

Annual Report 2014



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Chief Executive's Foreword

The process of recovery and rebuild is now well underway in greater Christchurch. This year we have made real progress. Much of the infrastructure is now repaired, new buildings and community facilities are under construction, many more homes have been repaired or rebuilt and central city projects are underway. There is now a real sense that the recovery is moving forward rapidly.

This Annual Report for the year to 30 June 2014 outlines the significant progress being made by the Canterbury Earthquake Recovery Authority (CERA) in leading, coordinating and partnering with agencies and communities to ensure the recovery and rebuild happen.

I am particularly proud of the commitment that my team here at CERA have to this recovery process. They have worked long hours over the past year, remaining positive about the huge task we have and the challenges that arise. Thank you for your resilience and your goodwill.

Major milestones met during this period include:

- coordinating and progressing the 23 programmes underway in the *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha* around: economic recovery; finance and funding; land remediation and house repair/rebuild; sports, recreation; arts and culture; and community resilience
- completing the zoning (and review) process for all Port Hills areas, with 96 per cent of Crown offers accepted by all red-zone property owners
- progressing design of 9 of the 16 anchor projects underway.

I am keenly aware of the high expectations out there for the recovery to move quickly. For some people, the journey remains difficult. These people are very much on our minds every day as we work to make this recovery happen.

I want to thank the elected members and staff of our strategic partners – Christchurch City Council, Waimakariri District Council, Selwyn District Council, Environment Canterbury and Te Rūnanga o Ngāi Tahu – and those in the many agencies, non-governmental organisations and community groups who have worked alongside us during this year.

I would also like to thank businesses, investors and developers for showing their confidence in the rebuild and development of the city. Without their contribution, the recovery would not be as far ahead as it is.

But most of all I would like to thank all the residents of greater Christchurch who have contributed their ideas and energy to the recovery.



Roger Sutton
Chief Executive

Nature and Scope of Functions

Scope

CERA provides services to the Minister and Associate Minister for Canterbury Earthquake Recovery within the parameters of the Canterbury Earthquake Recovery Act 2011 (the CER Act).

Purpose

Our purpose is to lead and partner with communities to return greater Christchurch to a prosperous and thriving place to work, live and play, as quickly as possible.

CERA administers the CER Act. This is reviewed annually to ensure that it is operating effectively to meet the Government's priorities and policy objectives.

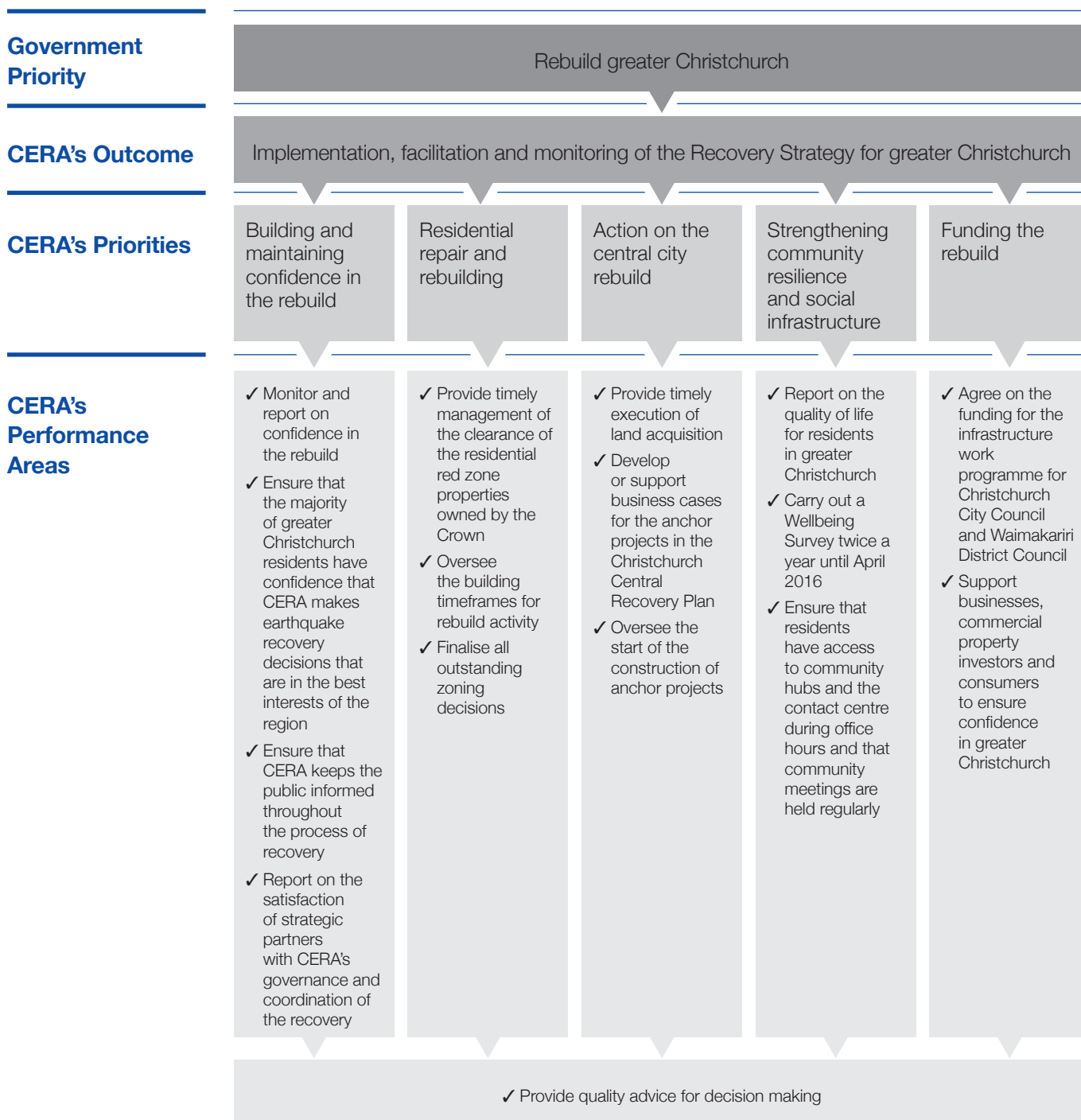
Structure

CERA delivers services to greater Christchurch through five operational units.

- Social and Cultural Recovery is responsible for strengthening community resilience and enhancing residents' quality of life. It plays a major role in providing information, engagement, support and assistance to affected residents and communities. This unit incorporates Community and Customer Services, Community Resilience, Effective Government Services, Social and Cultural Outcomes, Housing Recovery and the Residential Red Zone Recovery.
- Strategy and Governance provides a range of services to help CERA operate efficiently and with maximum impact. The Strategy and Governance Group encompasses Legal, Policy, Recovery Strategy and Planning, Ministerial and Executive Services, and Recovery Monitoring.
- Implementation/Christchurch Central Development Unit contains a number of teams who provide clear leadership for the recovery of the central city and manage the clearance of earthquake-damaged structures. Teams in this unit include Christchurch Central Design and Planning, Christchurch Central Project Delivery, Project Delivery, Investment Strategy, Operations and Horizontal Infrastructure.
- Communications keep people informed about the recovery. This group works with stakeholders to plan and manage issues. It also operates CERA's intranet, website and social media presence, assists with publications and presentations and is CERA's contact point for the media.
- Corporate Services incorporates CERA's functions of: Finance; People, Capability and Performance; and Information Services and Technology. Core corporate services are delivered to CERA operational units through a shared services model with backbone infrastructure provided by the Ministry of Social Development.

Operating Intentions

CERA's operating intentions to achieve a focused, timely and expedited recovery for greater Christchurch for the 2013/14 year were set out in the Statement of Intent 2013–2016 as follows.



The Period in Review

This is the third annual report of the Canterbury Earthquake Recovery Authority (CERA).

CERA was established to lead, facilitate and coordinate the recovery of greater Christchurch following the devastation caused by the February 2011 earthquake and subsequent aftershocks. The 2013/14 year has seen considerable progress with the recovery process, the focus having firmly moved from restoration to the reconstruction and improvement phases. Significant work is now underway and strong relationships have been established that ensure progress continues apace.

In particular, we have a comprehensive work plan to achieve goals set and to monitor progress.

CERA's primary goal is the focused, timely and expedited recovery of greater Christchurch. The following are the five priorities and tasks set out in the CERA work plan.

Build and maintain confidence in the rebuild and recovery

The *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha* has established a programme of work for the recovery process and consolidates CERA's relationship with our strategic partners and the community, as the government department that coordinates action on the 23 programmes underway and monitors their progress. This Strategy has statutory effect in identifying goals for the recovery across six interlinked parts – leadership and integration, and the economic, built, social, cultural and natural environments. These programmes are now well advanced.

In particular, the *Land Use Recovery Plan* (LURP), an Environment Canterbury-led plan, came into effect on 6 December 2013. The LURP puts in place land use policies and rules that will help speed up the recovery and rebuild of communities in greater Christchurch. It provides for the development of an estimated 40,000 residential sections by 2028 and the delivery of up to 10,000 new homes within the next five years, so addressing short- and medium-term housing and business needs. Through changes to the Canterbury Regional Policy Statement and city and district plans, the LURP provides clear direction on where and how new development can occur.

An Accessible City, the transport chapter in the *Christchurch Central Recovery Plan*, was released on 30 October 2013. This provides for more efficient traffic flow in the central city, an increase in walkers, cyclists and bus services, and the location of a Bus Interchange linked to public transport routes and suburban interchanges throughout the city.

The Natural Environment Recovery Programme, another Environment Canterbury-led programme, was launched in November 2013. This programme highlights the links between the natural environment and recovery, with 17 projects led by different organisations in areas most affected by the earthquakes, particularly in the catchments of spring-fed streams, the coastal marine areas and the Port Hills.

The development of these major plans has been coordinated across agencies, particularly with our strategic partners, and in so doing has demonstrated the strong and productive relationships created in these areas.

Residential repair and rebuild

The wellbeing of many households in greater Christchurch has been affected by the loss of, and significant damage to, housing as a result of the earthquakes. Rental affordability and availability, particularly for low-income earners, have been particularly impacted by increased demand for housing from displaced residents and the temporary workforce.

The Housing Recovery Programme aims to restore and enhance wellbeing through CERA-led actions on the repair and rebuild of existing housing and Ministry of Business, Innovation and Employment-led actions on new housing.

CERA works with insurers and other agencies to advance and resolve insurance-related issues for individuals and communities, and to ensure assistance is available. We have increasingly targeted support to the most affected households who are dealing with highly complex and often technical issues such as multi-unit dwellings, cash settlements, retaining walls and flood-prone land.

The Residential Advisory Service provides independent assistance to earthquake-affected residential property owners regarding the repair and rebuild process. During 2013/14 there were 957 meetings with Residential Advisory Service independent advisors, an additional 248 referrals to other agencies and 22 multi-party meetings.

The 'Winter Make It Right' and 'Let's Find & Fix' programmes were responses developed across community and agencies to provide emergency repairs for damaged homes to ensure homes were safe, secure and watertight.

Zoning decisions on damaged flat land across greater Christchurch were completed in 2012. Residential property was zoned red where the land had been so badly damaged by the earthquakes that it was unlikely to be rebuilt on for a prolonged period. Zoning decisions in the Port Hills were based on the risk to life posed by hazards such as cliff collapse and rock roll that were unique to that area. Of the 7,661 red zone properties eligible for a Crown offer across the greater Christchurch area, 7,357 (96 per cent) had settled with the Crown by 30 June 2014.

While final zoning decisions on flat land properties were completed in September 2012, a small number of property owners have delayed their settlement pending resolution of insurance claims or the completion of construction of their new homes.

The Port Hills zoning is now complete with final announcements on the Port Hills zoning review made in December 2013. This review process changed the zoning for 270 properties. Red zone property owners have until February 2015 to accept the Crown offer. Of the 713 red zone properties in the Port Hills, 478 are currently eligible for a Crown offer, and the remainder are vacant, commercial and uninsured properties. On 30 June 2014, 338 (71 per cent) had accepted this offer and, of these, all but 6 had settled their offer.

An offer for owners of vacant land, commercial properties and properties with uninsured homes on the Port Hills red zones is pending until Supreme Court action is completed.

Due to the length of time taken to finalise the zoning review process in the Port Hills and in recognition of the impact this delay had on those affected, considerable effort was put into

the process around delivering the zoning review message to property owners. This included individual phone calls prior to the announcements being made and one-on-one meetings for individual property owners, which were attended by technical staff from both CERA and Christchurch City Council.

CERA has coordinated across agencies to ensure that a range of supports have been in place to assist those in red zone properties with the Crown offer and the settlement process, including making case-by-case extensions to settlement dates based on vulnerability and individual circumstances.

The next phase for Crown-owned properties in the residential red zone is to remove all built structures and clear the land to minimise risks and costs associated with ownership, provide certainty for communities and to facilitate the rebuild of greater Christchurch. In total, 4,845 Crown-owned dwellings were cleared (demolished or relocated) by CERA and insurers by 30 June 2014. CERA has a land clearance programme that involves fencing off cleared areas and re-grassing these areas to stabilise the land.

On 17 April 2014, the Prime Minister announced that a community participation process would be designed for the public to have a say on the future use of the region's residential red zones. This public engagement campaign, led and funded by CERA, is being carried out in 2014/15, in collaboration with Christchurch City Council, Waimakariri District Council, Environment Canterbury and Te Rūnanga o Ngāi Tahu.

Action on the central city rebuild

Real progress is now evident in the central city. With the demolition process almost complete, clear timelines have been set for the design, construction and completion of these projects. Over 2014 and 2015 there will be progress on nine anchor projects.

These anchor projects are being funded through a Cost Sharing Agreement between the Crown and Christchurch City Council made in June 2013. At 30 June 2014, 220 properties have been sold to or acquired by the Crown in the central city (for these anchor projects).

The initial stage of Te Papa Ōtākaro/Avon River Precinct anchor project (Watermark) opened in August 2013. In what is possibly the largest urban river restoration programme in New Zealand, the river is being dredged, the natural environment re-established, and planting and landscaping undertaken. Public spaces, walkways and cycle lanes are being developed along the river to develop a continuous promenade and to connect the public to the newly built city.

Work on the \$300 million Justice and Emergency Services Precinct has started with design complete, ground improvement work underway and building due to begin in July 2014. The Precinct will contain the first major public building to be built by the Government since the earthquakes, and will house all the justice sector agencies (including 19 courtrooms) and the city's civil defence and emergency management services.

Demolitions have been completed on land designated for the new Bus Interchange and construction began at the end of June 2014. The central city transport hub will be linked to suburban hubs and public transport routes to ensure a streamlined public transport service directly into the city. The aim is to make public transport safer and more convenient.

More than 6,000 children took part in the Amazing Place competition in 2013 to develop the new children's playground in the centre city. The Margaret Mahy Family Playground will be built by the middle of 2015.

Other anchor projects in the design stage (and due to begin construction in 2015) include the Convention Centre Precinct, the Central Library and the Canterbury Earthquake Memorial.

Strengthen community resilience and social infrastructure

The Recovery Strategy's goals for social and cultural recovery are to strengthen community resilience, safety and wellbeing and enhance the quality of life for residents as well as renew greater Christchurch's unique identity and vitality expressed through sport, recreation, art, history, heritage and traditions.

These goals are achieved through a diverse work programme of engagement with the community and relevant local and government agencies; the development of a psychosocial strategy and action plan; support for the development of resilience programmes; provision of tools and resources for building communities; bolstering the development and implementation of social infrastructure; and identifying successful innovations and initiatives in Canterbury with the view to encourage their wider application across New Zealand.

The Social and Cultural Recovery Business Group has built and maintains strong working relationships with central and local government agencies, community and non-governmental organisation sectors and local organisations. We work with and support the work of agencies and organisations to develop and/or implement their recovery programmes and initiatives.

In June 2014 CERA launched the *Community in Mind* psychosocial strategy, developed with social sector agencies, local government and non-governmental organisations to guide the programme of work for the effective psychosocial recovery of communities across greater Christchurch over the next five years. A key aim of the strategy is to foster a more coordinated approach to supporting communities and particular population groups and to inform and encourage targeting of support to the most impacted communities. The strategy is the basis for an action plan.

Working in partnership with territorial local authorities, we continue to facilitate collaboration opportunities to develop and redevelop community and public facilities across central and local government, and faith-based, sport, recreation and community organisations.

Supporting and finding solutions for a large migrant workforce now and in the coming years will provide opportunities and challenges as the rebuild advances. Ensuring appropriate and adequate supports and strategies are in place to support the recovery workforce will remain a key feature of our work programme.

The effectiveness of social and cultural recovery is measured through the annual Canterbury Wellbeing Index (a collaborative project across 33 agencies) and the six-monthly Wellbeing Survey which tracks people's wellbeing in greater Christchurch. Emerging issues identified through these monitoring mechanisms inform decision making within CERA and other social sector agencies.

The Canterbury Earthquake Recovery Act 2011 required a Community Forum to be established to provide the Minister for Canterbury Earthquake Recovery and CERA's Chief Executive with information and advice. The Forum currently has 24 members, representing a wide section of the greater Christchurch community, and has an important role in connecting CERA with the greater Christchurch community. In the year to 30 June 2014 the Forum considered and provided advice on issues such as the *Land Use Recovery Plan*, amendments to the *Christchurch Central Recovery Plan*, options for recovery in Lyttelton, the Christchurch Hospital redevelopment, and issues related to economic recovery, cultural recovery and wellbeing in the community. The Forum met 18 times in the year to 30 June 2014.

