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Annual Report 2013

CERA
Canterbury Earthquake Recovery Authority
Te Mana Haumanu ki Waitaha

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New Zealand Government

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Chief Executive's Foreword

This year has been a turning point for those who live in greater Christchurch. The long and unprecedented period of significant earthquakes and aftershocks appears to be behind us and we are well on the way to the recovery and rebuild of our region.

This Annual Report for the year to 30 June 2013 outlines the great deal of work undertaken by the Canterbury Earthquake Recovery Authority (CERA) in leading, coordinating and partnering with agencies and communities to ensure the recovery and rebuild happens.

I am very proud of my team here at CERA. They have worked tirelessly over the past year and they are overwhelmingly positive about the work they do and the challenges that arise. It has been a time when huge resilience has been needed and I am continually amazed at how well everyone responds to this. Thank you.

Major milestones met during this period include:

- coordinating the 24 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, Educational Renewal, Sports, Recreation, Arts and Culture, and Community Resilience
- creating a Blueprint Plan for the central city which sets out a defined frame and key anchor projects and precincts. Implementing this plan is now well underway with the development of business cases, the purchase of 77 Properties and the recent delivery of the first stage of the Watermark Project as part of the Te Papa Ōtākaro/ Avon River Precinct
- reaching a formal agreement on cost-sharing arrangements between the Crown and Christchurch City Council for the central city rebuild and the repair of the city's horizontal infrastructure
- officially removing the cordon from the central city
- completing the zoning (and review) process for all flat land areas, with 98 per cent of Crown offers accepted by red-zone property owners
- providing information and resources for green TC3 property owners that assists with the repair and rebuild of their homes.

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

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

The purposes of the CER Act are set out in section 3. They are:

(a) to provide appropriate measures to ensure that greater Christchurch[1] and the councils and their communities respond to, and recover from, the impacts of the Canterbury earthquakes:
(b) to enable community participation in the planning of the recovery of affected communities without impeding a focused, timely, and expedited recovery:
(c) to provide for the Minister and CERA to ensure that recovery:
(d) to enable a focused, timely, and expedited recovery:
(e) to enable information to be gathered about any land, structure, or infrastructure affected by the Canterbury earthquakes:
(f) to facilitate, co-ordinate, and direct the planning, rebuilding, and recovery of affected communities, including the repair and rebuilding of land, infrastructure, and other property:
(g) to restore the social, economic, cultural, and environmental well-being of greater Christchurch communities:
(h) to provide adequate statutory power for the purposes stated in paragraphs (a) to (g).

Functions

The functions of the Minister, for the purpose of giving effect to the CER Act, are set out in section 8.

The functions of the Chief Executive, for the purpose of giving effect to the CER Act, are set out in section 9.

Legislation

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.

[1] 'Greater Christchurch' is defined in section 4 of the Canterbury Earthquake Recovery Act 2011 as 'the districts of the Christchurch City Council, the Selwyn District Council, and the Waimakariri District Council, and [it] includes the coastal marine area adjacent to these districts'

The Period in Review

Annual Report for CERA

This is the second 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 scale and complexity of the recovery task are unprecedented in New Zealand's history, with the cost of the rebuild currently estimated at $40 billion. The ongoing seismic activity has made for a challenging and unique working environment.

Significant progress with the recovery has been made over the 2012/13 year and the rebuild is beginning. Considerable work is underway in both government and non-government sectors to ensure this progress continues swiftly.

In particular, we have developed a comprehensive work plan based on a set of five priorities and tasks (see below). We are now working closely to this plan to achieve the goals set and to monitor our progress.

Priorities and Tasks

The following are the five priorities and tasks set out in the CERA work plan.

Building and maintaining confidence in the rebuild and recovery

The long-term strategy for the recovery is the *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha*. This strategy establishes a programme of work for the recovery process and consolidates CERA's relationship with our strategic partners[2] and the community to coordinate action on the 24 programmes underway and monitor progress. It also has statutory effect in identifying goals for the recovery across six interlinked components – leadership and integration, and the economic, built, social, cultural and natural environments.

Some of these programmes are well advanced. In particular, the draft *Land Use Recovery Plan* (LURP) which looks at the impacts of the earthquakes on residential and business land use and provides a pathway from the rebuild to longer-term planning, went through a preliminary consultation process in March and April 2013 and has now been publicly notified. The draft LURP, an Environment Canterbury-led plan, provides the delivery mechanisms necessary to: rebuild existing communities and develop new ones; meet the land use needs of businesses; rebuild and develop the infrastructure needed to support these activities; and take account of natural hazards and environmental constraints that may affect rebuilding and recovery.

The draft transport chapter of the *Christchurch Central Recovery Plan* has also been through a public consultation process. *An Accessible City* focuses on the way people travel into and around the central city, and how the streets will look as the central area redevelops. All plans are developed in consultation with the relevant public and private sector agencies and groups.

[2] *CERA's strategic partners are Environment Canterbury, Christchurch City Council, Selwyn District Council, Waimakariri District Council and Te Rūnanga o Ngāi Tahu.*

Residential repair and rebuilding

Assessing land damage caused by the earthquakes has been a high priority for CERA. Residential property in the flat land has been zoned red where the land has been so badly damaged by the earthquakes that it is unlikely it can be rebuilt on for a prolonged period.[3] The first land zoning decisions identifying these areas were announced in June 2011, and owners of property within the residential red zone became eligible for a Crown offer to purchase their properties.

