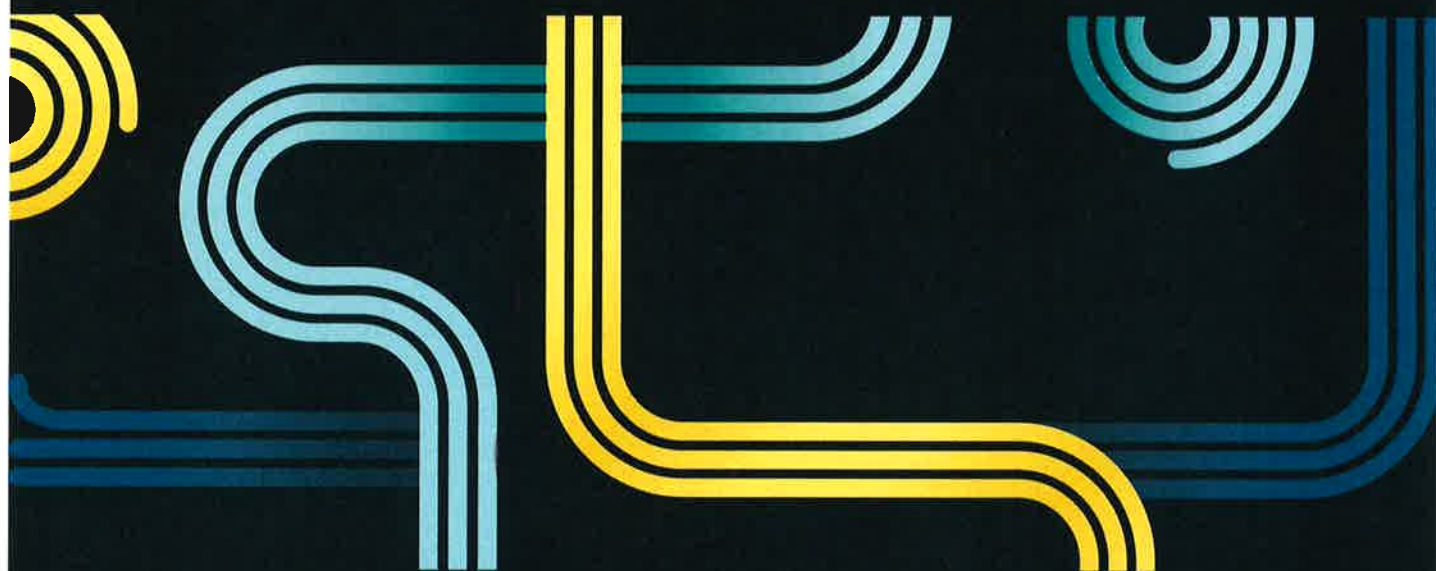


# Regenerate Christchurch

Statement of Performance Expectations  
For the period from 1 July 2018 to 30 June 2019



REGENERATE  
CHRISTCHURCH  
TE KOWATAWATA



## INTRODUCTION

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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 2018/2019 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

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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



Sue Sheldon  
Chair

Date 21/06/2018



Richard Holden  
Board Member

Date 21/06/2018

## LEADING REGENERATION IN CHRISTCHURCH

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Regeneration brings more vibrancy and sustainability to communities, the environment and the economy. And a long-term view is essential. So too is a commitment to seeking new ideas, being innovative and challenging the status quo while respecting cultural and social heritage.

Regenerate Christchurch's objectives are to lead regeneration within the Christchurch district by engaging and working with communities, stakeholders, business leaders and decisionmakers. We know our work will have an enduring impact on our city and those who live in it now and into the future through unblocking opportunities for regeneration, creating an attractive and sustainable urban environment and enhancing the capacity, capability and resilience of the community.

This document outlines how, during 2018 and 2019, we will deliver outputs that drive genuine regeneration within the context of shareholder expectations and competing demands for public investment.

But we must not only deliver outputs of value for the future of our city, we must also demonstrate our value.

While the provision of advice through activity such as the development of Regeneration Plans requires a level of independence, we do not work in isolation and are committed to ongoing, meaningful engagement with our shareholders.

This Statement of Performance Expectations document is a cornerstone of our commitment to that.