Funding the rebuild

A major goal of the Recovery Strategy is to revitalise greater Christchurch as the heart of a prosperous region for business, work, education and increased investment in new activities. With the economic base of the Canterbury community remaining resilient, this programme has focused on revitalisation and capital investment, primarily in housing, infrastructure and commercial buildings.

Considerable investment has been needed for the recovery of central Christchurch. CERA has worked closely with the Christchurch City Council to progress the central city anchor projects and now has clear timelines.

The Christchurch Central Development Unit is working closely with the private sector to ensure that the public sector capital committed to the anchor projects is used to deliver them in a way that encourages new investment. CERA has developed the resource *Seize the Opportunity* and in early 2014 hosted a series of roadshows around the country presenting information on progress on anchor projects to encourage private sector investments.

Horizontal infrastructure repairs are being managed by the Stronger Christchurch Infrastructure Rebuild Team (SCIRT). Repairs were required to 1,320 kilometres of roads, 659 kilometres of sewer mains and 69 kilometres of water mains. By 30 June 2014 repairs had been completed on 69 per cent of freshwater supply pipes, 52 per cent of stormwater pipes, 46 per cent of wastewater pipes and 27 per cent of roads. Strategic direction for this work is set by the governance board, the Horizontal Infrastructure Governance Group, which has representation from CERA, Christchurch City Council and New Zealand Transport Agency.

Overall impact

Overall, the pace of recovery in the central city is consistent with what can reasonably be expected given the scale and ambition of the *Christchurch Central Recovery Plan*. Replacing what was destroyed in greater Christchurch – infrastructure, civic assets, housing and commercial real estate – is going to take a number of years. Encouragingly, the recovery effort is focused not just on restoration, but also on enhancement.

The public sector rebuild, which includes the projects of 11 agencies (with a combined value of approximately \$6.4 billion), is poised to ramp up across 2015 as various projects

enter the construction phase. The value of projects already under construction (\$2.1 billion) is slightly ahead of forecast. The shared Crown–council horizontal infrastructure repair programme is 50 per cent complete. Four of the 17 anchor projects in the Christchurch Central Recovery Plan will begin construction this calendar year and a further five are scheduled to commence in 2015.

Private sector investment is also increasing. Beyond the anchor projects, on sites in the central city and throughout greater Christchurch, private investors and developers are having a visible impact in the construction of new commercial buildings, and the repair of other facilities.

Christchurch city has experienced a small reduction in population since the earthquakes as people moved to the surrounding districts. The Canterbury population as a whole, however, continues to grow and 4,245 people moved to greater Christchurch permanently from overseas in the six months to May 2014, many to participate in the construction sector. Strong employment growth is being experienced across most major sectors: Canterbury's unemployment rate is at 2.8 per cent, the lowest since 2008.

In the residential rebuild, over 13,000 new residential dwelling consents have been issued since March 2011. This total more than compensates for houses lost due to the earthquakes, although much of the growth has been in Waimakariri and Selwyn districts rather than in Christchurch city.

Many people are earning more; however, those on fixed and low incomes are negatively affected by rising housing-related costs. Services are in place to support residents who are experiencing difficulties dealing with their insurance and housing issues. At June 2014, 18 per cent of Earthquake Commission (EQC) residential dwelling claims and 50 per cent of private insurer residential dwelling claims were yet to be finally settled.

Overall, psychosocial recovery for most people affected by the earthquakes is going reasonably well. Seventy-five per cent of greater Christchurch residents rate their quality of life positively. However, there is a need to address remaining stressors, which are disproportionately affecting a significant minority of Canterbury residents. People more likely to be experiencing stress or lower emotional wellbeing include those with a physical health condition or disability, those living in temporary accommodation, the vulnerable elderly, those on low incomes, and those waiting to have an insurance assessment or who have had an assessment but no offer.

Looking forward

On 2 September 2014 the Minister for Canterbury Earthquake Recovery announced a programme of change to how the Government delivers support for recovery in greater Christchurch.

Features of the programme of change are that:

- CERA will become a Departmental Agency within the Department of the Prime Minister and Cabinet from 1 February 2015 in order to maintain momentum in the rebuild and place disaster recovery work at the core of central government planning
- a transition plan will be put in place to hand over responsibility and powers from CERA to local government, other government agencies or other delivery vehicles
- the Canterbury Earthquake Recovery Act 2011 will be reviewed to remove or scale back powers no longer required, and to extend any likely to be required for longer
- an advisory group of local government and other stakeholders will be appointed to help guide the development of the transition plan and review the CER Act powers, and to give greater Christchurch a strong voice in this work.

Equal Employment Opportunity Reporting

CERA operates a personnel policy that complies with the principle of being a good employer in accordance with section 56(1) of the State Sector Act 1988. CERA's culture is one that values rather than tolerates differences. It allows for a flexible work environment, enabling our people to achieve their full potential.

CERA does not have a specific policy relating to equal employment opportunities. However, it is looking to develop one in the near future that demonstrates the organisation's commitment to equal employment opportunity and diversity. It is intended this overarching policy will unite existing organisational policies such as those on workplace bullying and harassment, health and safety, and recruitment. In accordance with sections 56 and 58 of the State Sector Act 1988, CERA places a strong emphasis on fostering a diverse workplace and inclusive culture: equality and diversity are central to the way CERA operates, rather than being part of any particular initiative.

CERA offers impartial recruitment and selection processes, as well as fair and reasonable employment practices and policies for all staff. Gender diversity at a leadership level is evident: two of the six members of the Senior Leadership Team are female, and there is a significant level of female representation at third-tier leadership level. While CERA does not record ethnic distribution, the integration of equality and diversity, as required by the State Sector Act 1988, forms a key aspect of its strategic planning, and ensures the best service to the government of the day and to New Zealanders.

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Canterbury Earthquake Recovery Authority, for the preparation of its financial statements and statements of service performance, and for the judgements made in the process of producing those statements.

As required, I have established and maintained a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of financial performance fairly reflect the financial position and operations of the Canterbury Earthquake Recovery Authority for the period ended 30 June 2014.

In my opinion, the forecast financial statements fairly reflect the forecast financial position and operations of the Canterbury Earthquake Recovery Authority for the year ending 30 June 2015.



Roger Sutton
Chief Executive
30 September 2014

Countersigned



David Mills
Chief Financial Officer
30 September 2014

Independent Auditor's Report

To the readers of Canterbury Earthquake Recovery Authority's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2014.

The Auditor-General is the auditor of Canterbury Earthquake Recovery Authority (CERA). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of CERA on her behalf.

We have audited:

- the financial statements of CERA on pages 31 to 49, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of CERA that comprises the statement of service performance on pages 20 to 29 and the period in review on pages 7 to 13; and
- the schedules of non-departmental activities of CERA on pages 97 to 126 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2014, the schedule of expenses, statement of expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and schedule of income, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of CERA on pages 31 to 49:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect CERA's:
 - financial position as at 30 June 2014;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by CERA and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2014 and

-
- the non-financial performance information of CERA on pages 7 to 13 and 20 to 29:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects CERA's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
 - the schedules of non-departmental activities of CERA on pages 97 to 126 fairly reflect, in accordance with the Treasury Instructions:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by CERA on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by CERA on behalf of the Crown.

Uncertainties over water infrastructure liability, and residential red zone insurance recoveries

Without modifying our opinion, we draw your attention to:

- note 8 on page 121 to the non-departmental financial statements. This note describes the water infrastructure liability, the significance of the amount and the inherent uncertainties in the information on which the provision has been based. We consider the disclosures to be adequate.
- note 3 on page 115 to the non-departmental financial statements. This note describes the insurance recoveries resulting from the Government's offer to purchase properties in the Canterbury residential red zone. The note describes the significance of the amount and the inherent uncertainties involved in estimating that amount using actuarial assumptions. We consider the disclosures to be adequate.

Events after balance date – changes to organisational form

In addition, and without modifying our opinion, we draw your attention to note 13 on page 45 of the financial statements. This note describes expected changes to CERA's organisational form when CERA becomes a Departmental Agency on 1 February 2015, with the Department of the Prime Minister and Cabinet being the host Department. This change in organisational form does not affect the measurement or presentation of CERA's assets and liabilities that are recognised in the financial statements. We consider the disclosures to be adequate.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules of non departmental activities are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to CERA's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of CERA's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within CERA's framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. Also we did not evaluate the security and controls over the electronic publication of the financial statements, and the non-financial performance information and the schedules of non-departmental activities.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect CERA's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflect those activities managed by CERA on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive is also responsible for the publication of the financial statements, non-financial performance information and schedules of non-departmental activities, whether in printed or electronic form.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, and contract probity assurance engagements, we have no relationship with or interests in CERA.



Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Departmental Activities of the Canterbury Earthquake Recovery Authority

Statement of Service Performance and Results

This Statement of Service Performance reports on the extent to which intended levels of service and service performance were achieved for each Output Class as required by section 45 of the Public Finance Act 1989.

This statement covers the financial year ended 30 June 2014.

The Output Classes are specified in the *Performance Information for Appropriations – Vote Canterbury Earthquake Recovery (Information Supporting the Estimates 2013/14 B.5A Vol.1)* and the *Information Supporting the Supplementary Estimates – Vote Canterbury Earthquake Recovery (The Supplementary Estimates of Appropriations and Supporting Information 2013/14 B.7)*.

These documents can be found online at: www.treasury.govt.nz/budget/2013/ise/v1

The Performance Measures reported are those in the Performance Information for Appropriations and the CERA Statement of Intent 2013–2016.

The CERA Statement of Intent 2013–2016 can be found online at: www.cera.govt.nz/statement-of-intent/2013-2016

Output Class: Managing the Recovery (M85)

Scope of appropriation

This appropriation is limited to expenses incurred in managing the recovery from the Canterbury earthquakes.

Financial performance information

2012/13		2013/14		
Actual \$000		Estimates \$000	Supplementary Estimates \$000	Actual \$000
	Revenue			
52,808	Crown	49,099	61,765	61,765
1,259	Other	1,000	1,000	98
54,067	Total revenue	50,099	62,765	61,863
(38,901)	Total expenses	(50,099)	(62,765)	(59,014)
15,166	Net surplus	-	-	2,849

Output performance measures and standards in budget documentation

Performance Measures	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result (and comparison where relevant)
Land recovery.	All outstanding zoning decisions finalised.	All outstanding zoning decisions finalised.	This standard has been partially met. Final decisions on zoning held up due to ongoing litigation associated with commercial, vacant and uninsured property owners.
	In the year ended 30 June 2013, the standard had been met with the exception of Port Hills properties.		
Economic recovery.	Construction commenced for Anchor Projects with approved funding.	Construction commenced for Anchor Projects with approved funding.	This standard has not been met. Final decision on funding for Anchor Projects is outstanding, resulting in delays in letting construction contracts.
	(Refer Non-Departmental Statement of Service Performance and Results for detailed anchor project reporting.)		

2013/14			
Performance Measures	Estimates Standard	Supplementary Estimates Standard	Actual Result (and comparison where relevant)
Social recovery.	Residents have access to community hubs and the contact centre during office hours, and community meetings are held regularly.	Residents have access to community hubs and the contact centre during office hours, and community meetings are held regularly.	This standard has been met. A total of 18 community meetings were held in the past 12 months; however the Avondale Earthquake Assistance Centre was closed during the year. Access to the contact centre remains in place.
In the year ended 30 June 2013, the standard had been met.			
Infrastructure recovery.	Funding for work programme for Christchurch City Council and Waimakariri District Council agreed.	Funding for work programme for Christchurch City Council and Waimakariri District Council agreed.	This standard has been met. Cost Sharing Agreement with Waimakariri District Council made (39.1% of Crown's share paid). Cost Sharing Agreement with Christchurch City Council made, subject to December 2014 review of Christchurch City Council costs (58.3% of Crown's share paid).

Performance Measures and Standards in the CERA Statement of Intent 2013–2016

2013/14			
Priority Area	Performance Measure	Standard	Actual Result (and comparison where relevant)
Building and maintaining confidence in the rebuild.	Report on progress of overall earthquake recovery.	Performance framework in place. Quarterly reporting established.	This standard has been met. The <i>Canterbury Earthquake Recovery Lookbook</i> has been produced quarterly for the Chief Executives' Earthquake Forum. [Note 1]
		This is a new reporting measure for 2014.	

2013/14			
Priority Area	Performance Measure	Standard	Actual Result (and comparison where relevant)
Building and maintaining confidence in the rebuild.	Satisfaction of strategic partners with CERA's governance and coordination.	Majority of strategic partners satisfied or very satisfied.	This standard has been met. The majority of strategic partners rated satisfaction with CERA's governance and coordination in the range 3.5–4.0 on a scale of 1–5. [Note 2] In 2013, 69% of Chief Executives of CERA's strategic partners reported being either <i>satisfied or more than satisfied</i> with CERA's contribution to Canterbury's economic recovery; 24% of respondents were unsure of CERA's contribution, and 3% were <i>unsatisfied</i> .
	Greater Christchurch residents have confidence that CERA makes earthquake recovery decisions that are in the best interests of the region.	Majority of residents satisfied or very satisfied.	This standard has not been met. The proportion of respondents to the CERA Wellbeing Survey reporting that they are confident or very confident in CERA's decision making has decreased from 35% in April and September 2013 to 33% in April 2014. [Note 3]
		This is a new reporting measure for 2014.	
	Number of issues of the <i>Greater Christchurch Recovery Update</i> published to keep the public informed.	11 issues per year, distributed to 150,000 households in greater Christchurch.	This standard has been met. 11 issues of the <i>Greater Christchurch Recovery Update</i> were published and distributed to more than 155,000 households. [Note 4]
		This is a new reporting measure for 2014.	

2013/14			
Priority Area	Performance Measure	Standard	Actual Result (and comparison where relevant)
Strengthening community resilience and social infrastructure.	Carry out a Wellbeing Survey.	Twice a year until April 2016.	This standard has been met. The CERA Wellbeing Survey was carried out in September 2013 and April 2014. [Note 3]
		This is a new reporting measure for 2014.	
	Availability of support services at community hubs and the contact centre.	100% of services available during core hours.	This standard has been met. The Avondale Earthquake Assistance Centre closed in December 2013 due to a drop in demand for services. Prior to its closure, the Centre was open Monday to Friday, 8am to 5pm. To ensure residents' ongoing access to support services, CERA continued to operate a toll-free information telephone service between 8am and 5pm during weekdays.
Funding the rebuild.	Timeliness of advice to Ministers on funding for the infrastructure work programme.	Ministers satisfied with timeliness of advice.	This standard has been met. The Minister has confirmed his satisfaction with the timeliness of advice.
		This is a new reporting measure for 2014.	
Residential repair and rebuilding.	Timeliness of the clearance of properties owned by the Crown in the residential red zone.	Clear 5,000 Crown-owned, red zone properties by 1 April 2014.	This standard has not been met. By 1 April 2014, 4,074 dwellings had been cleared by CERA and insurers from Crown-owned properties in the flat land residential red zone. [Note 5]
		This is a new reporting measure for 2014.	

2013/14			
Priority Area	Performance Measure	Standard	Actual Result (and comparison where relevant)
Action on the central city rebuild.	Land acquisitions for anchor projects.	Land necessary for anchor projects has been acquired by 30 June 2014.	This standard has been partially met. The necessary land has been acquired for each anchor project before construction has commenced.
	Oversee the construction of anchor projects.	Construction of the Convention Centre Precinct commenced by 30 June 2014.	This standard has not been met. Construction is expected to commence in 2015.
		This is a new reporting measure for 2014.	
	Oversee the construction of anchor projects.	Construction of the Metro Sports Facility commenced by 30 June 2014.	This standard has not been met. Construction is expected to commence in 2015.
		This is a new reporting measure for 2014.	
	Oversee the construction of anchor projects.	Construction of Te Papa o Ōtākaro/Avon River Precinct commenced by December 2013.	This standard has been met. Stage 1, Watermark, of Te Papa o Ōtākaro/Avon River Precinct commenced on 23 May 2013 and was opened by the end of August 2013. Stage 2, The Terraces, works commenced April 2014.
		This is a new reporting measure for 2014.	
	Oversee the construction of anchor projects.	Construction of the north end of the East Frame commenced by 30 June 2014.	This standard has not been met. Competition for the Margaret Mahy Family Playground concluded; award winners notified. Construction is expected to commence in 2015.
		This is a new reporting measure in 2014.	

2013/14			
Priority Area	Performance Measure	Standard	Actual Result (and comparison where relevant)
Action on the Central City rebuild.	Oversee the construction of anchor projects.	Construction of the Bus Interchange commenced by 30 June 2014.	This standard has been met. Contractors for this project took control of the site on 24 June 2014.
		This is a new reporting measure in 2014.	

Note 1: The title of the paper to the Chief Executives' Earthquake Forum has varied through the year. In July 2013 it was a paper entitled CERA Data, Monitoring and Evaluation. In August and September 2013 the paper was entitled *Recovery Progress Dashboard*; in November 2013, and February and March 2014 it was the *Recovery Priority Lookbook*. Since that time it has been renamed *Canterbury Earthquake Recovery Lookbook*.