Land has also been zoned in the Port Hills, but these zoning decisions are based on the risk to life posed by hazards such as cliff collapse and rock roll that are unique to the area. The zoning decisions made in the Port Hills have been reviewed, but the announcement of the results of this review has been delayed by a legal challenge to the decision to zone land.[4]

Property clearances are currently underway in the residential red zone. As at 30 June 2013, a total of 2,409 properties, representing 38 per cent of the total had been cleared. Property clearances include demolishing or relocating buildings, salvaging materials and clearing the site. Some property clearances will be undertaken by insurers directly. CERA is working closely with insurance companies and the Earthquake Commission (EQC) to move the claims process forward so that properties can be cleared.

In the meantime, CERA has an active programme of maintaining Crown-owned red zone properties to reassure landowners. Part of this programme has been to contract a security company to patrol these areas 24 hours a day, 7 days a week.

CERA is also committed to ensuring that there is an adequate land supply in greater Christchurch, particularly for red zone property owners who want to rebuild. Working alongside the Christchurch City Council and the Selwyn and Waimakariri District Councils, we have actively monitored land supply for residential and commercial development. We have also worked on resolving issues that have been holding back residential development. Over 2,300 sections were on the market on 30 June 2013.

CERA has put considerable resources into working on issues related to the 28,000 green Technical Category 3 (TC3) properties.[5] We have had an extensive programme of working with agencies (EQC, insurers, geotechnical engineers and the Ministry of Business, Innovation and Employment (MBIE)) to ensure progress is made and information provided that will assist property owners to repair and rebuild their homes. This programme has included: a regular series of meetings with professional groups, including bankers, insurers, real estate firms and lawyers, to push for progress from all quarters; two TC3 workshops identifying solutions for rebuilding homes; 21 community meetings in 2012 to bring experts together to talk to communities about TC3 issues; and a Rebuild and Recovery Expo in the last weekend of April 2013. CERA and MBIE have also set up the Canterbury Residential Rebuild website http://canterburyresidentialrebuild.govt.nz/ which links TC3 property owners to the organisations responsible for and involved in helping to rebuild their homes.

[3] *The criteria for defining an area as residential red zone are that: there is significant and extensive area-wide land damage; engineering solutions may be uncertain in terms of design, success and commencement given the ongoing seismic activity; and, any repair would be disruptive and protracted for landowners.*

[4] *The Government's decision to zone land was challenged in* Fowler Developments Ltd v The Chief Executive of the Canterbury Earthquake Recovery Authority (Quake Outcasts) *[2013] NZHC 2173. This decision is subject to a pending appeal.*

[5] *Land in the green zone has been divided into three technical categories – TC1, TC2 and TC3. These categories describe how the land is expected to perform in future earthquakes as well as what foundation systems are most likely to be required in the corresponding areas. For TC3 land, moderate to significant land damage from liquefaction is possible in future large earthquakes.*

Action on the central city rebuild

Almost 1,000 buildings had been partially or fully demolished in the Christchurch central city[6] by 30 June 2013. This date is also significant in that it was when the cordon was officially removed from the central city. The original cordon, set up following the 22 February 2011 earthquakes, enclosed an area of 387 hectares and had gradually been scaled back as buildings were demolished or made safe, and sites cleared. Moreover, the year ended 30 June 2013 has marked a turning point for the central city from a time of deconstruction to reconstruction. For the first time since the February 2011 earthquake, staff working inside the central city on construction projects outnumbered those working on demolition and deconstruction projects.

The Christchurch Central Development Unit (CCDU) was established within CERA in April 2012 to provide clear leadership on the rebuild of the central city. Its first task was to prepare a final *Christchurch Central Recovery Plan* within a 100-day deadline. This plan built on the Christchurch City Council's draft Central City Plan, which had been developed through the Share an Idea project, a most successful consultation process with the people of Christchurch that identified what they want in a rebuilt central city. The *Christchurch Central Recovery Plan*, including a spatial Blueprint Plan for redevelopment, was publicly released on 30 July 2012, and directed changes to the *Christchurch City District Plan* which came into effect on 7 August 2012.

The Blueprint Plan gives direction to the construction of the new central city. It uses a green Frame to deliver a more compact central city and to provide for a range of commercial and residential development opportunities. In addition, it identifies key anchor projects, including the Convention Centre Precinct, the Metro Sports Facility, the Stadium, and a number of precincts that bring together common services on one site such as the Justice and Emergency Services Precinct and the Health Precinct. It also provides for arts, culture and leisure opportunities.

If the anchor projects are to succeed, some large parcels of land are required. CCDU is developing detailed business cases and working with land owners to purchase the sites needed for these projects. By 30 June 2013, agreement had been reached on the purchase of 121 central city properties; within a month of this date, the number of properties purchased had risen to 156, which represents 44 per cent of the total required.

On 26 June 2013, the Crown entered into a cost-sharing agreement with the Christchurch City Council. The agreement formally acknowledges responsibility for delivering and funding a series of projects that form part of the rebuild and recovery of Christchurch city. The schedule for completing these projects has been finalised. A large proportion will be delivered over a number of years and have little impact on the 2012/13 year. However, the full costs associated with the repair and rebuild of the city's horizontal infrastructure, in particular the three waters (storm water, waste water and fresh water), are recognised within the current year's financial statements.[7] Overall the Crown is investing $2.9 billion in the projects underpinning the cost-sharing agreement, while the Council is committed to investing $1.9 billion.

As part of our planning for the rebuild of the central city, a new efficient, reliable and safe transport system has been developed to accommodate future growth and is represented

[6] The central city is the area bounded by Bealey, Fitzgerald, Moorhouse, Deans and Harper Avenues.
[7] Refer to Note 7 in the non-departmental financial statements.

in the draft transport plan *An Accessible City*. This system is designed to encourage more walking, cycling and use of public transport, while still providing for motor vehicle access for visitors, businesses and emergency responses. A key anchor project, the Bus Interchange, will be a central link to all services travelling into and around the city and an integral part of four major transport hubs located around the wider city. The Bus Interchange will be close to the proposed Stadium and the Retail Precinct. The design and planning of the Bus Interchange are taking shape, with construction on track to start from mid-2014.