## OUTPUT CLASSES

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Regenerate Christchurch is a special-purpose statutory entity established on 8 April 2016 pursuant to the Greater Christchurch Regeneration Act 2016 (GCR Act). It is governed by the Board of Regenerate Christchurch and funded by the Christchurch City Council (Council) and the Crown.

Regenerate Christchurch's Letter of Expectations recognises that we are intended to remain a small, lean organisation that makes the full use of the capacity and skills of central and local entities to undertake resource-intensive or specialised aspects of work. We are also reliant on other organisations to collaborate with us to ensure that our work produces regeneration initiatives that can be delivered. To this end, we commit to working closely with partners to ensure initiatives can be implemented.

Our work will transform the city, attract new investment, encourage innovative solutions and promote confidence. To do this we will need to meet our statutory objectives of:

- leading regeneration in the area of Christchurch district that falls within greater Christchurch (Christchurch);
- engaging and advocating effectively with communities, stakeholders, and decision makers; and
- working collaboratively with others in achieving regeneration.

Regenerate Christchurch is required to achieve broad reach and support for our engagement planning. Meaningful and authentic engagement often requires us, and our regeneration partners, to consider and make changes to our projects and phases within projects. This sometimes leads to changes in scope and/or timeframes and potentially budgeting.

Regenerate Christchurch will also input into the Council and the Department of Prime Minister and Cabinet's annual reporting and monitoring process.

This Statement of Performance Expectations sets out the three output classes that Regenerate Christchurch will deliver in the 2018/19 financial year.

## Output Class One: Leading the Regeneration of Christchurch

This output class groups together the initiatives that contribute to Regenerate Christchurch leading regeneration. Regenerate Christchurch will provide independent and reliable advice to the Crown and Council on priorities and mechanisms to increase momentum and achieve regeneration outcomes.

This output class will focus on:

- Advising the Crown and Council on decisions and actions necessary to advance regeneration for the central city and Christchurch by engaging specialist skillsets that lead regeneration
- Commenting on the contribution of other agencies and providing expert regeneration advice across all regeneration actions and activities in Christchurch
- Reviewing and advising on the effectiveness of activities of other agencies to deliver regeneration outcomes

The targets for Output Class One: Leading the Regeneration of Christchurch are set out in the following table:

1 July 2018 to 30 June 2019	
<b>Leading the Regeneration of Christchurch</b> - this output class groups together the initiatives that contribute to Regenerate Christchurch leading regeneration. It will focus on what is required to increase regeneration of the central city and Christchurch. It will support the identification of other regeneration opportunities, and the provision of ongoing advice on identification and prioritisation of opportunities, to use the tools of the Greater Christchurch Regeneration Act 2016.	
1 July 2018 to 31 December 2018	1 January 2019 to 30 June 2019
<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Further central city deliverables scoped and agreed with shareholders following delivery of initial advice.</li> <li>• The Delivery Strategy for Cathedral Square will be finalised by the end of Quarter 1 2018/19. This will set out the delivery pathway for the design strategy (vision).</li> <li>• Provide a recommendation on the Cathedral construction management area allowed in Cathedral Square.</li> <li>• Complete an enhanced framework for identifying and assessing proposals by understanding their capacity to augment regeneration. (The framework will take into account the fact that the tools in the GCR Act will expire in 2021).</li> <li>• Use the enhanced framework to undertake an initial assessment of potential regeneration activities, subject to stakeholder feedback.</li> </ul>	<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Deliver further central city work programme.</li> <li>• Deliver further work programme relating to the enhanced framework.</li> </ul>

<ul style="list-style-type: none"> <li>Any activities that are approved for further work would be set up as formal work projects under Output Class Two (Delivering Regeneration in Christchurch).</li> </ul>	
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## Output Class One: Leading the Regeneration of Christchurch - Revenue and Output Expenses

	2018/19 Prospective Unaudited
<b>Revenue</b>	
Crown	1,178,253
Council	1,178,253
<b>Total Revenue</b>	<b>2,356,506</b>
<b>Expenditure</b>	
Leading the Regeneration of Christchurch	2,356,506
<b>Total Expenditure</b>	<b>2,356,506</b>
<b>Net Surplus/(Deficit)</b>	<b>-</b>

Output Class One includes costs directly attributable to Leading the Regeneration of Christchurch, and includes an allocation of organisational overheads.