Note 2: The basis of this measure has changed from percentages in 2012/13 to scale rating in 2013/14.

Note 3: The CERA Wellbeing Survey has been carried out in September 2013 and April 2014 by Nielsen. Both reports are published on the CERA website. While 33 per cent report they are confident or very confident in decisions made by CERA, the same percentage report they are not very confident or not at all confident in decisions. The remaining 34 per cent are neutral.

Note 4: The *Greater Christchurch Recovery Update* is distributed directly to households, public libraries, supermarkets and community groups. The number of households receiving a copy directly has increased from 155,000 to 157,500 during the year. It is also available on the CERA website.

Note 5: By 30 June 2014, 4,845 dwellings had been cleared by CERA and insurers from Crown-owned properties. On 25 July 2014, the target of 5,000 clearances of red zone properties was achieved.

Output Class: Policy Advice (M85)

Scope of appropriation

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision making by Ministers on government policy matters relating to the Canterbury Earthquake Recovery.

Financial performance information

2012/13		2013/14		
Actual		Estimates	Supplementary Estimates	Actual
\$000		\$000	\$000	\$000
	Revenue			
5,392	Crown	4,300	5,365	5,365
5,392	Total revenue	4,300	5,365	5,365
(4,077)	Total expenses	(4,300)	(5,365)	(4,069)
1,315	Net surplus	-	-	1,296

Output performance measure and standards in budget documentation

Performance Measure	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result (and comparison where relevant)
CERA will develop quality policy advice for decision making.	Minister is satisfied with the quality of policy advice delivered.	Minister is satisfied with the quality of policy advice delivered.	This standard has been met. Feedback from the Minister confirmed he is satisfied with quality of policy advice received.
		In the year to 30 June 2013, this standard had been met.	

Performance measure and standard in the CERA Statement of Intent 2013–2016

Priority Area	2013/14		
	Performance Measure	Standard	Actual Result (and comparison where relevant)
All priority areas.	CERA will develop quality policy advice for decision making.	Minister satisfied with quality of policy advice delivered.	This standard has been met. The Minister has confirmed his satisfaction with quality of policy advice.
		In 2012 and 2013 the Minister indicated his satisfaction with the quality of policy advice provided to him.	

Output Class: Red Zone Property Acquisition Costs (M85)

Scope of appropriation

This appropriation is limited to the costs associated with the management of Canterbury red zone properties before settlement.

Financial performance information

2012/13		2013/14		
Actual		Estimates	Supplementary Estimates	Actual
\$000		\$000	\$000	\$000
	Revenue			
4,134	Crown	124	1,731	1,731
4,134	Total revenue	124	1,731	1,731
(1,527)	Total expenses	(124)	(1,731)	(957)
2,607	Net surplus	-	-	774

Output performance measure and standards

Performance Measure	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Properties are settled in a timely manner.	Crown conveyancers adequately funded to undertake settlements.	Crown conveyancers adequately funded to undertake settlements.	This standard has been met. Sufficient funds transferred to Crown conveyancers weekly to ensure timely settlements occur for red zone owners.
In the year to 30 June 2013, the standard had been met.			

Performance measures and standards in the CERA Statement of Intent 2013–2016

There were no Performance Measures or Standards for this Output Class in the Statement of Intent.

Departmental Financial Statements and Schedules

Statement of Accounting Policies For the year ended 30 June 2014

Reporting entity

The Canterbury Earthquake Recovery Authority (CERA) is a department of the Government as defined in section 2 of the Public Finance Act 1989. It is domiciled in New Zealand and was established in March 2011.

CERA's primary objective is to provide services to the public rather than to make a financial return. Accordingly, CERA has designated itself as a public benefit entity for the purposes of New Zealand's equivalents to the International Financial Reporting Standards (NZ IFRS).

These financial statements are for the 12 months ended 30 June 2014 and were authorised for issue by the Chief Executive of CERA on 30 September 2014.

Basis of preparation

Statement of compliance

The financial statements of CERA have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions. These financial statements have been prepared in accordance with NZ GAAP and Treasury Instructions. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 CERA is the New Zealand dollar.

Budget figures

The budget figures are those included in the Budget 2013, The Estimates of Appropriations for the Vote administered by CERA. Additional reference to budget figures can be found in the Information Supporting the Estimates of Appropriations. The financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Comparative figures

The 2012/13 audited statements of appropriation and schedules of income and expenses cover the 12-month period ended 30 June 2013.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

CERA receives revenue from the Crown and from third parties for services rendered. Revenue is recognised when it is earned and is reported in the financial period to which it relates.

Cost allocation

CERA applies all direct costs plus a fixed overhead allocation (where applicable) to each of three principal departmental output expenses.

All direct costs (with a few exceptions) are allocated to operational or functional groups in the organisation that are linked to the departmental output expenses. The fixed overhead allocation (where applicable) is determined at the time the budget for the output expense is prepared.

For the 12 months to 30 June 2014, direct costs accounted for 70.0 per cent of CERA's departmental operating costs (2013: 70.0 per cent).

Expenses

Expenses are recognised in the period to which they relate.

Foreign currency

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost, plus incidental costs directly attributable to acquisition if it is probable that future economic benefits or service potential associated with the item will flow to CERA. Where an asset is acquired at no or a nominal cost, it is recognised at fair value at the date of acquisition.

Subsequent measurement is at cost, less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis to allocate cost, net of any estimated residual value, over the estimated useful life.

The useful lives of major classes of assets have been estimated as follows.

Type of Asset	Estimated Life (Years)
Motor vehicles	4 years
Furniture, fittings and office equipment	4 years

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each financial year end.

De-recognition

An item of property, plant and equipment is de-recognised when it is disposed of, or when no future economic benefits are expected from its use. Any gain or loss on de-recognition is included in the surplus or deficit in the year the asset is de-recognised.

Impairment

At each reporting date, the carrying amounts of all tangible assets are assessed to determine whether there is any indication they have suffered an impairment loss. If such indications exist for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the surplus or deficit.

The estimated recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined as the depreciated replacement cost of the asset.

Financial instruments

Financial assets

Cash and cash equivalents include cash on hand, bank accounts and deposits with a maturity of up to three months. Cash assets are carried at the amounts deposited or drawn, which closely approximate fair value.

Debtors and other receivables are classified as 'loans and receivables'. Initial measurement is at cost. Subsequent measurement is at amortised cost.

Financial liabilities

CERA's only financial liabilities are accounts payable. Financial liabilities entered into with a duration of less than 12 months are recognised at the amount required to settle the 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 expenditure will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Commitments

Expenses yet to be incurred on non-cancellable contracts entered into on or before balance date are disclosed as commitments to the extent there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Employee benefits

Short-term employee benefits

Liabilities for salaries, annual leave and accumulated sick leave expected to be settled within 12 months of balance date are recognised in respect of employee services up to the reporting date. These liabilities are measured at the amount expected to be paid when settled.

Employer contributions to superannuation schemes

Where employees are members of KiwiSaver or other governmental superannuation schemes, CERA complies with all applicable legislation in making employer contributions to these schemes. Obligations for contributions are recognised in the Statement of Comprehensive Income as they become payable.

Statement of cash flows

Operating activities include cash received from all income sources of CERA and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections or the repayment of capital to the Crown.

Taxpayers' funds

Taxpayers' funds are the Crown's investment in CERA and are measured as the difference between total assets and total liabilities.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, CERA is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards. These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. CERA has not assessed the implications of the new framework given that it will be transitioning into a Departmental Agency within the Department of the Prime Minister and Cabinet, meaning a 2015 annual report will not be prepared.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Critical accounting estimates and assumptions

There were no significant critical accounting estimates and assumptions in preparing these financial statements.

Critical judgements in applying CERA's accounting policies

There were no significant items whereby management had to exercise critical judgement in applying CERA's accounting policies for the 12 months to 30 June 2014.

Statement of Comprehensive Income

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Income				
62,334	Revenue – Crown		68,861	53,523	68,861
1,259	Revenue – other	1	98	1,000	1,000
63,593	Total income		68,959	54,523	69,861
	Expenditure				
16,735	Personnel costs	2	29,593	19,486	38,541
12	Capital charge	3	172	172	172
27,543	Other operating expenses	4	34,022	34,442	30,894
215	Depreciation and amortisation expenses	5	253	423	254
44,505	Total expenditure		64,040	54,523	69,861
19,088	Net surplus		4,919	-	-
-	Other comprehensive income		-	-	-
19,088	Total comprehensive income		4,919	-	-

Statement of Financial Position

As at 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Assets				
	Current assets				
27,581	Cash and cash equivalents		8,919	8,974	27,706
7,143	Accounts receivable and prepayments		7,198	2,310	7,143
-	Crown receivable		14,052	-	-
34,724	Total current assets		30,169	11,284	34,849
	Non-current assets				
762	Property, plant and equipment	5	644	1,520	637
762	Total non-current assets		644	1,520	637
35,486	Total assets		30,813	12,804	35,486
	Liabilities				
	Current liabilities				
13,206	Accounts payable and accruals	6	21,663	9,988	13,207
642	Provision for employee entitlements	7	1,178	266	642
400	Other provisions	8	903	400	400
19,088	Return of operating surplus to the Crown	9	4,919	-	19,087
33,336	Total current liabilities		28,663	10,654	33,336
33,336	Total liabilities		28,663	10,654	33,336
2,150	Net assets		2,150	2,150	2,150
	Taxpayers' funds				
2,150	General funds	10	2,150	2,150	2,150
2,150	Total taxpayers' funds		2,150	2,150	2,150

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Taxpayers' funds				
150	Opening		2,150	2,150	2,150
19,088	Net surplus		4,919	-	-
(19,088)	Return of operating surplus to the Crown	9	(4,919)	-	-
2,000	Capital injection		-	-	-
2,150	Total taxpayers' funds	10	2,150	2,150	2,150

Statement of Cash Flows

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Cashflows from operating activities				
62,334	Receipts from Crown revenue		54,809	53,523	68,861
673	Receipts from other revenue		668	1,000	1,000
(30,552)	Payments to suppliers		(24,649)	(34,441)	(30,893)
(16,121)	Payments to employees		(28,530)	(19,487)	(38,542)
(12)	Payments of capital charge		(172)	(172)	(172)
1,649	Goods and services tax (net)		(1,565)	-	-
17,971	Net cash inflow from operating activities	11	561	423	254
	Cash flows from investing activities				
(871)	Purchase of property, plant and equipment		(136)	-	(129)
(871)	Net cash outflow from investing activities		(136)	-	(129)
	Cash flows from financing activities				
2,000	Capital contribution from the Crown		-	-	-
(7,587)	Return of surplus to the Crown		(19,087)	-	-
(5,587)	Net cash outflow from financing activities		(19,087)	-	-
11,513	Net increase/(decrease) in cash held		(18,662)	423	125
16,068	Opening cash and cash equivalents		27,581	8,551	27,581
27,581	Closing cash and cash equivalents		8,919	8,974	27,706

Statement of Commitments

As at 30 June 2014

Actual 2013 \$000		Actual 2014 \$000
	Operating commitments	
	Non-cancellable accommodation leases	
1,365	Less than one year	1,903
1,365	One to two years	1,821
4,108	Two to five years	4,023
3,641	More than five years	2,492
10,479	Total non-cancellable accommodation leases	10,239
10,479	Total commitments	10,239

Schedule of Contingent Liabilities and Contingent Assets

As at 30 June 2014

Quantifiable and unquantifiable contingent liabilities

There are no quantifiable or unquantifiable contingent liabilities as at 30 June 2014 (2013: Nil).

Contingent assets

There are no contingent assets as at 30 June 2014 (2013: Nil).

Statement of Expenditure and Capital Expenditure against Appropriations For the year ended 30 June 2014

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
VOTE CANTERBURY EARTHQUAKE RECOVERY				
Appropriations for output expenses				
38,901	Managing the Recovery	59,014	50,099	62,765
4,077	Policy Advice	4,069	4,300	5,365
1,527	Red Zone Property Acquisition Costs	957	124	1,731
44,505	Total output expense appropriations	64,040	54,523	69,861
Capital expenditure appropriations				
871	Canterbury Earthquake Recovery Authority – Capital Expenditure	135	-	129
871	Total capital expenditure appropriations	135	-	129
45,376	Total Departmental appropriations for Vote Canterbury Earthquake Recovery	64,175	54,523	69,990

Statement of Unappropriated Expenditure For the year ended 30 June 2014

There was no unappropriated expenditure during the year ended 30 June 2014 (2013: Nil).

Notes to the Financial Statements

For the period ended 30 June 2014

Note 1: Other revenue

Actual 2013 \$000		Actual 2014 \$000
1,259	Other recoveries	98
1,259	Total revenue – other	98

CERA received other revenue from organisations to support its activities.

Note 2: Personnel costs

Actual 2013 \$000		Actual 2014 \$000
15,486	Salaries and wages	27,163
376	Increase in employee entitlements	536
345	Defined contribution superannuation scheme	654
528	Other personnel costs	1,240
16,735	Total personnel costs	29,593

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and recognised in the Statement of Comprehensive Income.

Note 3: Capital charge

Actual 2013 \$000		Actual 2014 \$000
12	Capital charge on taxpayers' funds	172
12	Total capital charge	172

CERA incurs a capital charge to the Crown on its taxpayers' funds, payable on 31 December and 30 June each year. The capital charge rate for the year to 30 June 2014 was 8 per cent (2013: 8 per cent).

Note 4: Other operating costs

Actual 2013 \$000		Actual 2014 \$000
173	Audit New Zealand – audit fees	167
-	Audit New Zealand – probity services	15
1,477	Operating lease expenses	2,193
16,981	Consultancy and contractor fees	21,382
8,912	Other expenses	10,265
27,543	Total other operating costs	34,022

Note 5: Property, plant and equipment

Motor Vehicles 2013 \$000	Furniture, Fitting and Office Equipment 2013 \$000	Total 2013 \$000		Motor Vehicles 2014 \$000	Furniture, Fitting and Office Equipment 2014 \$000	Total 2014 \$000
124	-	124	Opening cost	124	871	995
(18)	-	(18)	Opening accumulated depreciation	(51)	(182)	(233)
106	-	106	Opening carrying value	73	689	762
-	871	871	Additions	-	135	135
(33)	(182)	(215)	Depreciation	(33)	(220)	(253)
73	689	762	Closing carrying value	40	604	644
			Represented by:			
124	871	995	Closing cost	124	1,006	1,130
(51)	(182)	(233)	Closing accumulated depreciation	(84)	(402)	(486)
73	689	762	Closing carrying value	40	604	644

Note 6: Accounts payable and accruals

Actual 2013 \$000		Actual 2014 \$000
5,845	Trade creditors	13,154
3,347	Goods and services tax	1,779
4,014	Accrued expenses	6,730
13,206	Total accounts payable and accruals	21,663

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore their carrying value approximates fair value.

Note 7: Employee entitlements

Actual 2013 \$000		Actual 2014 \$000
642	Provision for annual leave	1,178
642	Total employee entitlements	1,178

Note 8: Provisions

Actual 2013 \$000		Actual 2014 \$000
400	Accident Compensation Corporation (ACC) provisions	903
400	Total provisions	903

Note 9: Return of net surplus to the Crown

Actual 2013 \$000		Actual 2014 \$000
19,088	Net surplus	4,919
19,088	Total return of net surplus to the Crown	4,919

The payment of the net surplus to the Crown is payable on 31 October 2014.

Note 10: General funds

Actual 2013 \$000		Actual 2014 \$000
150	Opening balance 1 July	2,150
2,000	Capital contributions	-
2,150	Closing balance 30 June	2,150

Note 11: Reconciliation of net surplus to net cash from operating activities

Actual 2013 \$000		Actual 2014 \$000
19,088	Net surplus from statement of comprehensive income	4,919
	Add/(subtract) non-cash items	
215	Depreciation	253
215	Total non-cash items	253
	Add/(subtract) working capital movements	
(4,818)	(Increase)/decrease in accounts receivable	(14,107)
3,110	Increase/(decrease) in accounts payable	8,960
376	Increase/(decrease) in provision for employee entitlements	536
(1,332)	Net movement in working capital items	(4,611)
17,971	Net cash flow from operating activities from the Statement of Cash Flows	561

Note 12: Related party transactions

Related party transactions

CERA is a wholly owned entity of the Crown. The Government significantly influences the role of CERA as well as being its major source of revenue.

CERA enters into transactions with other government departments, Crown entities and State-owned enterprises on an arm's-length basis. Those transactions that occur within a normal supplier or client relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect CERA would have adopted if dealing with that entity at arm's length, in the same circumstance, are not disclosed.

No provision has been required, nor any expense recognised, for the impairment of receivables from related parties.

Significant transactions with government-related entities

In conducting its activities, CERA is required to pay various taxes (such as GST, fringe benefit tax, pay as you earn (PAYE) tax and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on standard terms and conditions that apply to all tax and levy payers. CERA is exempt from income tax.

CERA also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$5.799 million (2013: \$4.276 million). These purchases included air travel, postage, electricity, information systems support and platform fees, audit fees and personnel costs relating to seconded staff.

Key management personnel compensation

Actual 2013 \$000		Actual 2014 \$000
2,461	Salaries and other short-term employee benefits	1,955
2,461	Total salaries and other short-term employee benefits	1,955

During the year to 30 June 2014 the key management personnel included the Chief Executive and the Senior Leadership Team. As at 30 June 2014, there were five Deputy Chief Executives in the Senior Leadership Team plus the Chief Executive.