One particular project in which we have successfully engaged Christchurch school children has centred on designing a children's playground in the central city through The Amazing Place competition. This competition attracted over 6,000 participants and 300 top-quality entries. The winner's design, announced in May 2013, will form the basis of the Margaret Mahy Amazing Place and is due to be built by the end of 2014.

Strengthening community resilience and social infrastructure

The Recovery Strategy's goals for social recovery are to strengthen community resilience, safety and wellbeing, and to enhance the quality of life for residents. To achieve these goals, we have established a clear work programme to: engage with the community, providing confidence that the recovery is on track; develop a psycho-social strategy and action plan; support the development of resilience programmes, such as winter resilience and summer programmes; encourage best practice by providing tools and resources for community building; and support the rebuild of social infrastructure.

CERA's structure reflects this work programme by including the Social and Cultural Recovery Business Group. This group provides community and customer services, and includes a Community Resilience Team that works to ensure communities are well supported. Part of its work has been to make case-by-case extensions to the settlement dates for red zone property owners, based on applicants' vulnerability and individual circumstances. The Residential Advisory Service was developed in May 2013 as a result of the growing need among earthquake-affected residential property owners for independent assistance to understand and progress the repair and rebuild. The Residential Advisory Service was designed and developed with information that came from monitoring the key stressors impacting on recovery.

Members of the Community Resilience Team have responsibility for specific communities within Christchurch, Selwyn, and Waimakariri. They work with and support residents' groups on issues related to the recovery. They have a key role in working with those in red zone areas and they liaise with staff throughout CERA.

CERA's Community Resilience Team is also linked in to community networks to ensure information is shared, initiatives are supported and an appropriate response to recovery issues is facilitated. Team members have coordinated neighbourhood and community activities, worked with Rotary to establish a neighbourhood fund to support community initiatives, worked closely with Earthquake Support Coordinators, Ministry of Social Development, and Canterbury District Health Board, and been part of the 'It's A Marathon Not a Sprint' workshops.

CERA also works closely with central and local government agencies, including the Ministry of Education and the Ministry of Business, Innovation and Employment; insurance companies; and the banks to make sure all organisations are working towards resolving issues for individuals and communities and making available as much assistance as possible.

The effectiveness of this work is measured through such initiatives as the Wellbeing Survey and the Canterbury Wellbeing Index which identifies quality of life, the impacts on relationships, stressors, and on-going impacts of the earthquakes and opportunities to influence decision making. Support for vulnerable groups is enhanced by the Earthquake Assistance Centre in Avondale and the Kaiapoi Earthquake Hub, the Earthquake Support Coordinator Service and CERA's Contact Centre.

The Canterbury Earthquake Recovery Act 2011 requires a Community Forum to be established to provide the Minister for Canterbury Earthquake Recovery and CERA's Chief Executive with information and advice, and it plays an important role in connecting CERA with the greater Christchurch community. The Forum currently has 31 members, representing a large portion of the greater Christchurch community. In the year to 30 June 2013, the Forum considered and provided advice on issues such as the *Christchurch Central Recovery Plan*, its draft transport chapter, and issues related to education, youth, economic recovery and vulnerability in the community. The Forum is required under the CER Act to meet at least six times per year; in the year to 30 June 2013, the Forum met 20 times.

Funding the rebuild

The recovery of central Christchurch requires considerable investment. Several steps have been taken to make this recovery happen, including the launch of CERA's Economic Recovery Programme in December 2012. While the economic base of the Canterbury community has proven to be resilient despite the ongoing earthquakes, this detailed programme focuses on revitalisation and capital investment, primarily in housing, infrastructure and commercial buildings.

As reported above, CERA has worked closely with the Christchurch City Council to set up the financial, commercial and delivery structures needed to progress the central city anchor projects. The two organisations have now agreed on a cost-sharing arrangement and timelines through to completion dates.

CERA's Capital and Investment Team has developed a programme to deliver the 'Why Christchurch?' story which includes a programme business case, a financial blueprint and a precinct implementation plan. The team is working closely with the private sector on the financial, commercial and delivery structures for each of the anchor projects to ensure that the public sector capital committed to those projects is delivered in a way that encourages new investment. It reports a marked increase in businesses eager to engage in this process.

Horizontal infrastructure through greater Christchurch has been severely damaged; following the earthquakes, repairs were required to 1,320 kilometres of roads, 659 kilometres of sewer mains and 69 kilometres of water mains. The Stronger Christchurch Infrastructure Rebuild Team (SCIRT), an alliance between CERA, the Christchurch City Council and the New Zealand Transport Agency, has been created to manage these repairs, and a five-year infrastructure rebuild programme was launched in September 2012. Much has been done in the year to 30 June 2013: 59 per cent of water supply repairs, 43 per cent of storm water repairs, 29 per cent of wastewater repairs, and 18 per cent of road repairs have been completed.

SCIRT is working closely with government agencies, utility providers, private developers and land owners to coordinate and schedule the rebuild of horizontal infrastructure as part of the wider recovery process. Work is being timed to support the delivery of other work such as the anchor projects and large private developments such as the Retail Precinct. CERA expects work to increase from October 2013 and to be completed by the end of 2016.

Looking forward

CERA's work programme is now well underway and we are making good progress on the recovery process. Staffing levels at CERA have changed in the year ended 30 June 2013 to enable it to meet the demands of its work programme and the stages of recovery that have begun. As at 30 June 2013, CERA's employee head count was 300, comprised of fixed-term staff, secondees from other government departments, and short-term contracted staff. This mixed-model of staffing allows rapid adaptation, which is necessary given the changeable nature of CERA's work. As the only government department with its head office in Christchurch, CERA faces specific challenges in maintaining connections with other parts of government. These challenges have been addressed through maintaining a small office in Wellington.