## Output Class Two: Delivering Regeneration in Christchurch

This output class will focus on delivering visions, strategies and Regeneration Plans to add value and deliver social, cultural, environmental and economic regeneration outcomes for Christchurch. In particular, it will determine the long-term use and regeneration of residential red zone land in Christchurch through the development of visions, strategies and Regeneration Plans.

This output class will focus on:

- Delivering realistic, achievable and outcomes focussed visions, strategies and Regeneration Plans.

The targets for Output Class Two: Delivering Regeneration in Christchurch are set out in the following table:

1 July 2018 to 30 June 2019	
<b>Ōtākaro Avon River Corridor</b> – to develop a Regeneration Plan for the Ōtākaro Avon River Corridor Regeneration Area to enable short, medium and long term uses of land within the Area that will contribute to, and support, the regeneration of Christchurch.	
<b>1 July 2018 to 31 December 2018</b>	<b>1 January 2019 to 30 June 2019</b>
<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Draft Regeneration Plan provided to parties specified in Section 29(1) of the GCR Act to seek their views</li> <li>• Draft Regeneration Plan publicly notified.</li> </ul>	<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Finalised Draft Regeneration Plan submitted to the Minister for consideration by the end of Quarter 3 2018/19.</li> </ul>
<b>Southshore and South New Brighton</b> - to develop a regeneration strategy that sets out the short, medium and long-term approach to adaptation to sea level rise, climate change and the social, environmental, cultural and economic effects together with a draft implementation plan.	
<b>1 July 2018 to 31 December 2018</b>	<b>1 January 2019 to 30 June 2019</b>
	<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Deliver the regeneration strategy to Crown, Christchurch City Council and Environment Canterbury for consideration.</li> </ul>
<b>Delivery of Regeneration Planning Initiatives</b> - deliver the regeneration activities identified in Output Class One.	
<b>1 July 2018 to 31 December 2018</b>	<b>1 January 2019 to 30 June 2019</b>
<b>Output measure:</b> Outputs for this work will be activities or projects determined after identification and assessment under Output Class One. This may include the preparation of Regeneration Plans or proposals for the use of s71 of the GCR Act. They will be subject to Regenerate Christchurch Board approval.	

## Output Class Two: Delivering Regeneration in Christchurch - Revenue and Output Expenses

	<b>2018/19 Prospective Unaudited</b>
<b>Revenue</b>	
Crown	3,476,503
Council	3,476,503
<b>Total Revenue</b>	<b>6,953,006</b>
<b>Expenditure</b>	
Ōtākaro Avon River Corridor	3,586,277
Southshore and South New Brighton	1,427,478
Delivery of Regeneration Planning Initiatives	1,939,251
<b>Total expenditure</b>	<b>6,953,006</b>
<b>Net Surplus/(Deficit)</b>	<b>-</b>

Output Class Two includes costs directly attributable to Delivering Regeneration in Christchurch, and includes an allocation of organisational overheads.



## Output Class Three: Facilitating the Regeneration of Christchurch

This output class groups together the known, new and likely initiatives being progressed by others, where Regenerate Christchurch can contribute to enable regeneration.

This output class focuses on:

- The provision of views on Regeneration Plans or the exercise of powers in section 71 of the GCR Act in Christchurch, and the provision of advice to the Minister for Greater Christchurch Regeneration. Possible proponents include Christchurch City Council, Environment Canterbury, Te Rūnanga o Ngāi Tahu or the chief executive (currently of DPMC).
- The provision of views on any Regeneration Plans or the exercise of powers in section 71 of the GCR Act for an area outside Christchurch. Possible proponents include, Environment Canterbury, Selwyn District Council, Waimakariri District Council or Te Rūnanga o Ngāi Tahu.