The prior year included the costs of a larger Senior Leadership Team for part of the year. The Senior Leadership Team was restructured and reduced to five Deputy Chief Executives by 30 June 2013.

Note 13: Events after balance date

Subsequent to balance date the Government announced that from 1 February 2015, CERA will move to become a new Departmental Agency, with the Department of the Prime Minister and Cabinet as the host Department.

The full details of this change should be confirmed when Orders in Council are issued. However, the key operations of CERA are likely to continue to be performed by CERA when it becomes a Departmental Agency, although CERA's financial reporting responsibilities will transfer to the Department of the Prime Minister and Cabinet.

All assets and liabilities are expected to be transferred to the new Departmental Agency on 1 February 2015, so no adjustments have been made to their measurement or presentation.

Note 14: Financial instruments categories

Actual 2013 \$000		Actual 2014 \$000
	Financial assets measured at cost	
	Loans and receivables	
27,581	Cash and cash equivalents	8,919
7,143	Account receivable	21,250
34,724	Total loans and receivables	30,169
	Financial liabilities measured at amortised costs	
13,206	Accounts payable and accruals	21,663
13,206	Total accounts payable and accruals	21,663

Note 15: Financial instruments risks

CERA's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. CERA has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

CERA does not have any exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

CERA has no interest-bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to CERA, causing CERA to incur a loss.

In the normal course of CERA's business, credit risk arises from debtors and deposits with banks.

CERA is only permitted to deposit funds with Westpac, a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office. Both these entities have high credit ratings.

For its other financial instruments, CERA does not have significant concentrations of credit risk. CERA's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit risk management

2013				2014		
AA	Non-rated	Total		AA	Non-rated	Total
\$000	\$000	\$000		\$000	\$000	\$000
27,581	-	27,581	Cash and cash equivalents	8,919	-	8,919
7,143	-	7,143	Debtors and receivables	21,250	-	21,250
34,724	-	34,724	Total financial assets	30,169	-	30,169

Liquidity risk

Liquidity risk is the risk that CERA will encounter difficulty raising liquid funds to meet its commitments as they fall due.

In meeting its liquidity requirements, CERA closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. CERA maintains a target level of available cash to meet liquidity requirements.

The table below analyses CERA's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2013				2014		
0–12 Months	1–2 Years	Carrying value		0–12 Months	1–2 Years	Carrying Value
\$000	\$000	\$000		\$000	\$000	\$000
13,206	-	13,206	Accounts payable	21,663	-	21,663
13,206	-	13,206	Total financial liabilities	21,663	-	21,663

Note 16: Capital management

CERA's capital is its equity (or taxpayers' funds), which comprise general funds. Equity is represented by net assets.

CERA manages its revenues, expenses, assets, liabilities and general financial dealings prudently. CERA's equity is largely managed as a by-product of managing income, expenses, assets and liabilities, and CERA's compliance with the Government Budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing CERA's equity is to ensure CERA effectively achieves the goals and objectives that it has been established to achieve, while remaining a going concern.

Note 17: Major budget variances

Actual to Supplementary Estimates

Explanations for major variances between CERA's actual and the estimated figures in the Forecast Financial Statements included in the Supplementary Estimates are as follows.

	Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000	Actual versus Main Estimates 2014 \$000	Actual versus Supplementary Estimates 2014 \$000
Comprehensive income						
Personnel costs	A	29,593	19,486	38,541	(10,107)	8,948
Other operating costs	B	34,022	34,442	30,894	420	(3,128)
Financial position						
Cash and cash equivalents	C	8,919	8,974	27,706	55	18,787
Accounts payable and accruals	D	21,663	9,988	13,207	(11,675)	(8,456)
Return of operating surplus	E	4,919	-	19,087	(4,919)	14,168

Statement of comprehensive income

- (A) Personnel costs: The recruitment of suitably capable and experienced staff continues to be a challenge. In order to deliver specific programmes of activities, additional contracting resources were engaged until employee positions were filled.
- (B) Other operating costs: An increase in occupancy costs reflects the need to accommodate the increase in staff to complete work programmes. Additional consultant and contractor costs have been incurred due to delays in the engagement of employees.

Statement of financial position

- (C) Cash and cash equivalents: The forecast position at the time the Supplementary Estimates were prepared assumed that funds would be drawn down from the New Zealand Debt Management Office to cover expenses. CERA recorded a Crown debtor balance at year end, reflecting that the forecast draw-downs did not occur.
- (D) Accounts payable and accruals: The increase in activities toward the end of the financial year resulted in an increase in the number of invoices payable.
- (E) Return of operating surplus: At the time the Main Estimates were prepared, CERA forecast that total costs would equal total revenue. Delays in the delivery of some activities has resulted in an underspend in 2013/14. The disclosure of the return of operating surplus arising in the 2012/13 year in the Supplementary Estimates produces a significant variance.

Main Estimates to Supplementary Estimates

Explanations for major variances between CERA's Main Estimates and Supplementary Estimates figures are as follows.

	Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000	Main Estimates versus Supplementary Estimates 2014 \$000
Comprehensive income					
Revenue Crown	A	68,861	53,523	68,861	15,338
Personnel costs	B	29,593	19,486	38,541	19,055
Other operating costs	C	34,022	34,442	30,894	(3,548)
Financial position					
Cash and cash equivalents	D	8,919	8,974	27,706	18,732
Accounts receivable and prepayments	E	7,198	2,310	7,143	4,833
Accounts payable and accruals	F	21,663	9,988	13,207	3,219
Return of operating surplus	G	4,919	-	19,087	19,087

Statement of comprehensive income

- (A) The increase in revenue represents the carry forward of the 2012/13 underspend into the current year. The underspend in 2012/13 was generated due to delays in the implementation of the Christchurch Central Recovery Plan following the execution of the Cost Sharing Agreement with Christchurch City Council.
- (B) Personnel costs: The recruitment of suitably capable and experienced staff continues to be a challenge. CERA expected to recruit more personnel rather than use the services of external contractors and consultants. The change in the appropriation reflects this move.
- (C) Other operating costs: CERA expected to recruit more personnel rather than use the services of external contractors and consultants. The change in the appropriation reflects this move.

Statement of financial position

- (D) Cash and cash equivalents: The forecast position at the time the Supplementary Estimates were prepared assumed that funds would be drawn down from the New Zealand Debt Management Office to cover expenses.
- (E) Accounts receivable and prepayments: The increase in the Supplementary Estimates amount reflects the anticipated increase in non-departmental expenditure and the resulting increase in the intercompany balance.
- (F) Accounts payable and accruals: The forecast position at the time the Supplementary Estimates were prepared projected an increase in activity toward the end of the financial year, resulting in an increase in the number of invoices payable.
- (G) Return of operating surplus: At the time the Main Estimates were prepared, CERA forecast that total costs would equal total revenue. Delays in the delivery of some activities resulted in an underspend in 2013/14. The disclosure of the return of operating surplus arising in the 2012/13 year in the Supplementary Estimates produces a significant variance.

Note 18: Forecast financial information

The forecast financial information presented is unaudited. Estimated year end information for 2013/14 is used as the opening position for the 2014/15 forecasts. These forecasts are for a full year and were prepared before the announcement that CERA will transition to a Departmental Agency within the Department of the Prime Minister and Cabinet on 1 February 2015. CERA will only exist as a separate entity for financial reporting purposes until this date.

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

Actual 2013 \$000		Notes	Actual 2014 \$000	Supplementary Estimates 2014 \$000	Forecast (Unaudited) 2015 \$000
	Income				
62,334	Revenue – Crown		68,861	68,861	85,833
1,259	Revenue – other	1	98	1,000	-
63,593	Total income		68,959	69,861	85,833
	Expenditure				
16,735	Personnel costs	2	29,593	38,541	35,828
12	Capital charge	3	172	172	172
27,543	Other operating expenses	4	34,022	30,894	49,379
215	Depreciation and amortisation expenses	5	253	254	454
44,505	Total expenditure		64,040	69,861	85,833
19,088	Net surplus		4,919	-	-
-	Other comprehensive income		-	-	-
19,088	Total comprehensive income		4,919	-	-

Statement of Forecast Changes in Taxpayers' Funds
For the year ending 30 June 2015

Actual 2013 \$000		Notes	Actual 2014 \$000	Supplementary Estimates 2014 \$000	Forecast (Unaudited) 2015 \$000
	Taxpayers' funds				
150	Opening		2,150	2,150	2,150
19,088	Net surplus		4,919	-	-
(19,088)	Return of operating surplus to the Crown		(4,919)	-	-
2,000	Capital injection		-	-	-
2,150	Total taxpayers' funds	10	2,150	2,150	2,150

Forecast Statement of Financial Position
As at 30 June 2015

Actual 2013 \$000		Notes	Actual 2014 \$000	Supplementary Estimates 2014 \$000	Forecast (Unaudited) 2015 \$000
	Assets				
	Current assets				
27,581	Cash and cash equivalents		8,919	27,706	27,160
7,143	Accounts receivable and prepayments		7,198	7,143	7,143
-	Crown receivable		14,052	-	-
34,724	Total current assets		30,169	34,849	34,303
	Non-current assets				
762	Property, plant and equipment	5	644	637	1,183
762	Total non-current assets		644	637	1,183
35,486	Total assets		30,813	35,486	35,486
	Liabilities				
	Current liabilities				
13,206	Accounts payable and accruals	6	21,663	13,207	13,207
642	Provision for employee entitlements	7	1,178	642	642
400	Other provisions	8	903	400	400
19,088	Return of operating surplus to the Crown	9	4,919	19,087	19,087
33,336	Total current liabilities		28,663	33,336	33,336
33,336	Total liabilities		28,663	33,336	33,336
2,150	Net assets		2,150	2,150	2,150
	Taxpayers' funds				
2,150	General funds	10	2,150	2,150	2,150
2,150	Total taxpayers' funds		2,150	2,150	2,150

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

Actual 2013 \$000		Notes	Actual 2014 \$000	Supplementary Estimates 2014 \$000	Forecast (Unaudited) 2015 \$000
	Cash flows from operating activities				
62,334	Receipts from Crown revenue		54,809	68,861	85,833
673	Receipts from other revenue		668	1,000	-
(30,552)	Payments to suppliers		(24,649)	(30,893)	(49,378)
(16,121)	Payments to employees		(28,530)	(38,542)	(35,829)
(12)	Payments of capital charge		(172)	(172)	(172)
1,649	Goods and services tax (net)		(1,565)	-	-
17,971	Net cash inflow from operating activities	11	561	254	454
	Cash flows from investing activities				
(871)	Purchase of property, plant and equipment		(136)	(129)	(1,000)
(871)	Net cash outflow from investing activities		(136)	(129)	(1,000)
	Cash flows from financing activities				
2,000	Capital contribution from the Crown		-	-	-
(7,587)	Return of surplus to the Crown		(19,087)	-	-
(5,587)	Net cash outflow from financing activities		(19,087)	-	-
11,513	Net increase/(decrease) in cash held		(18,662)	125	(546)
16,068	Opening cash and cash equivalents		27,581	27,581	27,706
27,581	Closing cash and cash equivalents		8,919	27,706	27,160

Statement of significant assumptions for forecast financials

These forecast financial statements have been compiled on the basis of existing Government policies and Ministerial expectations at the time the statements were finalised.

The main assumptions are as follows.

- CERA activities are under constant review, but will be substantially the same as for the previous year with approximately 100 per cent of funding coming from the Crown.
- The number of staff members employed by the Department may vary over time, and will be primarily dedicated to front-line delivery.
- Anticipated costs are based on similar-sized public sector entities subject to changes associated with specific work programmes.
- Some administrative services are outsourced to other government agencies.
- Estimated year end information for 2013/14 is used as the opening position for the 2014/15 forecasts.

Factors that could lead to material differences between the forecast financial statements and the 2013/14 actual financial statements include changes to baseline budget through new initiatives.

Non-Departmental Activities of the Canterbury Earthquake Recovery Authority

Non-Departmental Statement of Service Performance and Results

The Non-Departmental Statement of Service Performance and Results reports on the extent to which the intended levels of service and service performance were achieved for each non-departmental appropriation as required by section 32A of the Public Finance Act 1989.

This statement covers the financial year ended 30 June 2014.

Section 32A(2) of the Public Finance Act 1989 requires the Minister responsible for each non-departmental appropriation to report to the House of Representatives, within three months of the end of the financial year, on the services purchased in the preceding year.

This Statement reports on the relevant measures and standards in the CERA Statement of Intent 2013–2016.

The Statement of Intent 2013–2016 can be found online at: www.cera.govt.nz/statement-of-intent/2013-2016

Overview of the Vote

As the Minister for Canterbury Earthquake Recovery I am responsible for \$619.0 million of non-departmental, Vote Canterbury Earthquake Recovery expenditure for the 2013/14 financial year for annual appropriations covering:

- \$41.3 million of non-departmental output expenses
- \$112.6 million of non-departmental other expenses
- \$465.1 million of non-departmental capital expenditure.

For details of the appropriations, refer to the Statement of Non-Departmental Expenditure and Capital Expenditure against Annual and Permanent Appropriations.

In addition, I am responsible for \$400.6 million of non-departmental multi-year appropriations for Vote Canterbury Earthquake Recovery. In the 2013/14 financial year, \$59.2 million of expenditure was incurred.

For details of the appropriations and current year's expenditure refer to the Statement of Non-Departmental Expenditure against Multi-Year Appropriations.

The Vote Canterbury Earthquake Recovery Non-Departmental Appropriation report records the financial and non-financial performance results of service performance for the following non-departmental output and other expenses and capital expenditure for the period 1 July 2013 to 30 June 2014:

- Canterbury earthquake property demolitions and related costs and compensation
- acquisition of Canterbury red zone properties
- contributions towards legal fees
- red zone property management costs
- construction of land slip removal in the Port Hills
- Crown contribution to Waimakariri District Council's earthquake-damaged community facilities
- anchor project land acquisitions
- holding costs for land acquired for anchor projects
- impairment of improvements
- anchor project development costs for the Convention Centre Precinct
- anchor project development costs for the Metro Sports Facility
- anchor project development costs for Te Papa o Ōtākaro/Avon River Precinct
- anchor project development costs for the City Frame
- anchor project development costs for the Transport Plan
- implementation of transport solutions to deliver An Accessible City
- anchor project development costs for the Bus Interchange
- Canterbury Earthquake Memorial.



Hon Gerry Brownlee
Minister for Canterbury Earthquake Recovery

Canterbury Earthquake Property Demolitions and Related Costs and Compensation (M85)

Description of activities

The principal purpose of this appropriation is the making safe and demolition of buildings within the Central Business District and residential red zones in Christchurch and wider Canterbury area.

Scope of appropriation

This appropriation is limited to tasks necessary to proceed with and expedite demolitions associated with the Canterbury earthquakes and related compensation to property owners.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Canterbury Earthquake Property Demolition and Related Costs and Compensation.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	191,825
Actual expenditure	
Operating expenditure 2010/11	3,122
Operating expenditure 2011/12	77,699
Operating expenditure 2012/13	38,735
Operating expenditure 2013/14	23,862
Expenditure to date	143,418
Forecast expenditure	
Operating expenditure 2014/15	38,265
Operating expenditure 2015/16	10,142
Forecast expenditure	48,407
Total projected expenditure	191,825
Associated revenue and recoveries	\$000
Operating revenue 2011/12	56,936
Operating revenue 2012/13	33,026
Operating revenue 2013/14	15,307
Total revenue and recoveries	105,269

The demolition of the central business district and residential red zone properties has been funded from a number of separate appropriations over the past three years. The annual appropriations and prior year expenditure in the table above are an amalgamation of those appropriations to better represent the true cost of the demolition of the central business district and red zone properties. The remaining annual appropriation of \$17.407 million will be transferred to the existing (\$31 million) multi-year appropriation in the next Appropriation Bill.

Comment on variance and expected results

Making safe and demolishing buildings affected by the Canterbury earthquakes, particularly the properties located in the residential red zone, is a multi-year process.

The activities in the Central Business District concluded in 2013/14 and the \$120 million in funding set aside for the work was fully spent. At 30 June 2014, 87.7 per cent of these costs were recovered from owners or their insurance companies.

In the residential red zone, CERA is responsible for the demolition of properties where the former owner selected Option 1 (Crown purchases land and buildings). The number of these properties is less than predicted and, as a result, the desired methodology moved from block clearance to single dwelling clearance. Both of these factors have an impact on timing of demolitions and, therefore, on the level of expenditure. In order to expedite demolitions and/or control access to hazardous sites, CERA may agree prior to commencement of work to undertake the demolition of an Option 2 property (where Crown purchases land only) at the request and cost of an insurance company.

Financial	2013/14		Comment
	Supplementary Estimates Standard \$000	Actual Result \$000	
Operating expenditure 2013/14.	41,269	23,862	Demolition activity continues to be behind forecasts. Agreements with insurance companies for the Crown to undertake demolitions on their behalf will impact on the demolition sequence in 2014/15.