The cost-sharing agreement between CERA and the Christchurch City Council for the anchor projects in the *Christchurch Central Recovery Plan*, transport-related projects and the horizontal infrastructure repairs will also impact on the organisation as increased capacity will be needed to manage this work.

We need to acknowledge that, for many people and their families, life is still very difficult. However, we are now at the stage where we can look forward and see that there is much to be positive about. As the rebuild gathers pace, progress will become increasingly tangible; particularly as we reach those key milestones set for the coming year such as further progress on the transport plan and Te Papa Ōtākaro/Avon River Precinct. The coming year will also see the central city begin to take shape as designs are finalised and early construction begins on key anchor projects such as the Convention Centre Precinct and the Bus Interchange, and the East Frame.

For CERA, the next year will involve new challenges as we plan for the transition of recovery activities beyond the finite legislative timeframe that we work within. Alongside this, CERA will continue to work closely with our strategic partners, central government and the community to ensure the recovery of greater Christchurch continues on track.

Equal Employment Opportunity Reporting

In accordance with section 56(1) of the State Sector Act 1988, the Chief Executive of CERA operates a personnel policy that complies with the principle of being a good employer. CERA does not have a specific policy relating to Equal Employment Opportunities. However, and in accordance with section 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 with three of the six members of the senior management team being female, and 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 2013.

Roger Sutton **Chief Executive** 30 September 2013	**David Mills** **Chief Financial Officer** 30 September 2013

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 2013.

The Auditor General is the auditor of Canterbury Earthquake Recovery Authority (the Authority). 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 the Authority on her behalf.

We have audited:

- the financial statements of the Authority 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 2013, 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 the Authority that comprises the statement of service performance on pages 24 to 29 and the report about outcomes on pages 18 to 23; and
- the schedules of non departmental activities of the Authority on pages 51 to 74 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2013, 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 the Authority on pages 31 to 49:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect the Authority's:
        - financial position as at 30 June 2013;
        - financial performance and cash flows for the year ended on that date;
        - expenses and capital expenditure incurred against each appropriation administered by the Authority and each class of outputs included in each output expense appropriation for the year ended 30 June 2013; and
        - unappropriated expenses and capital expenditure for the year ended 30 June 2013 and

- the non financial performance information of the Authority on pages 18 to 29:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2013, 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 the Authority on pages 51 to 74 fairly reflect, in accordance with the Treasury Instructions:
  - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2013 managed by the Authority 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 the Authority on behalf of the Crown.

Uncertainties associated with water infrastructure liability and residential red zone insurance recoveries.

Without modifying our opinion, we draw your attention to note 7 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.

We also draw your attention to note 4 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.

Our audit was completed on 30 September 2013. 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 the Authority'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 the Authority'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 the Authority'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 the Authority'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 the Authority 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, we have no relationship with or interests in the Authority.

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of Canterbury Earthquake Recovery Authority for the year ended 30 June 2013 included on the Canterbury Earthquake Recovery Authority's website. The Chief Executive is responsible for the maintenance and integrity of the Canterbury Earthquake Recovery Authority's website. We have not been engaged to report on the integrity of the Canterbury Earthquake Recovery Authority's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 30 September 2013 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

CERA Operating Intentions

CERA's operating intentions align with the Government's 2013 priorities of responsible finances, a stronger economy, better public services, and rebuilding Christchurch. These operating intentions, in regard to greater Christchurch's economic, social and cultural, and built environments, are set out below.

CERA is one of a number of organisations in that contribute to these impacts in greater Christchurch. The statements below should be read in this context.

Economic Environment

CERA seeks to encourage market conditions in greater Christchurch that support the rebuild, development and economic recovery of the area.

CERA Impact	Measures and Standards	Actual as at 30 June 2013 (and comparison where relevant)
Ensuring that conditions in greater Christchurch support the rebuild, development and economic recovery of the area.	100% of Chief Executives of CERA's strategic partners are satisfied or more than satisfied with CERA's contribution to Canterbury's economic recovery, in a survey to be carried out in 2013 and 2015.	• This standard has not been met. • 69% of Chief Executives of CERA's strategic partners report being either *satisfied or more than satisfied* with CERA's contribution to Canterbury's economic recovery. • 24% of respondents were *unsure* of CERA's contribution, and 3% were *unsatisfied*. • 3% did not respond to this survey. • This is a new reporting measure for 2013.
	Businesses remain located in greater Christchurch, and net business migration becomes positive according to Inland Revenue data.	• This standard has not been met. • In the year ended 30 June 2013, 164 businesses migrated away from greater Christchurch, according to Inland Revenue data. • On average, 13.67 businesses migrated away from greater Christchurch each month in the year ended 30 June 2013. Month-by-month, this ranged from positive migration to greater Christchurch of 10 businesses in April 2013, and negative migration of 36 in November 2012. • This represents an upward trend from April 2011, when 70 businesses migrated away from greater Christchurch. • This is a new measure for 2013.

