Plan			
Advice provided on regeneration outcomes and interventions and the contributions of Development Christchurch Limited			
Monitor and Report			
Other Regeneration Opportunities			
Provision of advice and recommendations on the draft Cranford Regeneration Plan			
Development of Regeneration Prioritisation Framework		Initiate area one Draft Regeneration Plan	
Provision of ongoing advice on identification and prioritisation of opportunities to utilise the planning tools under the GCR Act			
Provision of views, advice and recommendations on planning instruments developed under the GCR Act			
Input into the Council and Department of Prime Minister and Cabinet's annual reporting and monitoring process			

Output Class Two: Regeneration Planning - Revenue and Output Expenses

	2017/18 Prospective Unaudited
Revenue	
Crown	1,712,314
Council	1,712,314
Total Revenue	**3,424,628**
Expenditure	
Central City	1,328,141
New Brighton and Other Regeneration Opportunities	2,096,487
Total expenditure	**3,424,628**
Net Surplus/(Deficit)	**-**

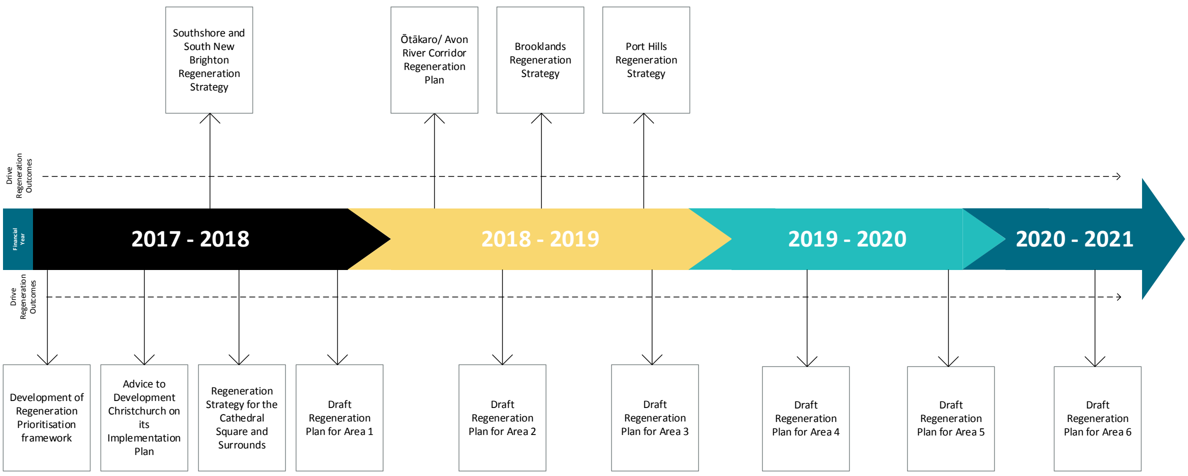
Output Class Two includes costs directly attributable to Strategy and Regeneration Planning, and includes an allocation of organisational overheads.

Summary of Regenerate Christchurch Work Programme Outputs 2017-2021

Regenerate Christchurch intends to progress the following major work programme outputs over the period of its lifespan.

Summary of Regenerate Christchurch Work Programme Outputs 2017 - 2021

RESIDENTIAL RED ZONE



STRATEGY AND REGENERATION PLANNING

FORECAST FINANCIAL STATEMENTS – YEAR ENDED 30 JUNE 2018

Statement of forecast comprehensive income
For the year ended 30 June 2018

	2017/2018 Forecast	2016/2017 Actual & Forecast
Income		
Revenue from non-exchange transactions		
Funding - Crown	4,000,000	4,000,000
Funding - Council	4,000,000	4,000,000
Revenue from exchange transactions		
Interest received	59,911	78,808
	8,059,911	8,078,808
Expenses		
Operating expenditure	(5,716,886)	(3,524,168)
Employee expenditure	(3,781,535)	(1,982,055)
Board remuneration	(230,000)	(230,000)
Accommodation expenditure	(224,808)	(66,751)
Other expenses	(559,523)	(620,426)
Depreciation and amortisation	(107,289)	(74,125)
	(10,620,041)	(6,497,525)
Net income and total comprehensive income attributable to owners	(2,560,130)	1,581,283
Opening retained earnings	2,934,929	1,353,646
Net income and total comprehensive	(2,560,130)	1,581,283
Closing retained earnings	$374,799	$2,934,929

The accompanying notes form part of these forecast financial statements.

This statement should be read in conjunction with the five year operational budget and funding statement on page 11.

Statement of forecast financial position
As at 30 June 2018

	2017/2018 Forecast	2016/2017 Actual & Forecast
Equity	$374,799	$2,934,929
Represented by:		
Current assets		
Cash and cash equivalents	810,919	3,397,989
GST refund due	220,755	-
	1,031,674	3,397,989
Non-current assets		
Property, plant and equipment	300,986	401,420
Intangible assets	20,567	27,422
	321,553	428,842
Total assets	$1,353,227	$3,826,831
Current liabilities		
Creditors and other payables	978,428	867,012
GST payable	-	24,890
Total liabilities	$978,428	$891,902
Net assets	$374,799	$2,934,929

The accompanying notes form part of these forecast financial statements.