Output performance measures and standards in budget documentation

Performance Measure	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Properties within the central business district (CBD) red zone are made safe or demolished.	Buildings in the programme made safe or demolished.	Buildings in the programme made safe or demolished.	This standard has been met. 1,544 property demolitions were completed of the 1,544 properties instructed to deconstruct. As at 30 June 2013, standard had been met with 1,400 properties having been instructed to be deconstructed.
Properties settled within the residential red zone are demolished – flat land.	Implementation of the programme for the demolition of residential red zone on the flat land underway.	Implementation of the programme for the demolition of residential red zone on the flat land underway.	This standard has been partially met. 1,460 properties were demolished by insurers. 984 properties were demolished by CERA. As at 30 June 2013, standard had been met: insurers had demolished 500 properties and CERA had demolished 20 properties.
Properties settled within the residential red zone are demolished – Port Hills.	Development and implementation of the programme for the demolition of residential red zone in the Port Hills underway.	Development and implementation of the programme for the demolition of residential red zone in the Port Hills underway.	This standard has been partially met. 29 properties were demolished by insurers. 12 properties were demolished by CERA.
This is a new reporting measure for 2014.			

Performance measure and standard in the CERA Statement of Intent 2013–2016

2013/14			
Priority Area	Performance Measure	Standard	Actual Result
Residential repair and rebuilding.	Timeliness of the clearance of properties owned by the Crown in the residential red zone.	Clear 5,000 Crown-owned, red zone properties by 1 April 2014.	This standard has not been met. By 1 April 2014, 4,074 dwellings had been cleared by CERA and insurers from Crown-owned properties in the flat land residential red zone. [Note 1]
		This is a new reporting measure for 2014.	

Note 1: By 30 June 2014, 4,845 dwellings had been cleared by CERA and insurers from Crown-owned properties. On 25 July 2014, the target of 5,000 clearances of red zone properties was achieved.

Acquisition of Canterbury Red Zone Properties (M85)

Description of activities

The principal purpose of this appropriation is for the purchases of properties in accordance with the transaction design for residential red zone properties in the wider Canterbury area. Owners in properties zoned red can elect either Option 1 (Crown purchases land and buildings) or Option 2 (Crown purchases land only).

Scope of appropriation

This appropriation is limited to the acquisition of Red Zone properties in Canterbury.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Acquisition of Canterbury red zone properties.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	1,996,668
Actual expenditure	
Operating expenditure 2010/11	1,038,958
Operating expenditure 2011/12	755,381
Operating expenditure 2012/13	116,248
Operating expenditure 2013/14	29,085
Expenditure to date	1,939,672
Forecast expenditure	
Operating expenditure 2014/15	56,996
Total projected expenditure	1,996,668

Associated revenue and recoveries	\$000
Actual revenue receipts	
Operating revenue receipts 2011/12	73,997
Operating revenue receipts 2012/13	42,422
Operating revenue receipts 2013/14	51,114
Receipts to date	167,533
Forecast revenue receipts	
Operating revenue receipts 2014/15	72,330
Operating revenue receipts 2015/16	330,535
Forecast receipts	402,865
Total revenue	570,398

Comment on variance and expected results

The residential red zone comprises some 8,094 properties. As at 30 June 2014, the Crown had settled on 7,357 properties (96 per cent) out of the 7,658 properties eligible for an offer. The final decision on making an offer to the remaining red zone property owners in the Port Hills in Christchurch will be made on conclusion of the litigation with the Quake Outcasts.

Financial	2013/14		Comment
	Supplementary Estimates Standard \$000	Actual Result \$000	
Operating expenditure 2013/14.	66,081	29,085	The continued litigation by the Quake Outcasts and Fowler Development Limited resulted in a delay in the final Port Hills announcements for uninsured, vacant and commercial properties.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Ensuring that Crown conveyancers are adequately funded to undertake settlements.	Settlements are completed in a timely manner.	Settlements are completed in a timely manner.	<p>This standard has been met. Crown conveyancers have held sufficient funds throughout the year to undertake settlements in a timely manner. By 30 June 2014, 7,357 properties had been settled.</p> <p>As at 30 June 2013, standard had been met, with 4,500 properties having been settled.</p>

Contributions Towards Legal Fees (M85)

Description of activities

The purpose of this appropriation is to reduce the legal costs incurred by red zone property owners selling properties to the Crown.

Scope of appropriation

This appropriation is limited to contributions towards legal fees incurred by property owners in the red zones in Canterbury selling properties to the Crown.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Contributions towards legal fees.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	6,068
Actual expenditure	
Operating expenditure 2011/12	2,472
Operating expenditure 2012/13	1,165
Operating expenditure 2013/14	424
Expenditure to date	4,061
Forecast expenditure	
Operating expenditure 2014/15	2,007
Total projected expenditure	6,068

Comment on Variance and Expected Results

The ratio of acceptance of Option 1 (land and improvements) to acceptance of Option 2 (land only) of the Crown offer to red zone property owners impacts on the level of expenditure. Owners selecting Option 1 receive a higher contribution than those that select Option 2.

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	1,431	424	A combination of factors, including choice of settlement option, resulted in an underspend in legal fees.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Settlement of sale and purchase agreements includes contribution to vendors to a maximum of \$750 per property.	All eligible red zone property owners receive a contribution to settlement costs.	All eligible red zone property owners receive a contribution to settlement costs.	This standard has been met. All red zone property owners received a contribution to settlement costs.
This is a new reporting measure for 2014.			

Red Zone Property Management Costs (M85)

Description of activities

The purpose of this appropriation is for the post acquisition management of the properties purchased in the residential red zone. The management of these properties includes council rates, security, vegetation management, site clearing (not demolition), removal of infrastructure and grassing.

Scope of appropriation

This appropriation is limited to the costs associated with the management of Canterbury red zone properties after settlement.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Red zone property management costs.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	127,207
Actual expenditure	
Operating expenditure 2011/12	8,762
Operating expenditure 2012/13	11,343
Operating expenditure 2013/14	13,152
Expenditure to date	33,257
Forecast expenditure	
Operating expenditure 2014/15	15,046
Operating expenditure 2015/16	18,010
Operating expenditure 2016/17	20,000
Operating expenditure 2017/18	40,894
Forecast expenditure	93,950
Total projected expenditure	127,207

Comment on variance and expected results

The management of the residential red zone has been funded from a number of appropriations over the past three years. The annual appropriations and prior year expenditure in the table above are an amalgamation of those appropriations to better represent the true cost of managing the red zone. The remaining annual appropriation of \$23.950 million will be transferred to the existing (\$70.0 million) multi-year appropriation in the next Appropriation Bill.

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	37,102	13,152	The clearance programme follows the demolition process. Delays in the demolitions as noted above have resulted in delays in site clearance, regressing and infrastructure removal.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Residential red zone properties cleared and grassed pending decisions on future use in association with insurance companies, Land Information New Zealand and Christchurch City Council.	New measure.	Settled properties cleared and block clearance commenced.	This standard has been partially met. Major block clearances were delayed as clearance of sites is dependent on completed demolitions.
This is a new reporting measure for 2014.			

The Crown is working closely with insurance companies, Christchurch City Council and Waimakariri District Council to increase the pace of demolitions, which will allow CERA to undertake the work necessary to clear the sites post demolition.

The red zone area under the jurisdiction of Waimakariri District Council has been amalgamated into five parcels, for rating purposes, reducing the overall cost of management.

Construction of Land Slip Removal in the Port Hills (M85)

Description of activities

The purpose of this appropriation is to provide an alternative mechanism to red zoning of properties in the Port Hills where a tailored solution is feasible.

Scope of appropriation

This appropriation is limited to the construction of land slip removal in Lucas Lane in the Port Hills.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Construction of Land Slip Removal in the Port Hills.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	2,000
Actual expenditure	
Operating expenditure 2012/13	935
Operating expenditure 2013/14	40
Total projected expenditure	975
Remaining appropriation	1,025

Revenue	\$000
Operating revenue 2014/15	488
Total revenue	488

The overall cost of the development is being shared by the Crown and the Christchurch City Council.

Comment on variance and expected results

Final project costs are yet to be received but are expected to come in under budget.

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	1,065	40	Project completed within budget.

Crown Contribution to Waimakariri District Council's Earthquake- Damaged Community Facilities (M85)

Description of activities

The purpose of this appropriation is to assist the Waimakariri District Council in the repair and/ or replacement of community assets damaged in the 2010 and 2011 Canterbury earthquakes.

Scope of appropriation

This appropriation is limited to contributions for the repair and replacement of earthquake- damaged community facilities owned by Waimakariri District Council.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Crown Contribution to Waimakariri District Council's Earthquake- Damaged Community Facilities.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	7,000
Actual expenditure	
Operating expenditure 2013/14	7,000
Total projected expenditure	7,000

In October 2013, the Crown entered into a Cost Sharing Agreement with Waimakariri District Council covering, amongst other matters, the response and repair of costs of horizontal infrastructure and providing funding for the repair and/or replacement of damaged community assets.

Comment on variance and expected results

Financial	2013/14		Comment
	Supplementary Estimates Standard \$000	Actual Result \$000	
Operating expenditure 2013/14.	7,000	7,000	Project completed within budget.

Anchor Project Land Acquisitions (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan by the purchase of land and buildings for Anchor Projects.

Scope of appropriation

This appropriation is limited to the acquisition of land and buildings and site clearance for the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Land Acquisitions.
Impact: Economic Development and Infrastructure Sector - To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	716,000
Actual expenditure	
Capital expenditure 2012/13	109,582
Capital expenditure 2013/14	287,305
Expenditure to date	396,887
Forecast expenditure	
Capital expenditure 2014/15	284,408
Total projected expenditure	681,295
Remaining appropriation	34,705

In 2013/14, \$24.955 million of transaction and demolition costs were recorded as operating expenses, which gives rise to a lower level of capital expenditure against the original appropriation. Of the remaining Anchor Project Land Acquisition capital expenditure appropriation, \$9.750 million will be transferred to a new operating expense in the next Appropriation Bill.

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	465,086	287,305	Final acquisitions programme for anchor projects is being worked through. This will result in final decisions on land purchases necessary to complete anchor projects.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Anchor Project Land Acquisitions.	Land acquisition strategy developed and work programme commenced.	Land acquisition strategy developed with 60% of area needed for anchor projects settled and work programme commenced.	This standard has been met. 61.8% of area needed for anchor projects has been settled. In the year to 30 June 2013, the standard had been partially met.

Performance measure and standard in the CERA Statement of Intent 2013–2016

Priority Area	2013/14		
	Performance Measures	Standard	Actual Result
Action on the Central City rebuild.	Land acquisitions for anchor projects.	Land necessary for anchor projects has been acquired by 30 June 2014.	This standard has been partially met. The necessary land has been acquired for each anchor project before construction has commenced.
		This is a new reporting measure for 2014.	

Holding Costs for Land Acquired for Anchor Projects (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan by managing the holding costs of Anchor Project land and improvements.

Scope of appropriation

This appropriation is limited to the management of the land acquired for the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Holding Costs for Land Acquired for Anchor Projects.
Impact: Economic Development and Infrastructure Sector - To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	20,000
Actual expenditure	
Operating expenditure 2012/13	134
Operating expenditure 2013/14	2,597
Expenditure to date	2,731
Forecast expenditure	
Operating expenditure 2014/15	4,000
Operating expenditure 2015/16	4,000
Operating expenditure 2016/17	9,269
Forecast expenditure	17,269
Total projected expenditure	20,000

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	9,866	2,597	The underspend in holding cost partially arose due to the lower level of local authority rates paid, given the delay in the acquisition of land for anchor projects.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Costs associated with holding of Anchor Project land are settled in a timely manner.	Rates and other holding costs for Anchor Project land paid on or before due dates.	Rates and other holding costs for Anchor Project land paid on or before due dates.	This standard has been met. Rates and other holding costs for Anchor Project land were paid on or before due dates.
	This is a new reporting measure in 2014.		

Impairment of Improvements (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan through the adoption of the appropriate fair value of Anchor Project land and improvements.

Scope of appropriation

This appropriation is limited to the impairment of improvements purchased in conjunction with the land acquisition programme for the anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Impairment of improvements.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	51,000
Actual expenditure	
Operating expenditure 2013/14	39,775
Forecast expenditure	
Operating expenditure 2014/15	11,225
Total projected expenditure	51,000

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	51,000	39,775	Improvements acquired in conjunction with land acquisitions for Anchor Projects have been impaired. The Crown has retained a number of buildings for future development opportunities.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Recognition of the impaired value of improvements acquired as part of the anchor project development programme.	New measure.	Meets generally accepted accounting practice.	This standard has been met. Impairment test has been undertaken for relevant assets as at 30 June 2014.
This is a new reporting measure in 2014.			

Anchor Project Development Costs for the Convention Centre Precinct (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Convention Centre Anchor Project.

Scope of appropriation

This appropriation is limited to the development of the Convention Centre Precinct as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for the Convention Centre Precinct.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	10,000
Actual expenditure	
Operating expenditure 2012/13	1,033
Operating expenditure 2013/14	1,986
Expenditure to date	3,019
Forecast expenditure	
Operating expenditure 2014/15	6,981
Total projected expenditure	10,000

Comment on variance and expected results

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	1,640	1,986	Final scope and design parameters to be confirmed in 2014/15; therefore expenditure will continue to be below forecast until final approvals are made.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Development of the Convention Centre Precinct.	Business case to support the development of the Convention Centre completed and construction commenced.	Business case to support the development of the Convention Centre completed and construction commenced.	This standard has been partially met. Business case to support the development of the Convention Centre completed.
This is a new reporting measure in 2014.			

Performance measure and standard in the CERA Statement of Intent 2013–2016

2013/14			
Priority Area	Performance Measure	Standard	Actual Result
Action on the central city rebuild.	Oversee the construction of anchor projects.	Construction of the Convention Centre commenced by 30 June 2014.	This standard has not been met. Construction is expected to commence in 2015.
This is a new reporting measure for 2014.			

Anchor Project Development Costs for the Metro Sports Facility (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Metro Sports Facility Anchor Project.

Scope of appropriation

This appropriation is limited to the development of the Metro Sports Facility as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for the Metro Sports Facility.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	10,000
Actual expenditure	
Operating expenditure 2012/13	16
Operating expenditure 2013/14	1,638
Expenditure to date	1,654
Forecast expenditure	
Operating expenditure 2014/15	6,259
Operating expenditure 2015/16	2,087
Forecast expenditure	8,346
Total projected expenditure	10,000

Comment on variance and expected results

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	2,204	1,638	Final scope and design parameters to be confirmed in 2014/15; therefore expenditure will continue to be below forecast until final approvals are made.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Delivery of the completed Metro Sports Facility.	Business case to support the development of the Metro Sports Facility completed and construction commenced.	Business case to support the development of the Metro Sports Facility completed and construction commenced.	This standard has been partially met. Business case to support the development of the Metro Sports Facility has been drafted and will be completed by January 2015.
This is a new reporting measure for 2014.			

Performance measure and standard in the CERA Statement of Intent 2013–2016

2013/14			
Priority Area	Performance Measure	Standard	Actual Result
Action on the central city rebuild.	Oversee the construction of anchor projects.	Construction of the Metro Sports Facility commenced by 30 June 2014.	This standard has not been met. Construction is expected to commence in 2015.
This is a new reporting measure for 2014.			

Anchor Project Development Costs for Te Papa o Ōtākaro/Avon River Precinct (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Papa o Ōtākaro/Avon River Precinct Anchor Project.

Scope of appropriation

This appropriation is limited to the development of Te Papa o Ōtākaro/Avon River Precinct as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for Te Papa o Ōtākaro/Avon River Precinct.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	116,000
Actual expenditure	
Operating expenditure 2012/13	2,935
Operating expenditure 2013/14	8,882
Expenditure to date	11,817
Forecast expenditure	
Operating expenditure 2014/15	83,885
Operating expenditure 2015/16	20,298
Forecast expenditure	104,183
Total projected expenditure	116,000

Revenue	\$000
Operating revenue 2014/15	8,400
Total revenue	8,400

Christchurch City Council will contribute to the development of the Margaret Mahy Family Playground as per the Cost Sharing Agreement. In addition, the development partners are seeking philanthropic contributions toward art installations within the Precinct.

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	11,430	8,882	The design and planning for second stage of Te Papa o Ōtākaro/Avon River Precinct are underway. Changes to the sequence and quantum of development works resulted in reduced expenditure in 2013/14. This is expected to be caught up in 2014/15.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Delivery of the completed Te Papa o Ōtākaro/Avon River Precinct.	Business case to support the development of Te Papa o Ōtākaro/Avon River Precinct completed and construction commenced.	Business case to support the development of Te Papa o Ōtākaro/Avon River Precinct completed and construction commenced.	This standard has been partially met. Stage 1 of the Precinct, Watermark, completed. Design and planning for next phases are underway.
This is a new reporting measure for 2014.			

Performance measure and standard in the CERA Statement of Intent 2013–2016

Priority Area	2013/14		
	Performance Measure	Standard	Actual Result
Action on the central city rebuild.	Oversee the construction of anchor projects.	Construction of Te Papa o Ōtākaro/Avon River Precinct commenced by December 2013.	This standard has been met. Stage 1 of Te Papa o Ōtākaro/Avon River Precinct, Watermark, commenced on 23 May 2013 and was opened by the end of August 2013. Works on Stage 2, The Terraces, commenced in April 2014.
	This is a new reporting measure for 2014.		

Anchor Project Development Costs for the City Frame (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Frame Anchor Project.