CERA Impact	Measures and Standards	Actual as at 30 June 2013 (and comparison where relevant)
Ensuring that conditions in greater Christchurch support the rebuild, development and economic recovery of the area.	Canterbury's manufacturing sector continues to expand, and reaches or exceeds the national figure on Business NZ's seasonally adjusted Performance of Manufacturing Index (PMI).	• This standard has been met. • Canterbury's manufacturing sector has been expanding since October 2012.On average during the year ended 30 June 2013, Canterbury's manufacturing sector expanded at a greater rate than the rest of New Zealand. Canterbury's PMI exceeded New Zealand's PMI for seven out of the 12 months to June 2013. • Canterbury's PMI at June 2010 was 53.4, which was identical to the national PMI at the same date. Canterbury's PMI at June 2011 was 52.1, compared with the national PMI of 52.8. At June 2012, Canterbury's PMI was 46.7, compared with the national PMI of 49.1. • This is a new reporting measure for 2013.
	Canterbury's services sector continues to expand, and stays at or exceeds the national figure on Business NZ's Performance of Services Index (PSI).	• This standard has not been met. • Canterbury's services sector has experienced expansion and contraction in the year ended 30 June 2013. In general, Canterbury's service sector expanded at a lower rate compared to the rest of New Zealand, having exceeded New Zealand's PSI for four of the 12 months to June 2013. • Canterbury's PSI at June 2010 was 46.0, compared with the national PSI of 52.8. Canterbury's PSI at June 2011 was 59.2, compared with the national PSI of 52.7. At June 2012, Canterbury's PSI was 58.7, compared with the national PSI of 52.7. • This is a new reporting measure for 2013.
	The number of Overseas Investment Office consents for investment in greater Christchurch increases each year.	• This standard has not been met. • In the year to 30 June 2013, the Overseas Investment Office issued five consents for investment in the greater Christchurch area. • In the year to 31 December 2010, 9 consents were granted. In the year ended 31 December 2011, 13 consents were granted. • This is a new reporting measure for 2013.

Social and Cultural Environment

CERA aims to establish an environment that fosters a more resilient community with opportunities for social participation and cultural engagement.

CERA and its partner agencies undertook the Wellbeing Survey to measure earthquake recovery progress across greater Christchurch. The Survey provides timely feedback to social and other agencies as trends in community wellbeing emerge. As at 30 June 2013, two Surveys have been completed: the first in October 2012, and the second in April 2013.

CERA Impact	Measures and Standards	Actual as at 30 June 2013
Establishing an environment that fosters a more resilient community, with opportunities for social participation and cultural engagement.	The majority of Canterbury residents feel they have someone they turn to for help when faced with a serious injury or illness, or if they need emotional support during a difficult time.	• This standard has been met. • In the October 2012 Wellbeing Survey, 88% of greater Christchurch residents reported feeling that they have someone to whom they can turn for help if faced with a serious injury, or illness, or for emotional support. • This figure remained at 88% in the April 2013 Wellbeing Survey. • This is a new measure for 2013.
	The proportion of Canterbury residents who feel their overall quality of life is good or extremely good, will improve each year.	• This standard has been met. • In the October 2012 Wellbeing Survey, 74% of greater Christchurch residents rated their quality of life positively: 14% rated it *extremely good*, and 60% rated it as being *good*. • In the April Wellbeing Survey, residents who rate their quality of life as positive has increased to 76%. This is made up of 15% *extremely good*; 61% *good*. • This is a new measure for 2013.
	The proportion of Canterbury residents who experience stress that has a negative effect on them will reduce each year.	• This standard has been met. • According to the October 2012 Wellbeing Survey, 97% of greater Christchurch residents have experienced stress in the past 12 months that has had a negative effect on them. Of these, 23% indicate they have experienced stress *always* or *most of the time* during this period. • The April 2013 Wellbeing Survey showed that 96% of residents have experienced stress in the past 12 months; 21% reported experiencing stress either *always* or *most of the time*. • This is a new measure for 2013.

CERA Impact	Measures and Standards	Actual as at 30 June 2013
Establishing an environment that fosters a more resilient community, with opportunities for social participation and cultural engagement.	The majority of Canterbury residents see CERA's overall communication about earthquake recovery decisions as timely, relevant and accurate.	• This standard has been met. • In the October 2012 Wellbeing Survey, 36% of greater Christchurch residents reported being satisfied with the communications and information from CERA, while 16% reported being dissatisfied. 11% did not recall receiving any communications or information from CERA and 38% reported being neither satisfied nor dissatisfied with CERA's communications or information. • The April 2013 Wellbeing Survey found that 33% of residents continue to be satisfied with CERA's communication; 29% of residents are dissatisfied; and 38% are neither satisfied nor dissatisfied with CERA's communications. • This is a new measure for 2013.
	The proportion of Canterbury residents who feel they have more opportunities for creative expression will increase each year.	• This standard has been met. • The October 2012 Wellbeing Survey found that 18% of greater Christchurch residents feel that they have increased opportunities for individual creative expression. 9% of these consider that this has had a *moderate* or *major* positive impact on their everyday lives. • The April 2013 Survey shows that 20% of residents feel that they have increased opportunities; 9% consider this has a *moderate* or *major* positive impact. • This is a new measure for 2013.

Built Environment

CERA oversees a rebuild of all the components of the built environment to ensure that is timely and appropriately sequenced. CERA also leads the central city rebuild to ensure that it is timely and focussed.

CERA Impact	Measures and Standards	Actual as at 30 June 2013 (and comparison where relevant)
Overseeing the rebuild of all the components of the built environment to ensure that it is timely and sequenced.	The number of new dwellings approved in Canterbury remains above 200 per month, according to Statistics New Zealand's Building Consents Survey.	• This standard has been met. • Consents for new dwellings in Canterbury have been approved at a rate well in excess of 200 per month, averaging 389.17 per month in the year ended 30 June 2013. • New dwelling approvals in Canterbury ranged from between 164 and 379 per month between July 2011 and February 2012. • This is a new reporting measure for 2013.
	Net migration away from Canterbury continues to fall and becomes net inward migration by June 2015 according to Inland Revenue data.	• This standard has been met. • Net migration away from Canterbury has trended downwards in the year ended 30 June 2013. The downward trend ranges from a net migration away of 256 in July 2012 to a positive migration of 17 in June 2013. • As at September 2011, net migration away from Canterbury was 240 individual taxpayers. • This is a new reporting measure for 2013.
Leading the CBD rebuild to ensure that it is timely and focussed.	The number of 'economically significant enterprises' (defined in Statistics New Zealand's Business Demography Statistics as those with a GST turnover of $30,000 or more per year) remains above 64,000 per year.	• This standard will likely be met when the results are available. • Statistics New Zealand's Business Demography information for the period ended February 2013 is not released until 30 October. Statistics for the period ended February 2012 show that there were 63,471 economically significant enterprises located in Canterbury. • The number of economically significant enterprises for previous years was: 64,778 for the year ended February 2010; and 64,047 for the year ended February 2011. • This is a new reporting measure for 2013.