This output class will focus on:

- Facilitating the use of the GCR Act by the proponents listed above to achieve regeneration outcomes

The performance targets for Output Class Three: Facilitating the Regeneration of Christchurch are set out in the following table:

1 July 2018 to 30 June 2019	
<b>Canterbury Sports Ltd (at Yaldhurst)</b> - section 71 provision of advice on the proposal for Canterbury Sports Ltd at Yaldhurst.	
1 July 2018 to 31 December 2018	1 January 2019 to 30 June 2019
<b>Output measure:</b> <ul style="list-style-type: none"> <li>• Regenerate Christchurch provides its views on the finalised proposal to the Minister as soon as practicable after receiving the finalised proposal from Christchurch City Council (Under s66 of the Greater Christchurch Regeneration Act 2016).</li> </ul>	<b>Output measure:</b> None expected.
<b>Timely responses to any new regeneration initiatives by proponents</b> - respond in a timely manner to any new regeneration proposals and requests for regeneration advice under the GCR Act initiated by any other proponents. Regenerate Christchurch will provide views, advice, and recommendations, including on the use of planning instruments developed under the GCR Act.	
1 July 2018 to 31 December 2018	1 January 2019 to 30 June 2019
<b>Output measure:</b> Outputs for this work package are determined on a case by case basis as required.	<b>Output measure:</b> Outputs for this work package are determined on a case by case basis as required

## Output Class Three: Facilitating the Regeneration of Christchurch - Revenue and Output Expenses

	2018/19 Prospective Unaudited
<b>Revenue</b>	
Crown	321,784
Council	321,784
<b>Total Revenue</b>	<b>643,568</b>
<b>Expenditure</b>	
Statutory Response Function	643,568
<b>Total Expenditure</b>	<b>643,568</b>
<b>Net Surplus/(Deficit)</b>	<b>-</b>

Output Class Three includes costs directly attributable to Facilitating the Regeneration of Christchurch, and includes an allocation of organisational overheads.

## FORECAST FINANCIAL STATEMENTS – YEAR ENDED 30 JUNE 2019

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## Statement of forecast comprehensive income

### For the year ended 30 June 2019

	2018/2019 Forecast	2017/2018 Actual & Forecast
<b>Income</b>		
<i>Revenue from non-exchange transactions</i>		
Funding - Crown	5,072,000	4,000,000
Funding - Council	4,000,000	4,000,000
<i>Revenue from exchange transactions</i>		
Interest received	29,076	87,309
	<u>9,101,076</u>	<u>8,087,829</u>
<b>Expenses</b>		
Operating Expenditure	(4,935,472)	(4,815,265)
Employee expenditure	(4,094,493)	(3,816,539)
Board remuneration	(250,000)	(237,971)
Office premises expenditure	(237,342)	(220,597)
Other expenses	(328,481)	(451,713)
Depreciation and amortisation	(107,292)	(107,292)
	<u>(9,953,080)</u>	<u>(9,649,377)</u>
<b>Net income and total comprehensive income attributable to owners</b>	<u>(852,004)</u>	<u>(1,562,068)</u>
<b>Opening retained earnings</b>	1,058,502	2,620,570
<b>Net income and total comprehensive income</b>	<u>(852,004)</u>	<u>(1,562,068)</u>
<b>Closing retained earnings</b>	<u>\$206,498</u>	<u>\$1,058,502</u>

#### Appropriation of funding

The multi-year appropriation of funding over the defined life of Regenerate Christchurch allows expenditure to be planned in accordance with its work programme. As such, expenditure may not align to the annual appropriation of funding within these forecast financial statements. Where expenditure is less than the appropriation of funding for a year, this surplus is accumulated within retained earnings in order to fund expenditure in years where the expenditure is greater than funding appropriated.

This statement should be read in conjunction with the five-year operational budget and funding statement on page 16.

The accompanying notes form part of these forecast financial statements.

**Statement of forecast financial position**  
**As at 30 June 2019**

	2018/2019	2017/2018
	Forecast	Actual & Forecast
Equity	<u>\$206,498</u>	<u>\$1,058,502</u>
Represented by:		
Current assets		
Cash and cash equivalents	577,778	1,532,846
GST refund due	-	242,453
	<u>577,778</u>	<u>1,775,299</u>
Non-current assets		
Property, plant and equipment	214,278	321,570
	<u>214,278</u>	<u>321,570</u>
Total assets	<u>\$792,056</u>	<u>\$2,096,869</u>
Current liabilities		
Creditors and other payables	523,542	1,038,367
GST payable	62,016	-
Total liabilities	<u>\$585,558</u>	<u>\$1,038,367</u>
Net assets	<u>\$206,498</u>	<u>\$1,058,502</u>

The accompanying notes form part of these forecast financial statements.

