Statement of Performance Expectations

For the year ending 30 June 2015

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1. Introduction

We are pleased to present the Statement of Performance Expectations (SPE) for the Tāmaki Redevelopment Company Limited (TRC).

This SPE is submitted by the Board of Directors of TRC pursuant to the Crown Entities Act 2004. It sets out the performance expectations of TRC for the year ending 30 June 2015.

Statement of Responsibility

The Board is responsible for the statements contained in TRC's Statement of Performance Expectations and for the appropriateness of the assumptions as well as the relevant disclosures made in them.

The Board of TRC has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

Signed on behalf of the Board:

Brian Donnelly
Chair

20 February 2015
Date

Dr. Susan Macken
Deputy Chair

20 February 2015
Date

2. Output Class: Tamaki Regeneration, Vote Housing

For the year ending 30 June 2015, TRC only has one output class; Tāmaki Regeneration under Vote Housing. Therefore, budgeted revenue earned and expenses to be incurred for this output class and for TRC as a whole are disclosed in the Statement of Forecast Comprehensive Income on page 6.

Targeted outcomes for TRC for the year ending 30 June 2015 are outlined in the table below.

Target Area	Programme	Targeted Outcomes *(1 July 2014 to 30 June 2015)*
1. Implement Neighbourhood Regeneration	**Fenchurch**	• Completion of 32 warm, healthy homes in a well-designed neighbourhood • Tāmaki commitment up-held • Stream daylighting concepts complete • Community and neighbourhood support for the programme • Training/skills placements for Tāmaki residents • Safety project delivered jointly with residents • ECE build, fit out, operational & governance arrangements complete • Scout Hall build, fit out governance arrangements complete • Master Planning for subsequent Fenchurch development completed
	Overlea	• Overlea neighbourhood plan and master plan completed • Community and neighbourhood support for the programme • Training/skills placements for Tāmaki residents • Information HUB established
	Maybury	• Maybury Precinct Plan finalised with support of key stakeholders
	Derna & Tobruk	• Derna & Tobruk neighbourhood plan and master plan completed with participation of residents & key stakeholders • Community and neighbourhood support for the programme • Agreement on future land use for the Tāmaki Intermediate site
	General Neighbourhood Initiatives	• Tāmaki South (Panmure) Special Housing Area approved • Unitary Plan submissions made and meetings held. • Catalysing private sector upgrades developments in SHA areas • Housing typologies guidelines and case studies complete • Research completed on alternative construction methods • Guidelines for environmental standards complete
	General Neighbourhood Specific Place-making Initiatives	• Neighbourhood-specific placemaking initiatives as identified in the BIP negotiated and agreed with shareholders
2. Strategic Place-making initiatives Tāmaki-wide	**Community Facilities**	• Ruapotaka Marae feasibility study and reserve master plan complete with Local Board • Ruapotaka Marae capacity building programme defined • Pilot collaborative delivery partnership with the Local Board
	Parks and Reserves	• Concept Plan for Maybury Reserve complete, with all major parties participating in the design (Auckland Council, HNZC, Local Board, TRC, residents)
	Non-Housing Precincts	• Investment proposition for University of Auckland site completed • Tāmaki Implementation Plan completed • Glen Innes Town Centre catalyst projects identified & feasibilities completed.
	General	• Community support for the strategic place making initiatives Tāmaki-wide • Work with Auckland Council on the Auckland Council Mixed Tenure workshops. • Tāmaki projects proposed, negotiated and included in the Auckland Council LTP process • Approach to reinvestment of development contributions agreed with Council • Cultural map converted to digital format and launched to Tāmaki schools
3. Deliver Tāmaki	**Skills and employment (Youth focus)**	• Skills development strategy complete (construction and non-construction, targeted at Tāmaki residents) • Implement Skills Development strategy. (construction and non-