CERA Impact	Measures and Standards	Actual as at 30 June 2013 (and comparison where relevant)
Leading the CBD rebuild to ensure that it is timely and focussed.	Canterbury's employee count remains above 250,000 per year, as shown by Statistics New Zealand's Business Demography Statistics.	• This standard will likely be met, when the results are available. • Statistics New Zealand's Business Demography information for the period ended February 2013 is not released until 30 October. Statistics for the period ended February 2012 show that there were 256,570 employees in Canterbury. • Canterbury's employee count for previous years was: 254,410 for the year ended February 2010; and 252,170 for the year ended February 2011. • This is a new reporting measure for 2013.

Statement of Service Performance

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 2013.

The Output Classes are specified in the *Performance Information for Appropriations – Vote Canterbury Earthquake Recovery (Information Supporting the Estimates 2012/13 B.5A Vol.1) and the Information Supporting the Supplementary Estimates – Vote Canterbury Earthquake Recovery (The Supplementary Estimates of Appropriations and Supporting Information 2012/13 B.7).*

These documents can be found online at: www.treasury.govt.nz/budget/2012/ise/v1

Output Class: Managing the Recovery

Scope of Appropriation

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

Financial Performance Information

Actual 2012 $000	Financial Performance (Figures are GST excl)	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Revenue			
29,078	Crown	52,808	37,278	52,808
76	Departmental	-	-	-
87	Other	1,259	-	1,700
29,241	**Total Revenue**	**54,067**	**37,278**	**54,508**
23,892	**Total Expense**	**38,901**	**37,278**	**54,508**
5,349	**Net Surplus/(Deficit)** [Note 1]	**15,166**	**-**	**-**

Output performance measures and standards

Performance Measure	Budget Standard	Actual as at 30 June 2013 (and comparison where relevant)
Land Recovery	All outstanding zoning decisions finalised.	• This standard has been met. • As at 30 June 2013, all 190,000 properties in Christchurch have been assigned a zoning.[Note 2] • In the year ended 30 June 2012, the majority of zoning decisions were finalised.
Economic Recovery	Christchurch Central rebuild programme approved.	• This standard has been met. • The *Christchurch Central Recovery Plan Te Mahere Maraka Ōtautahi* was approved by the Minister for Canterbury Earthquake Recovery, and subsequently gazetted. The Plan came into effect on 31 July 2012. • This is a new reporting measure for 2013.

Performance Measure	Budget Standard	Actual as at 30 June 2013 (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.	• This standard has been met. • To ensure residents' access to support services, CERA operates a toll-free information telephone service, available to the public between 8am and 5pm, Monday to Friday. It also operates two community hubs, based at Kaiapoi (8.30am to 4.30pm) and Avondale (8am to 5pm). • The CERA Community Forum has met on 20 occasions in the year to 30 June 2013. This exceeds the statutory requirement of six meetings per year. [Note 3] • This is a new reporting measure for 2013.
Infrastructure Recovery	Stronger Christchurch Infrastructure Rebuild Team rebuild programme approved and funding arrangements agreed.	• This standard has been met. • The Stronger Christchurch Infrastructure Rebuild Team's schedule for the rebuild of earthquake-damaged horizontal infrastructure was released on 7 September 2012. Funding arrangements for this work were confirmed in 27 June 2013 with the announcement of the cost-sharing agreement between CERA and the Christchurch City Council, which confirmed a $4.8 billion investment in the rebuild of greater Christchurch. • The Crown is funding $2.9 billion of this investment; the Christchurch City Council is funding the remaining $1.9 billion. • This is a new reporting measure for 2013.

Note 1: Significant spending was planned in relation to central city activity in the April to June 2013 period. Delays in the finalisation of the cost-sharing agreement with Christchurch City Council resulted in the reprioritisation of resources and consequential delays in the business case development for anchor projects. Management believed that it was prudent to delay the development of the business cases until the cost-sharing agreement was completed and this resulted in an underspend in the 2013 year for this appropriation.

Note 2: A review of zoning decisions for flat-land properties was announced by the Government in June 2012, and completed in August 2012. Similarly, an in-depth review of all Port Hills zoning decisions was announced on 9 October 2012 to ensure the zoning framework has been applied consistently in Port Hills areas. Zoning issues in the Port Hills are different from and more complex than those in low-lying plains areas, given the potential for rockfall, landslips and cliff collapse. Because of this additional complexity, the Port Hills Zoning Review remains in progress as at 30 June 2013.

Note 3: Section 6 of the Canterbury Earthquake Recovery Act 2011 provides that that the Minister for Canterbury Earthquake Recovery must ensure that the community forum meets at least six times per year.

Output Class: Policy Advice

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.