**Statement of forecast changes in equity**  
**For the year ended 30 June 2019**

	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2018	-	1,058,502	1,058,502
Net income and total comprehensive	-	(852,004)	(852,004)
Balance at 30 June 2019	-	<u>\$206,498</u>	<u>\$206,498</u>
Balance at 1 July 2017	-	2,620,570	2,620,570
Net income and total comprehensive	-	(1,562,068)	(1,562,068)
Balance at 30 June 2018	-	<u>\$1,058,502</u>	<u>\$1,058,502</u>

The accompanying notes form part of these forecast financial statements.

## Statement of forecast cash flows

### For the year ended 30 June 2019

	2018/2019 Forecast	2017/2018 Actual & Forecast
<b>Operating activities</b>		
<b>Cash provided from:</b>		
Funding received from controlling entities	9,072,000	8,000,000
Interest received	29,076	87,309
Net movement in GST	<u>237,318</u>	<u>-</u>
	9,338,394	8,087,309
<b>Cash applied to:</b>		
Payments to suppliers	6,198,969	5,589,384
Payments to employees	4,094,493	3,945,815
Net movement in GST	<u>-</u>	<u>199,196</u>
	10,293,462	9,734,395
<b>Net cash inflow (outflow) from operating activities</b>	(955,068)	(1,647,086)
<b>Investing activities</b>		
<b>Cash was applied to:</b>		
Assets purchased	<u>-</u>	<u>25,349</u>
	-	25,349
<b>Net cash inflow (outflow) from investing activities</b>	-	(25,349)
<b>Net increase (decrease) in cash held</b>	(955,068)	(1,672,435)
Add opening cash brought forward	<u>1,532,846</u>	<u>3,205,281</u>
<b>Ending cash carried forward</b>	<u>\$577,778</u>	<u>\$1,532,846</u>
<b>Cash balances in the statement of financial position</b>		
Cash and cash equivalents	<u>577,778</u>	<u>1,532,846</u>
<b>Ending cash carried forward</b>	<u>\$577,778</u>	<u>\$1,532,846</u>

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

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	Total
	Actual	Actual	Actual/Forecast	Forecast	Forecast	Forecast	Actual/Forecast
<b>Income</b>							
<i>Revenue from non-exchange transactions</i>							
Funding - Crown	2,258,952	4,000,000	4,000,000	5,072,000 <sup>1</sup>	4,000,000	4,000,000	23,330,952
Funding - Council	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
<i>Revenue from exchange transactions</i>							
Interest received	5,998	70,101	87,309	29,076	28,537	25,112	246,133
	2,264,950	8,070,101	8,087,309	9,101,076	8,028,537	8,025,112	43,577,085
<b>Expenses</b>							
Operating expenditure	745,450	4,122,343	4,815,265	4,935,472	3,915,038	3,793,735	22,327,304
Employee expenditure	26,799	1,891,436	3,816,539	4,094,493	4,216,362	2,472,021	16,517,650
Board remuneration	52,389	230,000	237,971	250,000	250,000	250,000	1,270,360
Office premises expenditure	16,600	82,654	220,597	237,342	242,300	247,284	1,046,777
Other expenses	102,616	362,410	451,713	328,481	335,366	323,457	1,904,043
Depreciation and amortisation	3,016	78,768	107,292	107,292	107,292	107,292	510,952
	946,870	6,767,611	9,649,376	9,953,081	9,066,358	7,193,789	43,577,085
<b>Net income and total comprehensive income attributable to owners</b>	<b>1,318,080<sup>2</sup></b>	<b>1,302,490<sup>2</sup></b>	<b>(1,562,068)</b>	<b>(852,004)</b>	<b>(1,037,821)</b>	<b>831,323</b>	<b>-</b>

<sup>1</sup> 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.

<sup>2</sup> Some expenditure items have been re-categorised in the year ended 30 June 2018 to reflect their nature. Amounts shown in the 2015/16 and 2016/17 financial years have been restated to allow for accurate comparison of expenditure.



## Notes to the forecast financial statements

### For the year ended 30 June 2019

#### 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 31 March 2018 have been incorporated in forecasts for the year ended 30 June 2018.

#### 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 assets' 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 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 2018/2019. 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.

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