Target Area	Programme	Targeted Outcomes *(1 July 2014 to 30 June 2015)*
wide outcomes		construction, targeted at Tāmaki residents) • More youth "work ready" (have a driver's license, 80 unemployed youth up-skilled for interviews and the workplace) • More families, especially Maori and Pacific making better financial decisions (financial literacy delivered to 12 coaches, 100 participants) • More youth engaged in skills programmes (music projects implemented in schools) • Emerging leaders programme concept defined
	Safety and Security	• Implement an "at risk" youth strategy and support community patrols • Five-year community safety plan developed with buy-in from key stakeholders • Implement community patrols support plan
	Education	• 87% attendance in ECE (implement Year One of the Tāmaki ECE strategy) • Outline an integrated approach to education strategy
	Children's Wellbeing	• Plan defined to alleviate poverty in Tāmaki in partnership with key stakeholders • Tornadoes basket-ball club becomes self-sustaining • Implement mental health pilot in partnership with DHB
	Community Support for the Regeneration Program	• Community support for and engagement for the Tāmaki wide outcomes
	Economic Growth	• Economic development plan complete • Social procurement framework complete
4. Establish best practice model for regeneration in Tāmaki	**Embed an operating model to attain quality regeneration outcomes in a timely and value for money manner**	• Support the development of new operating model • Mapped expenditure of NGOs, Crown and council for social and economic outcome across Tāmaki • All internal processes right sized and embedded • Measurement framework implemented • Deepen community integration into the regeneration programme
	Capacity building to enable local entities to deliver regeneration in the long term	• Community support for and engagement for the Tāmaki wide outcomes • Enhancement of the community's ability to deliver regeneration in the long term (Invest in capacity building for local NGO's and community groups)
	Develop best practice approach for delivering housing and design outcomes	• Implementation of actions in the affordable homes strategy • The local structure for CHPs to operate is defined

3. Forecast Financial Statements

Tāmaki Redevelopment Company Limited
Forecast Financial Statements
For the year ending 30 June 2015

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Statement of Forecast Comprehensive Income
For the year ending 30 June 2015

	2014 Actual $000's	**2015** Forecast $000's
Income		
Revenue from non-exchange transactions		
Funding from controlling entities	4,484	3,520
ECE Grant from Ministry of Education	0	766
Revenue from exchange transactions		
Interest income	85	140
Total income	**4,569**	**4,426**
Expenses		
Personnel costs	1,719	2,497
Directors fees	186	220
Contractors and temporary staff	1,104	0
Programme expenditure	1,151	5,170
Other professional services	117	76
Depreciation and amortisation	139	140
Other expenses	565	645
Total expenses	**4,981**	**8,748**
Net (deficit) and total comprehensive (loss) attributable to owners	**(412)**	**(4,322)**

The accompanying notes form part of these forecast financial statements.

Statement of Forecast Financial Position
As at 30 June 2015

	2014	2015
	Actual	Forecast
ASSETS	$000's	$000's
Current assets		
Cash and cash equivalents	4,557	534
Trade and other receivables	189	329
Prepayments	18	32
Total current assets	4,764	895
Non-current assets		
Property, plant and equipment	454	332
Intangible assets	19	9
Total non-current assets	473	340
Total assets	**5,237**	**1,235**
LIABILITIES		
Current liabilities		
Creditors and other payables	424	744
Employee entitlements	60	60
Total current liabilities	484	804
Total liabilities	**484**	**804**
Net assets	**4,753**	**431**
Share capital	8,500	8,500
Retained earnings	(3,747)	(8,069)
Total equity	**4,753**	**431**

The accompanying notes form part of these forecast financial statements.

For and on behalf of the Board who authorise the issue of the forecast financial statements on 20 February 2015.

Director
20 February 2015

Director
20 February 2015

Statement of Forecast Changes in Equity
For the year ending 30 June 2015

	Share capital $000's	Forecast Retained deficit $000's	Total equity $000's
As at 1 July 2013	8,500	**(3,335)**	**5,165**
Net (deficit) and total comprehensive (loss)	-	(412)	(412)
As at 30 June 2014	8,500	**(3,747)**	4,753
As at 1 July 2014	8,500	**(3,747)**	**4,753**
Net (deficit) and total comprehensive (loss)	-	(4,322)	(4,322)
As at 30 June 2015	8,500	**(8,069)**	**431**

The accompanying notes form part of these forecast financial statements.

Statement of Forecast Cash Flows
For the year ending 30 June 2015

	2014	2015
	Actual	Forecast
Cash flows from operating activities	$000's	$000's
Cash provided from:		
Funding from controlling entities	4,484	3,520
Interest received	85	140
ECE Grant from Ministry of Education	0	766
Goods and services tax (net)	28	0
Total cash provided	**4,597**	**4,426**
Cash applied to:		
Payments to suppliers	(3,683)	(5,804)
Payments to employees	(1,640)	(2,497)
Goods and services tax (net)	0	(140)
Total cash applied	**(5,323)**	**(8,441)**
Net cash from operating activities	**(726)**	**(4,015)**
Cash flow from investing activities		
Cash applied to:		
Purchase of property, plant and equipment	(15)	(5)
Purchase of intangible assets	(7)	(3)
Net cash applied to investing activities	**(22)**	**(8)**
Net (decrease) in cash and cash equivalents	**(748)**	**(4,023)**
Opening cash and cash equivalents	5,305	4,557
Closing cash and cash equivalents	**4,557**	**534**

The accompanying notes form part of these forecast financial statements.