Expenses and Revenue

Actual 2012 $000	Financial Performance (Figures are GST excl)	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Revenue			
4,800	Crown	5,392	5,300	5,392
-	Departmental	-	-	-
-	Other	-	-	-
4,800	**Total Revenue**	**5,392**	**5,300**	**5,392**
4,708	**Total Expenses**	**4,077**	**5,300**	**5,392**
153	**Net Surplus/(Deficit)**	**1,315**	**-**	**-**

Output Performance Measures and Standards

Performance Measure	Budget Standard	Actual as at 30 June 2013 (and comparison where relevant)
CERA will develop quality policy advice for decision making.	Minister satisfied with quality of policy advice delivered.	• This standard has been met. • The Minister for Canterbury Earthquake Recovery reported being very satisfied with the advice stream and operational activities of CERA in a survey that was completed in September 2013. • In the year ended 30 June 2012, the Minister indicated his satisfaction with the quality of policy advice provided to him.

Output Class: Red Zone Property Acquisition Costs

Scope of Appropriation

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

Expenses and Revenue

Actual 2012 $000	Financial Performance (Figures are GST excl)	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Revenue			
-	Crown	4,134	-	4,134
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**4,134**	**-**	**4,134**
-	**Total Expense**	**1,527**	**-**	**4,134**
-	**Net Surplus/(Deficit)**	**2,607**	**-**	**-**

Output Performance Measures and Standards

Performance Measure	Budget Standard	Actual as at 30 June 2013 (and comparison where relevant)
Properties settled in a timely manner.	Crown conveyancers adequately funded to undertake settlements.	• This standard has been met. • Crown conveyancers have been adequately funded to undertake settlements in the year ended 30 June 2013. • In the year ended 30 June 2012, Crown conveyancers were adequately funded to complete settlements.

Output Class: Management of Voluntarily Acquired Insured Residential Red Zone Properties

Scope of Appropriation

This appropriation is limited to expenses associated with the acquisition, valuation and management of voluntarily acquired insured red zone properties in Canterbury.

Expenses and Revenue

Actual 2012 $000	Financial Performance (Figures are GST excl)	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Revenue			
4,220	Crown	-	1,000	-
-	Department	-	-	-
-	Other	-	-	-
4,200	**Total Revenue**	**-**	**1,000**	**-**
2,073	**Total Expense**	**-**	**1,000**	**-**
2,147	**Net Surplus/(Deficit)**	**-**	**-**	**-**

This appropriation was transferred early in 2012/13 to the newly established appropriation Red Zone Property Acquisition Costs due to the change in policy where uninsured and non-residential property owners became eligible for an offer.

Departmental Financial Statements

Statement of Accounting Policies: Departmental
For the year ended 30 June 2013

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 2013 and were authorised for issue by the Chief Executive of CERA on 30 September 2013.

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 includes 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 2012, 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 2011/12 audited financial performance and cashflows covered the 15-month period from inception to 30 June 2012. To help compare the current year's performance with the previous year, the full 15-month financial performance information is presented broken down into 12- and 3-month periods.

Significant accounting policies
The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

Revenue
CERA gets revenue from providing outputs to the Crown and for services to third parties. Revenue is recognised when it is earned and is reported in the financial period it relates to.

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 2013, direct costs accounted for 70.0 per cent of CERA's departmental operating costs (2012: 65.8 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.

Financial instruments
Financial assets
'Cash and cash equivalents' includes cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

Debtors and other receivables are measured at fair value after considering impairment changes.

Impairment of a receivable is established when there is objective evidence CERA will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Financial liabilities
The major financial liability types are creditors and other payables. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value.

Property, plant and equipment
'Property, plant and equipment' consists of motor vehicles, furniture, fittings and office equipment.

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than $5,000.

Additions
The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to CERA and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to CERA and the cost of the item can be measured reliably.

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

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Type of Assets	Estimated Life (Years)	Estimated Life (%)
Motor vehicles	4 years	25%
Furniture, fittings and office equipment	4 years	25%

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

Impairment of non-financial assets
Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised as a surplus or deficit.

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 (GST)
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 (IR) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to or received from IR, 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

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to CERA. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment. With an operating lease, no such asset is recognised.

CERA has exercised its judgement on the appropriate classification of property, plant and equipment leases, and has determined CERA has no finance leases.

Provisions

CERA recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are 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. The increase in the provision due to the passage of time is recognised as a finance cost.

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.

Contingent assets and liabilities

Contingent assets and liabilities are disclosed at the point at which the contingency is evident.

Short-term employee entitlements

Employee entitlements that CERA expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, expected to be settled within 12 months, and sick leave.

CERA recognises a liability for sick leave to the extent absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent CERA anticipates it will be used by staff to cover those future absences.

Statement of cash flows
Cash means cash and cash equivalents.

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, the Ministry is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). 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. This means the Ministry expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Ministry is unable to assess the implications of the new Accounting Standards Framework at this time.

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 2013.

Statement of Comprehensive Income
For the year ended 30 June 2013

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
		Income				
3,447	38,098	Revenue Crown		62,334	48,439	62,334
	163	Revenue other	1	1,259	-	1,700
3,447	**38,261**	**Total income**		**63,593**	**48,439**	**64,034**
		Expenditure				
356	8,730	Personnel costs	2	16,735	19,295	20,783
2	4	Capital charge	3	12	4	12
3,088	21,922	Other operating expenses	4	27,543	29,107	43,076
1	17	Depreciation and amortisation expenses	5	215	33	163
3,447	**30,673**	**Total expenditure**		**44,505**	**48,439**	**64,034**
-	**7,588**	**Net surplus**		**19,088**	**-**	**-**
-	**-**	**Other comprehensive income**		**-**	**-**	**-**
-	**7,588**	**Total comprehensive income**		**19,088**	**-**	**-**

The accompanying notes and policies form part of these financial statements.