Scope of appropriation

This appropriation is limited to the development of the City Frame as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for the City Frame.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

The Frame borders the north, east and south fringes of the compact centre of Christchurch city. In conjunction with Te Papa o Ōtākaro/Avon River Precinct, it will provide a 'green' fringe surrounding the central city.

Financial

Expenses	\$000
Total appropriated	61,000
Actual expenditure	
Operating expenditure 2012/13	1,664
Operating expenditure 2013/14	2,175
Expenditure to date	3,839
Forecast expenditure	
Operating expenditure 2014/15	26,437
Operating expenditure 2015/16	30,724
Forecast expenditure	57,161
Total projected expenditure	61,000

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	6,848	2,175	The delay in the production of the final business cases for the development of the East, North and South Frames resulted in a delay in expenditure but that expenditure will catch up in future periods.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Development of the City Frame.	Business case to support the development of the City Frame completed and construction commenced.	Business case to support the development of the City Frame completed and construction commenced.	<p>This standard has been partially met.</p> <p>The business case to support the development of the eastern section of the City Frame has been completed.</p> <p>The business case for the southern section and the Health and Innovation precincts has commenced.</p> <p>Construction has not commenced.</p>
This is a new reporting measure in 2014.			

Performance measure and standard in the CERA Statement of Intent 2013–2016

2013/14			
Priority Area	Performance Measure	Standard	Actual Result
Action on the central city rebuild.	Oversee the construction of anchor projects.	Construction of the north end of the East Frame commenced by 30 June 2014.	<p>This standard has not been met.</p> <p>Competition for the Margaret Mahy Family Playground has been concluded; award winners notified.</p> <p>Construction is expected to commence in 2015.</p>
		This is a new reporting measure for 2014.	

Anchor Project Development Costs for the Transport Plan (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Transport Plan.

Scope of appropriation

This appropriation is limited to the development and implementation of the Transport Plan as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for the Transport Plan.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	1,000
Actual expenditure	
Operating expenditure 2013/14	340
Total projected expenditure	340
Remaining appropriation	660

The activities of the development of the Transport Plan have been transferred to the wider project An Accessible City, the transport chapter of the Christchurch Central Recovery Plan. The remaining Anchor Project Development Costs for the Transport Plan appropriation will be transferred to the Implementation of transport solutions to deliver An Accessible City in Christchurch appropriation in the next Appropriation Bill.

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	1,000	340	The transfer of activities from the Transport Plan anchor projects resulted in a delay in expenditure. The combined spend on transport solutions totalled \$0.996 million against forecast expenditure of \$2.0 million.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Development of the transport chapter as part of the Accessible City Plan.	Business case to support the development of the transport chapter as part of the Accessible City Plan completed and construction commenced.	Business case to support the development of the transport chapter as part of the Accessible City Plan completed and construction commenced.	This standard has been met. Work is underway to deliver transport solutions.
	This is a new reporting measure in 2014.		

The work plan for the Transport Plan has been transferred to the team undertaking the work on the implementation of transport solutions for An Accessible City.

Implementation of Transport Solutions to Deliver An Accessible City in Christchurch (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the implementation of transport solutions for the wider Christchurch area.

Scope of appropriation

This appropriation is limited to the development and implementation of the accessible city chapter of the Christchurch Central Recovery Plan as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Implementation of transport solutions to deliver An Accessible City in Christchurch.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	75,000
Actual expenditure	
Operating expenditure 2013/14	656
Expenditure to date	656
Forecast expenditure	
Operating expenditure 2014/15	33,812
Operating expenditure 2015/16	40,454
Operating expenditure 2016/17	78
Forecast expenditure	74,344
Total projected expenditure	75,000

Revenue	\$000
Operating revenue 2014/15	34,000
Operating revenue 2015/16	11,000
Total revenue	45,000

The activities of the development of the Transport Plan have been transferred to the wider Accessible City project. The remaining Anchor Project Development Costs for the Transport Plan appropriation will be transferred to the Implementation of transport solutions to deliver An Accessible City in Christchurch appropriation in the next Appropriation Bill.

The overall cost of the development is being shared by the Crown and Christchurch City Council. In addition, the New Zealand Transport Agency is working with the development partners on funding proposals for all road projects in greater Christchurch following the earthquakes.

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	1,000	656	The transfer of activities from the Transport Plan anchor projects resulted in a delay in expenditure. The combined spend on transport solutions totalled \$0.996 million against forecast expenditure of \$2.0 million.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Construction of flexible traffic flows and other solution (includes cycle lanes and pedestrian-friendly zones).	New measure.	Designs for transport solutions completed and majority of construction completed by June 2015.	This standard has been partially met. Detailed design work is underway and scheduled for completion in early 2015, with works to commence when plans finalised.
	This is a new reporting measure in 2014.		
Construction of Manchester Street and Hospital (Tuam Street) super stops.	New measure.	Construction completed by May 2015.	This standard has been partially met. Planning is underway for completion in early 2015.
	This is a new reporting measure in 2014.		

Anchor Project Development Costs for the Bus Interchange (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of the Bus Interchange Anchor Project.

Scope of appropriation

This appropriation is limited to the development costs of the central city Bus Interchange as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Anchor Project Development Costs for the Bus Interchange.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	52,400
Actual expenditure	
Operating expenditure 2013/14	1,175
Capital expenditure 2013/14	3,093
Expenditure to date	4,268
Forecast expenditure	
Capital expenditure 2014/15	47,708
Capital expenditure 2015/16	424
Forecast expenditure	48,132
Total projected expenditure	52,400

Revenue	\$000
Operating revenue 2014/15	34,000
Operating revenue 2015/16	5,000
Total revenue	39,000

The overall cost of the development is being shared by the Crown and the Christchurch City Council. In addition, the New Zealand Transport Agency is working with the development partners on funding proposals for all road projects in greater Christchurch following the earthquakes. This funding is disclosed as operating revenue above.

Comment on variance and expected results

Financial	2013/14		
	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	4,600	1,175	Expenditure was reclassified in 2013/14 in line with relevant accounting standards, resulting in a reduction of operating expenses.
Capital expenditure 2013/14.	-	3,093	Expenditure was reclassified in 2013/14 in line with relevant accounting standards, with the result that capital expenditure was incurred during the period.

Performance	2013/14		
	Estimates Standard	Supplementary Estimates Standard	Actual Result
Delivery of the Christchurch Bus Interchange.	New measure.	Early construction works commenced and main contractor appointed.	This standard has been met. Thiess-Southbase JV has been appointed to construct the Christchurch Bus Interchange.
	This is a new reporting measure in 2014.		

Performance measure and standard in the CERA 2013-2016 Statement of Intent

2013/14			
Priority Area	Performance Measure	Standard	Actual Result
Action on the central city rebuild.	Oversee the construction of anchor projects.	Construction of the Bus Interchange commenced by 30 June 2014.	This standard has been met. Contractors for this project took control of the site on 24 June 2014.
		This is a new reporting measure for 2014.	

Canterbury Earthquake Memorial (M85)

Description of activities

The purpose of this appropriation is to support the Christchurch Central Recovery Plan in the development of a suitable earthquake memorial.

Scope of appropriation

This appropriation is limited to the development of the Canterbury Earthquake Memorial as part of the central city anchor projects.

Intended impacts, outcomes and objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improved economic performance	Canterbury Earthquake Memorial.
Impact: Economic Development and Infrastructure Sector – To facilitate the recovery of Canterbury following the Canterbury Earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks.	

Financial

Expenses	\$000
Total appropriated	10,000
Forecast expenditure	
Operating expenditure 2014/15	2,351
Operating expenditure 2015/16	7,649
Total projected expenditure	10,000

Comment on variance and expected results

2013/14			
Financial	Supplementary Estimates Standard \$000	Actual Result \$000	Comment
Operating expenditure 2013/14.	-	-	Site identification, negotiations with the Christchurch City Council and launch of international competition for the design of the proposed memorial resulted to a delay in development expenditure.

2013/14			
Performance	Estimates Standard	Supplementary Estimates Standard	Actual Result
Development of Canterbury Earthquake Memorial.	New measure.	Plans for the memorial finalised by 30 June 2015.	Progress towards meeting the standard has been made with the launch of the international competition for the design.
This is a new reporting measure in 2014.			

Summary of Service Providers for Non-Departmental Output and Other Expenses

Service Provider (top)	2013/14			Expiry of Resourcing Commitment
	Estimates \$000	Supplementary Estimates \$000	Actual \$000	
Christchurch City Council	-	-	267,222	2016/17
Stronger Christchurch Infrastructure Rebuild Team (SCIRT)	-	-	120,303	2016/17
Waimakariri District Council	-	7,000	18,710	2016/17
Opus International Ltd	-	-	6,739	2014/15
Ceres New Zealand LLC	-	-	5,152	2014/15
The Property Group Ltd	-	-	2,888	2014/15
Resource Co-ordination Partnership	-	-	2,046	2015/16
Protranz Earthmoving Ltd	-	-	2,003	2014/15
Scope Demolition Ltd	-	-	1,731	2014/15
Calcon Ltd	-	-	1,567	2014/15
Sicon Ferguson Ltd	-	-	1,517	2014/15
Architectus	-	-	1,347	2014/15

The above table summarises funding for the top 12 non-departmental service providers to be allocated through Vote Canterbury Earthquake Recovery and the length of the funding commitment.

Non-Departmental Statements and Schedules

The following Non-Departmental Statements and Schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets and are prepared by the Canterbury Earthquake Recovery Authority on behalf of the Minister for Canterbury Earthquake Recovery and relate to activities that the Canterbury Earthquake Recovery Authority manages on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. Therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2013/14.

The non-departmental financial information is for the year ended 30 June 2014.

Statement of Non-Departmental Accounting Policies

For the year ended 30 June 2014

Reporting entity

These non-departmental statements and schedules present financial information on public funds managed by the Canterbury Earthquake Recovery Authority on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government.

For a full understanding of the Crown's financial position, results of operations and cash flows for the financial year, readers should refer to the Financial Statements of the Government for 2013/14.

Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the Government's accounting policies set out in the Financial Statements of the Government, and in accordance with the relevant Treasury Instructions and Treasury Circulars.

The measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

The Canterbury Earthquake Recovery Authority administers revenue on behalf of the Crown. The revenue includes recovery of demolition costs from property owners and insurance recoveries in relation to the residential red zone.

Revenue is recognised on the recovery of demolition costs from property owners which reflects deconstruction work completed at balance date and management of Crown properties.

For insurance recoveries on Residential Red Zone properties, revenue is recognised at the time the Government policy on zoning is announced and there is a reliable estimate of the revenue.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost, plus incidental costs directly attributable to acquisition if it is probable that future economic benefits or service potential associated with the item will flow to the Crown. Where an asset is acquired at no or a nominal cost, it is recognised at fair value at the date of acquisition.

Subsequent measurement is at cost, less accumulated depreciation and impairment losses, except for land and buildings, which are revalued to fair value annually.

Depreciation is provided on a straight-line basis to allocate cost or revalued amounts, net of any estimated residual value, over the estimated useful life. The useful lives of major classes of assets have been estimated as follows.

Type of Asset	Estimated Life (Years)
Buildings	50

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the asset would be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's-length transaction at valuation date. Fair value is reported less any costs that would be necessary to sell the assets.

If an asset's carrying amount is increased as a result of a revaluation, the increase will be recorded to an asset revaluation reserve in equity, unless the increase reverses a previous revaluation decrease that was recognised in the Statement of Comprehensive Income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease will be recorded in the Statement of Comprehensive Income. However, the decrease will be taken directly to equity to the extent of any revaluation surplus existing for that asset.

Revaluations are completed on an asset basis and movements are evaluated on an asset class basis.

Revaluations are conducted at least every three years, or whenever the carrying amount differs materially from fair value.

De-recognition

An item of property, plant and equipment is de-recognised when it is disposed of, or when no future economic benefits are expected from its use. Any gain or loss on de-recognition is included in the surplus or deficit in the year the asset is de-recognised.

Any revaluation reserve relating to the asset being disposed of is transferred directly to retained earnings.

Impairment

At each reporting date, the carrying amounts of all tangible assets are assessed to determine whether there is any indication they have suffered an impairment loss. If such indications exist for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any)

An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the surplus or deficit.

The estimated recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined as the depreciated replacement cost of the asset.

Property held for sale

Assets are recognised as held for sale if the Crown will recover its carrying amount principally through a sale transaction rather than through continuing use. These assets are recognised at the lower of the carrying amount and fair value less costs to sell.

Financial Instruments

Financial assets

Cash and cash equivalents include cash on hand, bank accounts and deposits with a maturity of up to three months. Cash assets are carried at the face value of the amounts deposited or drawn, which closely approximates fair value.

Debtors and other receivables are classified as 'loans and receivables'. Initial measurement is at cost. Subsequent measurement is at amortised cost, less impairment losses, if any.

Financial liabilities

The major financial liability type is accounts payable which is designated at amortised cost using the effective interest rate method. Financial liabilities entered into with durations of less than 12 months are recognised at their nominal value.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event
- it is probable that expenditure will be required to settle the obligation and
- a reliable estimate of the amount of the obligation can be made.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Goods and Services Tax

All items in the financial statements, including the appropriation statements, are stated exclusive of GST, except for receivables and payables. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as an expense and eliminated against GST revenue upon consolidation of the Financial Statements of the Government.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts entered into at balance date are disclosed as commitments to the extent there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Critical Accounting Estimates and Assumptions

Management has made significant accounting estimates for the following items within the financial statements:

- estimation of the residential red zone property insurance recoveries (refer note 3)
- estimation of the fair value of land and the impairment of improvements on anchor project land (refer note 6)
- estimation of the residential red zone property settlement provision (refer note 7)
- estimation of the three waters component of the horizontal infrastructure response and rebuild cost liability (refer note 8)
- estimation of the provision for the public realm portion of anchor project land (refer note 9)
- estimation of the provision for compulsory acquisition of anchor project land (refer note 10).

Statement of Non-Departmental Expenditure and Capital Expenditure against Annual and Permanent Appropriations

For the year ended 30 June 2014

Actual 2013 \$000	Type and Name of Appropriation	Actual 2014 \$000	Remeasurement 2014 \$000	Actual before Remeasurement 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
Vote Canterbury Earthquake Recovery Annual and Permanent Appropriations						
Output expenses						
38,735	Canterbury earthquake property demolitions and related costs and compensation	23,862	-	23,862	5,310	41,269
38,735	Total output expenses	23,862	-	23,862	5,310	41,269
Other expenses						
(29,245)	Acquisition of Canterbury red zone properties	6,399	(22,686)	29,085	-	66,081
1,033	Anchor project development costs for the Convention Centre Precinct	-	-	-	-	-
16	Anchor project development costs for the Metro Sports Facility	-	-	-	-	-
2,935	Anchor project development costs for Te Papa o Ōtākaro/Avon River Precinct	-	-	-	-	-
1,664	Anchor project development costs for the Urban Frame	-	-	-	-	-
155,800	Advance payment for the estimated Crown share of the SCIRT's infrastructure costs	-	-	-	-	-
1,165	Contributions towards legal fees	424	-	424	287	1,431
935	Construction of land slip removal in the Port Hills	40	-	40	-	1,065

Continued...

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Actual 2013 \$000	Type and Name of Appropriation	Actual 2014 \$000	Remeasurement 2014 \$000	Actual before Remeasurement 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
134	Holding costs for land acquired for anchor projects	-	-	-	-	-
8,668	Movement in anchor project improvements provision	-	-	-	-	-
-	Loss on Valuation of Land	62,463	-	62,463	-	-
-	Loss on Valuation of Land Held for Sale	606	-	606	-	-
-	Movement in provision for vesting of anchor project land	35,454	-	35,454	-	-
479	Movement in demolition debt provision	4,003	-	4,003	-	-
-	Transaction and demolition costs of anchor project land and buildings	24,955	-	24,955	-	-
239,179	Costs in respect of indemnity for response and recovery costs (PLA)	16,258	16,258	-	-	-
-	Christchurch City Council interest Costs	9,095	-	9,095	-	-
-	Crown contribution to Waimakariri District Council's Earthquake Damaged Community Facilities	7,000	-	7,000	-	7,000
11,343	Red zone property management costs	13,152	-	13,152	89,574	37,102
394,106	Total other expenses	179,849	(6,428)	186,277	89,861	112,679

Continued...