Statement of forecast changes in equity
For the year ended 30 June 2018

	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2017	-	2,934,929	2,934,929
Net income and total comprehensive	-	(2,560,130)	(2,560,130)
Balance at 30 June 2018	**-**	**$374,799**	**$374,799**
Balance at 1 July 2016	-	1,353,646	1,353,646
Net income and total comprehensive	-	1,581,283	1,581,283
Balance at 30 June 2017	**-**	**$2,934,929**	**$2,934,929**

The accompanying notes form part of these forecast financial statements.

Statement of forecast cash flows
For the year ended 30 June 2018

	2017/2018 Forecast	2016/2017 Actual & Forecast
Operating activities		
Cash was provided from:		
Funding received from controlling entities	8,000,000	8,000,000
Interest received	59,911	78,808
Net movement in GST	-	4,360
	8,0,59,911	8,083,168
Cash was applied to:		
Payments to suppliers	6,634,334	4,059,117
Payments to employees	3,781,535	1,982,055
Net movement in GST	231,112	-
	10,646,981	6,041,172
Net cash inflow (outflow) from operating activities	(2,587,070)	2,041,996
Investing activities		
Cash was applied to:		
Assets purchased	-	441,945
Purchase of intangible assets	-	1,727
	-	443,672
Net cash inflow (outflow) from investing activities	-	(443,672)
Net increase (decrease) in cash held	(2,587,070)	1,598,324
Add opening cash brought forward	3,397,989	1,799,665
Ending cash carried forward	$810,919	$3,397,989
Cash balances in the statement of financial position		
Cash and cash equivalents	810,919	3,397,989
Ending cash carried forward	$810,919	$3,397,989

Five Year operational budget and funding statement
For the five years ended 30 June 2021

	2015/2016 Actual	2016/2017 Actual/Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	Total Actual/Forecast
Income							
Revenue from non-exchange transactions							
Funding - Crown	2,546,178	4,000,000	4,000,000	5,072,000 *	4,000,000	4,000,000	**23,618,178**
Funding - Council	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	**20,000,000**
Revenue from exchange transactions							
Interest received	5,998	78,808	59,911	38,293	27,675	30,867	**241,551**
	2,552,176	8,078,808	8,059,911	9,110,293	8,027,675	8,030,867	**43,859,729**
Expenses							
Operating expenditure	1,006,010	3,524,167	5,716,886	4,083,046	3,154,206	3,610,366	**21,094,681**
Employee expenditure	-	1,982,055	3,781,536	3,854,866	3,930,442	3,173,518	**16,722,417**
Board remuneration	52,389	230,000	230,000	234,600	239,200	243,800	**1,229,989**
Accommodation expenditure	16,600	66,751	224,808	229,304	233,800	238,296	**1,009,560**
Other expenses	123,531	620,426	559,522	654,249	665,440	676,630	**3,299,799**
Depreciation and amortisation	-	74,125	107,289	107,289	107,289	107,289	**503,281**
	1,198,530	6,497,525	10,620,041	9,163,355	8,330,377	8,049,900	**43,859,729**
Net income and total comprehensive income attributable to owners	1,353,646	1,581,283	(2,560,131)	(53,062)	(302,702)	(19,033)	-

*Forecasted funding from the Crown in the year ended 30 June 2019 includes operational funding of $1,072,000 carried forward from the year ended 30 June 2016.

Notes to the forecast financial statements
For the year ended 30 June 2018

Reporting entity

Regenerate Christchurch is a body corporate established under the Greater Christchurch Regeneration Act 2016 on 8 April 2016.

It is jointly owned by the Christchurch City Council (Council) and the New Zealand Government (Crown).

The establishment and structure of Regenerate Christchurch signals a shift towards locally-led regeneration. It builds on and continues the work that the Council and the Crown have already undertaken since the Canterbury earthquakes.

Regenerate Christchurch is at the heart of leading our city from recovery to regeneration. We want Christchurch to be a vibrant city that has opportunities for people to grow, connect and thrive. Our contribution will be through regeneration plans and leadership that will transform Christchurch.

Sections 19 to 24 of the Crown Entities Act 2004 apply to Regenerate Christchurch (as if Regenerate Christchurch were a Crown entity) subject to certain modifications as detailed in the Greater Christchurch Regeneration Act 2016.

Section 49 of the Public Finance Act 1989 applies to Regenerate Christchurch as if Regenerate Christchurch were a Crown entity.

These forecast financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). These forecast financial statements will be the subject of audit.

Forecast financial statements

These forecast financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Greater Christchurch Regeneration Act 2016 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of Regenerate Christchurch including those activities and operations expected to be undertaken during the period covered by these forecast financial statements are outlined in section 2 of the Statement of Performance Expectations. The actual financial results achieved are likely to vary from these forecast financial statements and the variations may be material.

Actual amounts to 30 April 2017 have been incorporated in forecasts to the year ended 30 June 2017.