Notes to the Forecast Financial Statements
For the year ending 30 June 2015

Statement of Accounting Policies

REPORTING ENTITY

Tamaki Redevelopment Company Limited (TRC) is jointly owned by Auckland Council (Council) and the New Zealand Government (Crown). TRC operates with the objectives of housing, economic development, social renewal, and spatial regeneration in the Tamaki area.

TRC is a Crown entity as defined by the Crown Entities Act 2004 and a Schedule 4A entity under the Public Finance Act 1989. TRC is incorporated in New Zealand under the Companies Act 1993.

These forecast financial statements for the year ending 30 June 2015 were approved by the Board on 20 February 2015.

FORECAST FINANCIAL STATEMENTS
These forecast financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRC 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 for the year ending 30 June 2015 are likely to vary from these forecast financial statements and the variations may be material. Actual amounts to 31 December 2014 have been incorporated in forecasts to the year ending 30 June 2015.

Statement of Compliance
The forecast financial statements of TRC 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 TRC have been prepared in accordance with the requirements of the Crown Entities Act 2004, 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 TRC is a public benefit entity (PBE). TRC 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 thousand dollars ($000). The functional currency of TRC is New Zealand dollars (NZ$).

First-time adoption of PBE Standards
This is the first set of forecast financial statements that have been prepared in accordance with PBE standards. TRC has previously reported in accordance with NZ IFRS (PBE). Significant changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 23 Revenue from Non-Exchange Transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

PBE IPSAS 23 requires revenue from non-exchange transactions, to be recognised as revenue as soon as the inflow of resources is recognised as an asset in the financial statements, unless the inflow of resources meets the definition and recognition criteria of a liability. Non-exchange revenue can only be deferred if there are conditions attached to the revenue that require the return of the cash (or other resources transferred) if these conditions are not fulfilled.

TRC has identified funding from controlling entities and ECE Grant funding as being revenue from non-exchange transactions. TRC has assessed that the accounting treatment for funding from controlling entities and grants applied under NZ IFRS (PBE) is materially consistent with the requirements of PBE IPSAS 23, and therefore no adjustments are required.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

<u>Revenue from non-exchange transactions:</u>

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

Funding from controlling entities

TRC is primarily funded by the Crown and Council. The funding is restricted in its use for the purpose of TRC 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 TRC's objectives are not met, a deferred revenue liability is recognised. Revenue is then recognised only once TRC has satisfied these conditions.

ECE grant from Ministry of Education

Revenues from the Ministry of Education grant is recognised when TRC obtains control of the transferred asset (i.e. cash), and the transfer is free from conditions that require the asset to be refunded or returned to the Ministry of Education if the conditions are not fulfilled.

<u>Revenue from exchange transactions:</u>

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 TRC applies the following accounting policies for financial instruments:

(i) 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.

(ii) Loan and receivables

Loans and receivables consist of trade and other receivables.

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 TRC 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.

(iii) 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 TRC 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 TRC 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. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Leasehold improvements	5 years	20%
Office equipment	5 years	20%
Computer equipment	5 years	20%

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

TRC'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 assets 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 TRC would, if deprived of the asset, replace its remaining future economic benefit or service potential.

If an assets 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. Equity is disaggregated and classified into the following components:
• retained earnings; and
• share capital.

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

On 11 April 2014, IRD presented to TRC their view that TRC is a “public authority” for the purposes of section CW 38 of the Income Tax Act 2007. TRC agrees with and has adopted this view and deems itself as exempt from Income Tax. Therefore, no provision for tax has been made in these financial statements.

Critical accounting estimates and assumptions

In preparing the forecast financial statements, TRC 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 TRC, 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. TRC 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.

TRC has not made significant changes to past assumptions concerning useful lives and residual values.

Impairment of non-financial assets – non-cash-generating assets

TRC 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 TRC 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, TRC classifies non-financial assets as either cash-generating or non-cash-generating assets. TRC 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 TRC are classified as non-cash-generating assets. This includes assets that generate funding revenue or other cash flows for TRC, 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 2014/2015. This is expected to be the case.
- The company'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. Based on experience, operating expenses are expected to grow by 2%. The general historical pattern is expected to continue.
- The following economic assumptions will eventuate:

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +1.6%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Company's costs and revenues.

The actual results achieved for the period covered by the forecast figures are likely to vary from actual results for the year 2014/2015, and these variances may be material.
Factors that could lead to material differences between the forecast financial statements and the 2014/2015 actual financial statements, in addition to the sources of uncertainty mentioned above, include changes to the baseline budget through new initiatives or technical adjustments. It is not intended that these forecast financial statements be updated subsequent to publication.