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Actual 2013 \$000	Type and Name of Appropriation	Actual 2014 \$000	Remeasurement 2014 \$000	Actual before Remeasurement 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
-	Multi-year appropriation	59,224	-	59,224	110,740	90,788
432,841	Total operating	262,935	(6,428)	269,363	205,911	244,736
Capital expenditure						
109,582	Anchor project land acquisition	287,305	-	287,305	-	465,086
-	Anchor Project Work In Progress	3,093	-	3,093	-	-
109,582	Total capital expenditure	290,398	-	290,398	-	465,086
542,423	Total Vote Canterbury Earthquake Recovery Annual, Permanent and Multi-year Appropriations	553,333	(6,428)	559,761	205,911	709,822

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Statement of Non-Departmental Expenditure against Multi-Year Appropriations

For the year ended 30 June 2014

	Holding Costs for Land Acquired for Anchor Projects	Impairment of Improvements	Anchor Project Development Costs for the Convention Centre Precinct	Anchor Project Development Costs for the Metro Sports Facility	Anchor Project Development Costs for Te Papa o Ōtākaro/Avon River Precinct	
	\$000	\$000	\$000	\$000	\$000	
Commenced	1 July 2013	1 May 2014	1 July 2013	1 July 2013	1 July 2013	
Expiring	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	
Original appropriations	19,000	51,000	7,000	9,000	90,000	
Adjustments 2013/14	866	-	1,967	984	23,065	
Adjusted appropriation	19,866	51,000	8,967	9,984	113,065	
Prior year expenditure	-	-	-	-	-	
Current year expenditure	2,597	39,775	1,986	1,638	8,882	
Total expenditure	2,597	39,775	1,986	1,638	8,882	
Remaining appropriation	17,269	11,225	6,981	8,346	104,183	

The above are all new multi-year appropriations in the year ended 30 June 2014, so there is no prior year expenditure.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

	Anchor Project Development Costs for the City Frame	Anchor Project Development Costs for the Transport Plan	Implementation of Transport Solutions to Deliver <i>An Accessible City</i> in Christchurch	Anchor Project Development Costs for the Bus Interchange	Canterbury Earthquake Memorial	Total
	\$000	\$000	\$000	\$000	\$000	\$000
	1 July 2013	1 July 2013	1 May 2014	1 October 2013	1 May 2014	
	30 June 2017	30 June 2016	30 June 2016	30 June 2017	30 June 2017	
	71,000	12,000	64,000	52,400	10,000	385,400
	(11,664)	(11,000)	11,000	-	-	15,218
	59,336	1,000	75,000	52,400	10,000	400,618
	-	-	-	-	-	-
	2,175	340	656	1,175	-	59,224
	2,175	340	656	1,175	-	59,224
	57,161	660	74,344	51,225	10,000	341,394

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Statement of Unappropriated Non-Departmental Expenditure and Appropriations

For the year ended 30 June 2014

Actual 2013 \$000	Type and Name of Appropriation	Notes	Actual 2014 \$000	Appropriation Voted 2014 \$000	Unappropriated Expenditure 2014 \$000
VOTE CANTERBURY EARTHQUAKE RECOVERY					
Other expense appropriations					
479	Movement in demolition debt provision	2	4,003	-	4,003
8,668	Movement in impairment of anchor project improvements provision		39,775	51,000	-
-	Movement in provision for vesting of anchor project land	9	35,454	-	35,454
-	Reimbursement of interest costs incurred by the Christchurch City Council		9,095	-	9,095
-	Loss on Valuation of Land		62,463	-	62,463
-	Loss on Valuation of Land Held for Sale		606	-	606
-	Transaction and Demolition costs of Anchor Project land		24,955	-	24,955
Capital expenditure appropriations					
-	Christchurch Bus Interchange		3,093	-	3,093
9,147	Total		179,444	51,000	139,669

2013/14 Unappropriated expenditure against Main Estimates

There was no unappropriated expenditure against Main Estimates for the year ended 30 June 2014 (2012/13: Nil).

2013/14 Unappropriated expenditure against Supplementary Estimates

As per above table. The majority of the items listed reflect critical assumptions made in the preparation of the financial statements in accordance with generally accepted accounting practice.

The unappropriated expenditure noted above will be validated in the 2013/14 Appropriation (Financial Review) Act.

2012/13 Unappropriated expenditure against Supplementary Estimates

Anchor project development costs for the Urban Frame

The \$10 million appropriation for development work of the Urban Frame was transferred from capital to operating in April 2013. Operating expenditure was incurred prior to the change being approved by Cabinet. This resulted in unappropriated expenditure of \$0.975 million for the period between 1 March and 31 March 2013.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Income

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Income				
1,141	Interest income		1,251	-	-
(4,554)	Insurance recoveries from red zone properties		(69,074)	-	15,969
-	Property management income		701	-	-
28,013	Recovery of demolition costs from property owners		3,739	-	200
399	Contribution from Christchurch City Council for red zoning		10,840	68,009	61,209
-	Gain on sale of property, plant and equipment		17	-	-
-	Gain on vested Housing New Zealand land		531	-	-
24,999	Total non-departmental income		(51,995)	68,009	77,378

The negative income in the insurance recoveries from red zone properties recorded above resulted from an adjustment to the actuarial remeasurement for the recovery of insurance proceeds from insurers and the Earthquake Commission, associated with purchases of red zone properties.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Expenses				
39,214	Payments to demolition contractors		27,865	5,310	41,269
(28,080)	Purchase of red zone land and buildings		6,823	287	67,512
394,979	Horizontal infrastructure (three waters) recovery costs		32,353	-	7,000
935	Payment to contractors for land slip removal in the Port Hills		40	-	1,065
11,343	Payment to suppliers for management of red zone properties		13,152	89,574	37,102
5,782	Anchor projects development		19,449	110,740	90,788
-	Transaction and demolition costs of anchor project land and buildings		24,955	-	-
8,668	Reduction in value of improvements acquired with anchor project land		39,775	-	-
-	Movement in provision for vesting of anchor project land		35,454	-	-
-	Reduction in value of anchor project land		63,069	-	-
432,841	Total non-departmental expenses		262,935	205,911	244,736

Note: The negative expense in the purchase of red zone land and buildings recorded in 2013 above resulted from the actuarial remeasurement of the residential red zone settlement obligation.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Assets

As at 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Current assets				
236,485	Cash and cash equivalents	1	65,032	151,035	197,363
20,841	Accounts receivable	2	18,061	15,970	398
517,809	Insurance recoveries	3	72,330	-	-
36,319	Prepayments		21,017	-	-
-	Property held for sale	4	26,213	-	-
811,454	Total current assets		202,653	167,005	197,761
	Non-current assets				
-	Insurance recoveries	3	330,535	-	-
-	Property held for sale	4	3,764	-	-
17,430	Property, plant and equipment – residential red zone land	5	21,900	16,400	17,430
100,914	Property, plant and equipment – anchor project land and buildings	6	257,497	716,000	515,000
-	Anchor project work in progress		3,093	-	-
118,344	Total non-current assets		616,789	732,400	532,430
929,798	Total assets		819,442	899,405	730,191

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Liabilities

As at 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000
	Current liabilities				
221,350	Red zone property settlements	7	65,654	-	-
417,254	Crown's share of horizontal infrastructure (three waters)	8	200,335	836,560	390,891
-	Provision for public realm anchor project land	9	35,454	-	-
-	Other provisions	10	8,502	-	-
13,693	Accruals		21,023	125,670	13,693
1,018	GST payable		1,235	757	894
653,315	Total current liabilities		332,203	962,987	405,478
	Non-current liabilities				
351,525	Crown's share of horizontal infrastructure (three waters)	8	193,469	-	-
351,525	Total non-current liabilities		193,469	-	-
1,004,840	Total liabilities		525,672	962,987	405,478

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Commitments

As at 30 June 2014

Actual 2013 \$000		Actual 2014 \$000
	Operating commitments	
	Demolition contractual commitments	
-	Less than one year	2,258
-	Total demolition contractual commitments	2,258
	Property and vehicle lease commitments	
117	Less than one year	117
49	One to two years	87
-	Two to five years	64
166	Total property and vehicle lease commitments	268
166	Total operating commitments	2,526
	Capital commitments	
	Anchor project land purchase commitments	
11,058	Less than one year	6,927
-	One to two years	1,536
11,058	Total anchor project land purchase commitments	8,463
	Anchor project construction contracts commitments	
-	Less than one year	39,372
-	Total anchor project construction contracts commitments	39,372
11,058	Total capital commitments	47,835
11,224	Total commitments	50,361

In addition to the contracted commitments above, the Crown entered into a Cost Sharing Agreement with the Christchurch City Council on 26 June 2013 which included the future development of anchor projects as part of the Christchurch Central Recovery Plan. The Crown's exposure to the development of the anchor projects is estimated at \$1.088 billion.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2014

2013/14 Quantifiable and unquantifiable contingent liabilities

The Canterbury Earthquake Recovery Authority, on behalf of the Crown, has no quantifiable contingent liabilities, but has the following unquantifiable contingent liabilities as at 30 June 2014.

Residential Red Zone – unquantifiable

Fowler Developments Ltd v The Chief Executive of the Canterbury Earthquake Recovery Authority (Quake Outcasts)

– A recent Court of Appeal decision largely upheld the previous High Court decision that the Government had acted unlawfully in making its offer of 50 per cent of the 2007 rateable land value to uninsured land owners in the Christchurch residential red zone, albeit for different reasons. The decision overturned the High Court ruling that the residential red zone was created illegally. The judgment ordered that the Minister and Chief Executive reconsider the offer made in respect of those properties. This judgment is subject to an appeal to the Supreme Court which was heard in late July 2014 and the decisions have been reserved.

Demolition disputes – unquantifiable

St George's Hospital – A claim has been lodged in arbitration by Nikau Contractors in relation to the demolition of part of St George's Hospital arising from the discovery and removal of asbestos from the building. CERA has rejected the claim.

2 Cathedral Square – Two claims arising out of the demolition of the property located at 2 Cathedral Square have been lodged. These works were commissioned by CERA, but stopped due to the discovery of asbestos. One claim relates to the delivery of works under the contract awarded to Hawkins Construction and the second to costs associated with the removal and disposal of asbestos prior to the work being halted.

2012/13 Quantifiable and unquantifiable contingent liabilities

The Canterbury Earthquake Recovery Authority, on behalf of the Crown, had no quantifiable contingent liabilities, but had the following unquantifiable contingent liabilities as at 30 June 2013.

Residential Red Zone – unquantifiable

Fowler Developments Ltd v The Chief Executive of the Canterbury Earthquake Recovery Authority (Quake Outcasts)

– In a recent High Court decision, it was held that the Government's decision to announce areas as residential red zone land was made unlawfully. The judgment also set aside the Government's decision to offer to purchase the applicants' properties at 50 per cent of the property's rateable land value, and ordered that the Minister and Chief Executive reconsider the offer made in respect of those properties. This judgment is subject to a pending appeal by the Crown.

Demolition disputes – unquantifiable

St George's Hospital – A claim has been lodged in arbitration by Nikau Contractors in relation to the demolition of part of St George's Hospital arising from the discovery and removal of asbestos from the building. CERA has rejected the claim.

2 Cathedral Square – Two claims arising out of the demolition of the property located at 2 Cathedral Square have been lodged. These works were commissioned by CERA, but stopped due to the discovery of asbestos. One claim relates to the delivery of works under the contract awarded to Hawkins Construction and the second to costs associated with the removal and disposal of asbestos prior to the work being halted.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

2013/14 Contingent assets

The Canterbury Earthquake Recovery Authority, on behalf of the Crown, has no quantifiable contingent assets, but has the following unquantifiable contingent asset as at 30 June 2014.

Demolition disputes – unquantifiable

St George's Hospital – If the above claim lodged by Nikau Contractors in relation to the demolition of part of St George's Hospital is successful, the contract with the owner would allow CERA to make a claim against the building owner, giving rise to an unquantifiable contingent asset.

2012/13 Contingent assets

The Canterbury Earthquake Recovery Authority, on behalf of the Crown, had no quantifiable contingent assets, but had the following unquantifiable contingent asset as at 30 June 2013.

Demolition disputes – unquantifiable

St George's Hospital – If the above claim lodged by Nikau Contractors in relation to the demolition of part of St George's Hospital is successful, the contract with the owner would allow CERA to make a claim against the building owner, giving rise to an unquantifiable contingent asset.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government of New Zealand for 2013/14.

Notes to the Non-Departmental Financial Statements

For the year ended 30 June 2014

Note 1: Cash and bank

Actual 2013 \$000		Actual 2014 \$000
	Bank, cash and deposits	
197,487	Bank	19,515
38,998	Interest-bearing deposits and performance bonds	45,517
236,485	Total bank, cash and deposits	65,032

Note 2: Accounts receivable

Actual 2013 \$000		Actual 2014 \$000
	Accounts receivable	
26,153	Accounts receivable	15,228
(5,312)	Provision for impairment	(8,007)
-	Receivable from Christchurch City Council	10,840
20,841	Total accounts receivable	18,061

Accounts receivable represents the amount of demolition costs to be recovered from building owners or their insurers for buildings demolished in the central city. A provision for impairment has been calculated based on a line-by-line review of overdue receivables.

The receivable from the Christchurch City Council (the Council) is an estimate of the amount receivable for residential red zone properties in the Port Hills, subject to rockfall or rock roll. The Cost Sharing Agreement signed in June 2013 provides that the Crown and the Council will share the costs of these properties equally between them. The quantum of this receivable is subject to a considerable amount of uncertainty because:

- the total number of properties subject to rockfall or rock roll has not been agreed between the Crown and the Council
- determining the net cost of these properties requires a considerable level of judgement, particularly around the recovery of land damage, as the Earthquake Commission is yet to formally assess the land damage for these properties.

Note 3: Insurance recoveries – Residential Red Zone

Actual 2013 \$000		Actual 2014 \$000
	Insurance recoveries – residential red zone	
564,828	Opening balance 1 July	517,809
21,267	Additional receivables recognised for new residential red zone announcements	5,817
(40,655)	Removal of properties where no offer to be made	-
(42,422)	Amounts received during the year	(45,858)
14,791	Actuarial adjustment	(74,903)
517,809	Closing balance 30 June	402,865
517,809	Current portion of insurance recoveries	72,330
-	Non-current portion of insurance recoveries	330,535
517,509	Closing balance 30 June	402,865

Refer to Note 7 for a detailed discussion on the residential red zone process.

The Government's offer for insured residential red zone properties includes the acquisition of the property title along with a beneficial interest of the home owner's insurance policy as described in Note 7.

The insurance recoveries receivable is determined by an actuarial valuation prepared by Linda Caradus of Melville Jessup Weaver, a firm of consulting actuaries. The valuation relies on information provided by CERA, Southern Response, the Earthquake Commission and the Treasury.

The balance of the receivable represents the value of the insurance and EQC recoveries due to the Crown for the residential red zone properties.

There is inherent uncertainty in any estimation of future events. Estimates are based on assumptions derived from analyses of past experience and reliance is placed on information relating to past recoveries as a base from which to estimate future recoveries. Deviations from estimates are normal and are to be expected.

In particular, there are significant uncertainties in the valuation of recoveries from EQC for land damage, which makes up the majority (\$330.5 million) of the receivable amount. No recoveries have been received for land damage, which means there are no historic data on which to rely. This element of the receivable is based on historic assumptions that require a significant level of judgement. It is acknowledged that the eventual recovery received may ultimately be based on a negotiated settlement.

The actuarial valuation of the insurance recoveries is based on assumptions that, if different, could alter the receivable significantly. The valuation as at 30 June 2014 includes the impact of four key assumptions:

- the amount of land damage to properties
- future land recoveries from EQC
- land repair cost
- future building recoveries

Melville Jessup Weaver has included the impact of changes in these assumptions in its sensitivity analysis. This analysis highlights that the actual insurance recovery receivable could range from \$166 million lower to \$155 million higher.

Note 4: Property held for sale

Actual 2013 \$000		Actual 2014 \$000
	Property held for sale	
	- Opening balance 1 July	
	- Future Canterbury Regional Council site land transferred from property, plant and equipment	4,370
	- Justice and Emergency Services Precinct land transferred from property, plant and equipment	26,213
	- Fair value adjustment	(606)
	- Closing balance 30 June	29,977
	- Current portion of property held for sale	26,213
	- Non-current portion of property held for sale	3,764
	- Closing balance 30 June	29,977

The Crown has entered into an agreement with the Canterbury Regional Council for the sale of a piece of land in the South Frame. Settlement and transfer of title will not occur until August 2018; meanwhile the Canterbury Regional Council will begin construction of a building on the site. During this construction, the Crown has granted a licence to the Council to access the property. The final settlement price will be determined when a final survey is completed.

A memorandum of understanding has been prepared between the Ministry of Justice and CERA for the transfer of land (between Crown entities) for the development of a new Justice and Emergency Services Precinct adjacent to the South Frame.

The fair value of the properties held for sale is measured at the lower of the carrying value or the sale price recorded in the sale and purchase agreements.

Note 5: Property, plant and equipment – Residential Red Zone

Actual 2013 \$000		Actual 2014 \$000
	Property, plant and equipment – residential red zone land	
-	Opening balance 1 July	17,430
17,430	Value of properties acquired during the year	3,800
-	Revaluation	670
17,430	Closing balance 30 June	21,900

A detailed discussion of the residential red zone background and process is provided in note 7. The Crown's financial obligation in relation to the residential red zone is triggered by each public announcement, as this creates a reasonable expectation that a Crown offer will be made to eligible property owners. At the time the offers are made, the Crown's liability is established. The residential red zone properties acquired are initially expensed as incurred. The land acquired by the Crown is then revalued annually by an independent valuer to recognise the fair value of the asset. The value of the land is deducted from the expense incurred.

As at 30 June 2013, CERA recognised an asset with a cost of \$17.43 million for the first 399 hectares of land acquired pursuant to its asset recognition policy. In the current year, the Crown has settled and holds title to a further 84 hectares, giving a total of 483 hectares.

The valuation of residential red zone land was performed by an independent valuer, William Blake of Knight Frank, as at 30 June 2014. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's-length transaction at the date of valuation, in accordance with standards issued by the International Valuation Standards Committee.

No decision has been made on the ultimate use of the land; however, possible highest and best use of the land could include:

- passive or scenic reserve
- active reserve, such as sports fields, subject to infrastructural development
- agriculture, including market gardening and grazing
- uses in conjunction with adjacent land.