Statement of Compliance

The forecast financial statements of Regenerate Christchurch have been prepared in accordance with the requirements of PBE FRS-42 Prospective Financial Statements.

Basis of preparation

Reporting Framework

These forecast financial statements of Regenerate Christchurch have been prepared in accordance with the requirements of the Greater Christchurch Regeneration Act 2016, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

For the purposes of complying with NZ GAAP Regenerate Christchurch is a public benefit entity (PBE). Regenerate Christchurch has elected to report in accordance with Tier 2 PBE Standards on the basis that it is not publicly accountable and not large.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Regenerate Christchurch is New Zealand dollars (NZ$).

Changes in accounting policy

There have been no changes in accounting policy. Accounting policies have been applied consistently throughout the period.

Significant accounting policies

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to Regenerate Christchurch and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue from non-exchange transactions:
Revenue from non-exchange transactions is measured at the fair value of the assets (cash) transferred over to Regenerate Christchurch at the time of transfer.

Funding from controlling entities
Regenerate Christchurch is primarily funded by the Crown and Council. The funding is restricted in its use for the purpose of Regenerate Christchurch meeting its objectives as specified in the statement of intent. To the extent that there are conditions attached to the funding that would give rise to a liability to repay the funding amount if Regenerate Christchurch's objectives are not met, a deferred revenue liability is recognised. Revenue is then recognised only once Regenerate Christchurch has satisfied these conditions.

Revenue from exchange transactions:
Interest income
Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Leases

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

Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently Regenerate Christchurch applies the following accounting policies for financial instruments:

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

Trade and other receivables
Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that Regenerate Christchurch will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired.

Financial liabilities at amortised cost
Financial liabilities at amortised cost consists of creditors and other payables.
Financial liabilities at amortised cost are subsequently measured using the effective interest rate method.

Given their short-term nature creditors and other payables are not discounted.

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: leasehold improvements, office equipment and computer equipment. All assets classes are measured at cost, less accumulated depreciation and impairment losses.

Additions
The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Regenerate Christchurch and the cost of the item can be measured reliably. 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 and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in surplus or deficit.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Regenerate Christchurch and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Depreciation
Depreciation is provided on a straight-line basis on all property, plant, and equipment at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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 is reviewed, and adjusted if applicable, at each financial year end.

Impairment of non-financial assets

Impairment of non-cash-generating assets
Regenerate Christchurch's property, plant and equipment and intangible assets are classified as non-cash-generating assets. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Value in use is depreciated replacement cost for the non-cash generating asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where Regenerate Christchurch would, if deprived of the asset, replace its remaining future economic benefit or service potential.

If an asset's carrying amount exceeds its recoverable service amount, the non-cash generating asset is impaired and the carrying amount is written-down to the recoverable service amount. Any impairment loss or reversal of impairment is recognised in surplus or deficit.

Employee entitlements

Short-term employee entitlements
Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

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 an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Equity

Equity is measured as the difference between total assets and total liabilities.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Commitments and contingencies are disclosed exclusive of GST.

Income tax

Under s135 of the Greater Christchurch Regeneration Act, income derived by Regenerate Christchurch is exempt income for the purposes of the Income Tax Act 2007. Therefore, no provision for tax has been made in these financial statements.

Critical accounting estimates and assumptions

In preparing the forecast financial statements, Regenerate Christchurch has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating useful lives and residual values of property, plant, and equipment
At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed.

Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by Regenerate Christchurch, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. Regenerate Christchurch minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

Impairment of non-financial assets – non-cash-generating assets
Regenerate Christchurch reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset.

Where indicators of possible impairment are present Regenerate Christchurch undertakes impairment tests, which require the determination of the asset's fair value less cost to sell and its recoverable service amount. The asset's fair value less costs to sell is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of observable market evidence, fair value is measured using depreciated replacement cost (DRC). The value in use of the asset is calculated using DRC.

DRC is determined by reference to the estimated cost of reproducing the asset or replacing the asset's service potential. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Critical judgements in applying accounting policies

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

Classification of non-financial assets as cash generating assets or non-cash-generating assets

For the purpose of assessing impairment indicators and impairment testing, Regenerate Christchurch classifies non-financial assets as either cash-generating or non-cash-generating assets. Regenerate Christchurch classifies non-financial assets as cash-generating assets if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets held by Regenerate Christchurch are classified as non-cash-generating assets. This includes assets that generate funding revenue or other cash flows for Regenerate Christchurch, as the cash flows generated are generally not sufficient to represent commercial return on the assets.

Assumptions, risks and uncertainties underlying the forecast financial statements

The forecast financial statements are unaudited. The main assumptions underlying the forecast figures are as follows:

- Existing government policies and Ministerial expectations at the time the statements were finalised will continue to be effective throughout 2017/2018. This is expected to be the case.
- The entity's main activities will remain substantially the same as for the previous year. This is expected to be the case.
- Operating costs are based on historical experience.

Published in June 2017 by
Regenerate Christchurch
Christchurch, New Zealand.

Presented to the House of Representatives pursuant to Schedule 5, Part 2, clause 60(3) of the Greater Christchurch Regeneration Act 2016.

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