CERA has not undertaken an independent valuation of the estimated 96 hectares of land in the red zone that the Crown has not acquired at 30 June 2014 (including those to be transferred from local authorities and other Crown entities). However, if the independent valuation above was extrapolated, the land value of these properties (96 hectares) could be estimated at \$4.6 million. No adjustment for this amount has been made in the financial statements.

Note 6: Property, plant and equipment – anchor project land and buildings

Land 2013 \$000	Buildings 2013 \$000	TOTAL 2013 \$000		Land 2014 \$000	Buildings 2014 \$000	TOTAL 2014 \$000
			Property, plant and equipment – anchor project land and buildings			
-	-	-	Opening cost or valuation (opening carrying value)	100,914	-	100,914
100,914	8,668	109,582	Additions	216,000	71,305	287,305
-	-	-	Properties transferred to 'held for sale'	(30,583)	-	(30,583)
-	-	-	Revaluation gain/(loss)	(62,463)	2,458	(60,005)
-	(8,668)	(8,668)	Impairment	-	(39,775)	(39,775)
-	-	-	Disposals – cost	(359)	-	(359)
100,914	-	100,914	Closing cost or valuation (closing carrying value)	223,509	33,988	257,497

The earthquakes of 2010 and 2011 created widespread destruction and grief for the people of greater Christchurch, but they also presented the city with a unique opportunity. It was an opportunity to start again by building a modern, green, vibrant, accessible city with people at the centre of everything that is done.

The *Christchurch Central Recovery Plan* (Recovery Plan), released in July 2012, sets out a bold vision and plan for the redevelopment of Christchurch's central city. The Recovery Plan identifies a number of anchor projects and precincts that will serve the public and encourage the private sector to build and invest around them. The Recovery Plan also incorporates a spatial Blueprint Plan, reflecting the community's desire for a more compact central city, and concentrates redevelopment in an area that better matches demand for space in the short to medium term. It was apparent very early that such a large undertaking would need to be led by the Crown and it has subsequently identified land to be acquired to facilitate the development of the anchor projects.

Negotiation for the purchase of properties focused on gaining bare land sites. However, sometimes it has been necessary to acquire both land and any residual improvements and, in many of those cases, these improvements will be demolished to clear the land for the anchor project development. As a result, the cost of these improvements has been recorded as an impairment loss, charged to the income statement.

Land and buildings are revalued to fair value as determined from the report (completed effective 30 June 2014) by an independent registered valuer, William Blake of Knight Frank. The fair values are based on market evidence on property sales and analysis of lease contracts related to market rentals.

The Knight Frank valuation report was peer reviewed by Richard Chung of Wareham Cameron & Co. The peer review assessed the valuation report for the appropriateness of the valuation methodology applied, adherence with valuation and financial reporting standards, and the major assumptions for reasonableness. The peer review confirmed that the valuation methodology was sound and adhered to relevant standards and that the key assumptions used were reasonable.

The valuation completed at 30 June 2014 has resulted in a net land and buildings valuation decrease of \$60 million. The following are the main reasons for the decrease.

- Valuation of land in amalgamated blocks rather than individual titles

The vision for the central city, as set out in the Recovery Plan, will require the amalgamation of multiple land titles into larger blocks to advance the development of the anchor projects. The valuer has assumed a 'discount' in the valuation of larger blocks, as large blocks tend to have longer development timeframes, so must allow for holding costs and the risks associated with a larger project. This is reflected in the comparable sales data used in the valuation.

The valuation of the land component of an anchor project precinct may transition to an amalgamated block basis when the stage of planning indicates a high degree of confidence around the spatial plans for the project.

The impact of valuing land in larger blocks is the main driver of the current year's valuation decrease. This will also have an impact on future years' valuations, as the planning for remaining anchor projects becomes more advanced and the land valuation transitions to larger blocks, rather than individual titles.

- Allowance for the impact of designations over anchor project land

A designation is a provision in a district plan that gives notice to the community that a requiring authority intends to use land in the future for a particular work or project.

Land for anchor projects is acquired through sale and purchase agreements with individual vendors. The purchase is supported by individual property valuations, which specifically exclude the impact of any designations over the land, as required by the terms of the Public Works Act 1981.

The valuation of land in these financial statements includes an allowance for the impact of designations over anchor project land. Designations 'attach' to the land and essentially limit the type of development that can take place on it. The valuer has considered the impact of designations, to the extent they are in place over land held at balance date.

Note 7: Provision - Residential red zone settlements

Actual 2013 \$000		Actual 2014 \$000
	Provision – residential red zone settlements	
744,700	Opening balance 1 July	221,350
116,248	Additional provision recognised for new residential red zone announcements	29,085
(103,266)	Removal of properties with expired offers	-
(465,113)	Payments to property holders	(157,200)
(35,672)	Passive insurance recoveries recognised	(8,165)
(35,547)	Actuarial adjustment	(19,416)
221,350	Closing balance 30 June	65,654

On 23 June 2011 the Government announced the various zones of land damage resulting from the earthquakes in Christchurch city and parts of Waimakariri district. Residential red zones were declared in areas where there was significant damage. The land in the residential red zone was considered so badly damaged that rebuilding was unlikely to be practicable in the short to medium term. An engineering solution to remediate the land damage would be uncertain, disruptive and cost-prohibitive, and would take a considerable amount of time. In addition, the combination of increased seismic activity and the characteristics of the land meant that some parts of the worst-affected suburbs were likely to continue to be susceptible to liquefaction, flooding and damage to essential services.

On the same day as it announced the initial land zoning decision, the Government also announced that it was prepared to purchase insured residential property in the residential red zone and that formal offers to home owners would be made following the announcement. These offers were designed to provide some certainty to home owners in the worst-affected residential suburbs and allow them to move on with their lives.

The Crown's financial obligation in relation to the residential red zone is triggered by each public announcement, as this creates a reasonable expectation that a Crown offer will be made to eligible property owners. At the time the offers are made, the Crown's liability is established by estimating the proportion of likely acceptance under Option 1 and Option 2 as follows:

- under Option 1, the purchase price is based on the 2007 rating valuation for land (dependent on property type), buildings and fixtures and the Crown takes over all insurance claims for the damage to property
- under Option 2, the purchase price is the 2007 rating valuation for the land (dependent on property type) and the Crown takes over the Earthquake Commission claim for land damage only.

During the current year a further zoning announcement was made covering the Port Hills Zoning Review.

The Crown's liability for property settlements is determined by an actuarial valuation prepared by Linda Caradus of Melville Jessup Weaver, a firm of consulting actuaries. The valuation relies on information provided by CERA, Southern Response, the Earthquake Commission and the Treasury.

The closing balance of the liability represents the outstanding property settlements from announced zoning decisions as at 30 June 2014.

No provision has been made in these financial statements for costs associated with any further red zoning decisions after 30 June 2014. Any subsequent offer to residents in earthquake-affected zones to purchase property will result in increased costs to the Crown (and potentially increased revenue from insurance recoveries, as per note 3). The extent of these costs will depend on the details of such offers.

The actuarial valuation is, by its nature, based on assumptions that, if proved different, could significantly alter the provision. Melville Jessup Weaver has considered the impact of changes in assumptions as part of sensitivity analysis. After considering the valuation and the associated risks and sensitivities as at 30 June 2014, CERA has relied on the base actuarial valuation and amended the closing value of outstanding property settlements accordingly.

Note 8: Provision – horizontal infrastructure (three waters)

Actual 2013 \$000		Actual 2014 \$000
	Provision – horizontal infrastructure (three waters)	
529,600	Opening balance 1 July	768,779
436,821	Additional provision recognised	-
(155,800)	Payments to councils	(391,233)
(41,842)	Discounting of liability	16,258
768,779	Closing balance 30 June	393,804
417,254	Current portion of the provision	200,335
351,525	Non-current portion of the provision	193,469
768,779	Closing balance 30 June	393,804

In significant emergency events, the Crown may provide financial support to local authorities for response and rebuild costs to damaged infrastructure. The Civil Defence Emergency Management Plan stipulates how the Crown may contribute to these costs. The Crown's contribution to response and rebuild costs for three waters (waste, storm and fresh) infrastructure is typically up to 60 per cent of the total cost.

CERA has recognised a liability on behalf of the Crown for its remaining share of the three waters infrastructure response and recovery costs following the Canterbury earthquakes of 2010 and 2011. Other government agencies, including the Department of Internal Affairs, have already contributed to these costs for emergency repairs immediately after the events.

Given the scale of damage to infrastructure assets in Christchurch city, the Crown's largest exposure is to the rebuild of assets owned by Christchurch City Council. On 26 June 2013 the Crown entered into a Cost Sharing Agreement with the Christchurch City Council, which set the Crown's contribution to total infrastructure response and rebuild costs at \$1.8 billion. Similar agreements have been signed with Waimakariri District Council and Selwyn District Council and a specific agreement for river management systems has been prepared with Environment Canterbury.

The Crown's \$1.8 billion share includes the estimated split of three waters and road infrastructure rebuild costs and impacts on three government agencies: the Ministry of Civil Defence and Emergency Management, the New Zealand Transport Agency and CERA.

The liability recorded by CERA, on behalf of the Crown as at 30 June 2014, is based on two components:

- the three waters component of the Cost Sharing Agreement with Christchurch City Council explained above
- the recovery of three waters as per the cost sharing agreements with Waimakariri District Council and Selwyn District Council and the repairs to Environment Canterbury's river management systems.

Determining CERA's share of the infrastructure costs has required an assessment of the future liabilities for road infrastructure repair costs (managed by the New Zealand Transport Agency), and separation of these from CERA's liability for three waters response and rebuild costs. CERA's liability has been recorded at the present value of the expected future cash flows for the three waters infrastructure costs. A discount rate of 3.98 per cent has been used to determine the present value.

The determination of this liability is subject to a considerable amount of estimation, particularly around the assessment of the road infrastructure repair costs managed by the New Zealand Transport Agency. Should these costs be different to those previously assessed, CERA's liability will increase or decrease accordingly to achieve the total \$1.8 billion Crown share.

The Cost Sharing Agreement also provides for an independent review of Christchurch City Council's infrastructure recovery costs and delivery programme by December 2014. This review has not been completed at the reporting date. The review may result in changes to the overall cost of the infrastructure rebuild.

CERA actively manages the long-term work programme for each local authority. In the case of Christchurch City Council, the Cost Sharing Agreement provides for an active management regime to ensure service and rebuild standards are being met. CERA is continuing to work through a process with all councils to validate claims and agree on timing of the Crown's cash contribution to three waters infrastructure recovery costs.

Note 9: Provision – anchor project land vesting with Christchurch City Council or other parties

Actual 2013 \$000		Actual 2014 \$000
	Provision – anchor project land vesting with Christchurch City Council or other third parties	
-	Opening balance 1 July	-
-	Provision for public realm land transfer to Christchurch City Council	29,012
-	Provision for Central Library land transfer to Christchurch City Council	3,834
-	Provision for Performing Arts Precinct land	2,608
-	Closing balance 30 June	35,454

The vision for the redevelopment of Christchurch's central city is set out in the Christchurch Central Recovery Plan released in July 2012. The Recovery Plan incorporates a spatial Blueprint Plan reflecting the community's desire for a more compact central city, and concentrates redevelopment in an area that better matches demand for space in the short to medium term. The Recovery Plan identified a number of anchor projects to advance the redevelopment of the central city.

Some of the land purchased by the Crown for the anchor projects, rather than being built on, will become new public space for the people of greater Christchurch and visitors to enjoy. Under the Cost Sharing Agreement signed by the Crown and the Christchurch City Council (the Council) in June 2013, any land purchased for anchor projects that forms part of the 'public realm' will vest in and be maintained by the Council. The vesting date is yet to be determined. The creation of this space will be an asset for the people of Christchurch for generations to come.

Planning within some projects is far enough advanced to have a high degree of confidence around the spatial design. A portion of land within these projects has been identified as being for 'public realm', which will therefore vest with the Council at some point in the future. The value of this land is included in property, plant and equipment (refer note 6), as it has not yet vested with the Council at balance date. The Crown has therefore recognised a provision for the value of the land that will be transferred to the Council at a future date.

A key judgement in determining the value of land vesting with the Council is the current spatial plan for that anchor project. While the various anchor projects are at an advanced stage of their planning and have the support of the spatial plan which provides a high degree of confidence in their development, it is recognised that these could be subject to change.

On 12 June 2014 the Government announced that certain parcels of land in the Performing Arts Precinct would be leased to the Music Centre of Christchurch at concessionary rates. These leases were not in place at 30 June 2014, so the revaluation did not reflect the impact of the concessionary lease on the value of the land. A separate provision has been recognised to reflect this decrease in value.

Note 10: Other provisions for the compulsory acquisition of land

Actual 2013 \$000		Actual 2014 \$000
	Other provisions for the compulsory acquisition of land	
-	Opening balance 1 July	-
-	Provision recognised in the current year	8,502
-	Closing balance 30 June	8,502

The Crown has acquired land or other instruments through proclamation for the future development of anchor projects. The compensation payment for the acquisition of land for 12 properties has yet to be agreed. As part of the compensation agreement process, the Crown has sought a valuation of the affected properties pursuant to Part 5 of the Public Works Act 1981. These valuations have been adopted to recognise an obligation to make settlement payments to relevant owners. Other instruments, including electrical or right of way easements, have been acquired by proclamation but have no outstanding settlement obligation to the Crown.

Note 11: Major variances

The following table provides a review of the major variance between actual results and the Supplementary Estimates.

There were a number of unappropriated expenditure items in 2013/14. Refer to the Statement of Unappropriated Non-Departmental Expenditure and Appropriations for details.

	Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000	Actual Versus Main Estimates 2014 \$000	Actual Versus Supplementary Estimates 2014 \$000
Canterbury earthquake property demolitions and related costs and compensation	A	23,862	5,310	41,269	(18,552)	17,407
Acquisition of Canterbury red zone properties	B	6,399	-	66,081	(6,399)	59,682
Red zone property management costs	C	13,152	89,574	37,102	76,422	23,950
Anchor project land acquisition	D	287,305	-	465,086	(287,305)	177,781

Statement of expenditure and capital expenditure

- (A) **Residential red zone building demolition:** The lower than expected spend of the 2013/14 budget allocation reflects the delay in the demolition programme, where fewer residential red zone demolitions occurred due to a change in the forecast approach from multi-site clearance to single-site clearance primarily in response to the actions of third party insurers.
- (B) **Residential red zone property acquisitions:** The lower than expected spend of the 2013/14 budget allocation reflects the delays in final zoning decisions arising from the need to wait for the result of the Quake Outcasts litigation and the impact of the actuarial valuation of the settlement obligation.
- (C) **Residential red zone property management costs:** The lower than expected spend of the 2013/14 budget allocation reflects the delay in the property clearance demolition programme, as noted above.
- (D) **Anchor project land acquisitions:** The lower than expected spend of the 2013/14 budget allocation reflects the slowdown in the acquisition process for anchor project land.

The following table provides a review of the major variances between the Main Estimates and the Supplementary Estimates.

	Notes	Main Estimates 2014 \$000	Supplementary Estimates 2014 \$000	Explanation for Change
Canterbury earthquake property demolitions and related costs and compensation		5,310	41,269	Underspend of 2012/13 appropriation transferred to the current year. Funding for future red zone demolitions will be transferred to a new multi-year appropriation which better reflects the expenditure profile.
Acquisition of Canterbury red zone properties		-	66,081	Underspend of 2012/13 appropriation resulting from delays in announcements in outstanding zoning decision transferred to the current year.
Red zone property management costs		89,574	37,102	Underspend of 2012/13 appropriation transferred to the current year. In addition, \$71 million has been transferred to the multi-year appropriation. Funding for future red zone management costs will be transferred to a new multi-year appropriation which better reflects the expenditure profile.
Anchor project land acquisition		-	465,086	Underspend of 2012/13 appropriation resulting from delays in securing properties designated for anchor projects transferred to the current year.
Crown contribution to Waimakariri District Council's earthquake damaged community facilities		-	7,000	As part of the Cost Sharing Agreement with Waimakariri District Council, the Crown agreed to contribute to repairs to community assets.

Note 12: Financial instrument risks

Classes and categories of financial assets

CERA's financial assets consist of cash and cash equivalents and accounts receivable for building demolitions. These financial assets are categorised as 'loans and receivables' and are recorded at amortised cost.

Classes and categories of financial liabilities

CERA's financial liabilities consist of other liabilities. These financial liabilities are recorded at amortised cost.

Credit risk management

2013					2014			
AA	A	Non-rated	Total		AA	A	Non-rated	Total
\$000	\$000	\$000	\$000		\$000	\$000	\$000	\$000
236,485	-	-	236,485	Cash and cash equivalents	65,032	-	-	65,032
517,809	-	20,841	538,650	Debtors and receivables	402,865	10,840	7,221	420,926
754,294	-	20,841	775,135	Total financial assets	467,897	10,840	7,221	485,958

Credit risk is the risk that a third party will default on its obligation to CERA, causing CERA to incur a loss. In the normal course of CERA's business, credit risk arises from debtors and deposits with banks. CERA is only permitted to deposit funds with Westpac, a registered bank, which has a high credit rating. For its other financial instruments, CERA does not have significant concentrations of credit risk.

Note 13: Post balance-date events

There were no events after balance date that require additional disclosure in the financial statements.