Statement of Financial Position
As at 30 June 2013

Actual 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Assets				
	Current assets				
16,068	Cash and cash equivalents		27,581	3,596	8,551
2,326	Accounts receivable		7,143	-	2,310
18,394	**Total current assets**		**34,724**	**3,596**	**10,861**
	Non-current assets				
106	Property, plant and equipment	5	762	58	1,943
106	**Total non-current assets**		**762**	**58**	**1,943**
18,500	**Total assets**		**35,486**	**3,654**	**12,804**
	Liabilities				
	Current liabilities				
10,388	Accounts payable and accruals	6	13,206	3,492	10,388
-	Capital charge payable		-	2	-
266	Provision for employee entitlements	9	642	10	266
108	Other provisions	8	400	-	-
7,588	Return of operating surplus to the Crown	7	19,088	-	-
18,350	**Total current liabilities**		**33,336**	**3,504**	**10,654**
18,350	**Total liabilities**				
150	**Net assets**		**2,150**	**150**	**2,150**
	Taxpayers funds				
150	General funds	10	2,150	150	2,150
150	**Total taxpayers' funds**		**2,150**	**150**	**2,150**

Statement of Changes in Taxpayers' Funds
For the year ended 30 June 2013

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
		Taxpayers' funds				
-	50	Opening		150	75	150
-	7,588	Net surplus		19,088	-	-
-	(7,588)	Return of operating surplus to the Crown		(19,088)	-	-
50	100	Capital injection		2,000	75	2,000
50	**150**	**Total taxpayers' funds**		**2,150**	**150**	**2,150**

The accompanying notes and policies form part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2013

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
		Cashflows from operating activities				
1,100	40,977	Receipts from Crown revenue		62,334	48,439	62,334
-	147	Receipts from other revenue		673	-	1716
(52)	(19,199)	Payments to suppliers		(30,552)	(32,110)	(43,184)
-	(8,212)	Payments to employees		(16,121)	(19,458)	(20,784)
-	(6)	Payment of capital charge		(12)	(4)	(12)
-	1,287	Goods and services tax (net)		1,649	-	-
1,048	**14,994**	**Net cash flows from operating activities**		**17,971**	**(3,133)**	**70**
		Cash flows from investing activities				
-	(124)	Purchase of property, plant and equipment		(871)	(75)	(2,000)
-	**(124)**	**Net cash flows from investing activities**		**(871)**	**(75)**	**(2,000)**
		Cash flows from financing activities				
50	100	Capital contribution from the Crown		2,000	75	2,000
-	-	Return of surplus to the Crown		(7,587)	-	(7,587)
50	**100**	**Net cash flows from financing activities**		**(5,587)**	**75**	**(5,587)**
1,098	14,970	Net increase/ (decrease) in cash held		11,513	(3,133)	(7,517)
-	1,098	Opening cash and cash equivalents		16,068	6,729	16,068
1,098	**16,068**	**Cash and cash equivalents**		**27,581**	**3,596**	**8,551**

Statement of Commitments
As at 30 June 2013

Actual 2012 $000		Actual 2013 $000
	Operating commitments	
	Non-cancellable accommodation leases	
1,062	Less than one year	1,365
1,001	One to two years	1,365
2,998	Two to five years	4,108
2,669	More than five years	3,641
7,730	**Total operating commitments**	**10,479**

There are no capital commitments as at 30 June 2013 (2012: Nil).

Statement of Contingent Liabilities and Contingent Assets
As at 30 June 2013

Quantifiable contingent liabilities
There are no quantifiable contingent liabilities as at 30 June 2013 (2012: Nil).

Unquantifiable contingent liabilities
There are no unquantifiable contingent liabilities as at 30 June 2013 (2012: Nil).

Contingent assets
There are no contingent assets as at 30 June 2013 (2012: Nil).

The accompanying notes and policies form part of these financial statements.

Statement of Departmental Expenditure and Capital Expenditure against Appropriations
For the year ended 30 June 2013

Actual 2012 $000		Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	VOTE CANTERBURY EARTHQUAKE RECOVERY			
	Appropriation for output expenses			
23,892	Managing the recovery	38,901	37,278	54,508
4,708	Policy advice	4,077	5,300	5,392
-	Red zone property acquisition costs	1,527	-	4,134
2,073	Management of voluntarily acquired insured residential red zone properties	-	1,000	-
30,673	Total output expenses	44,505	43,578	64,034
	Appropriations for capital expenditure			
82	Canterbury Earthquake Recovery Authority – Capital Expenditure (PLA)	871	75	2,000
82	**Total capital expenditure**	**871**	**75**	**2,000**
30,755	**Total Vote Canterbury Earthquake Recovery**	**45,376**	**43,653**	**66,034**

Statement of Departmental Unappropriated Expenditure
For the year ended 30 June 2013

There was no unappropriated expenditure during the year ended 30 June 2013 (2012: Nil).

Note 1: Revenue other

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Actual 2013 $000
-	163	Other recoveries	1,259
-	**163**	**Total revenue other**	**1,259**

CERA received no revenue from the State Services Commission for KiwiSaver (2012: $0.076 million). CERA received other revenues of $1.259 million (2012: $0.087 million).

Note 2: Personnel costs

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Actual 2013 $000
265	8,040	Salaries and wages	15,486
10	256	Increase in employee entitlements	376
1	127	Defined superannuation contribution scheme	345
80	307	Other personnel costs	528
356	**8,730**	**Total personnel costs**	**16,735**

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

Note 3: Capital charge

CERA pays a capital charge to the Crown on its taxpayers' funds as at 31 December and 30 June each financial year. The capital charge rate for the year to 30 June 2013 was 8 per cent (2012: 8 per cent).

Note 4: Other operating costs

Actual 3 Months 2011 $000	Actual 12 Months 2012 $000		Actual 2013 $000
50	166	Audit fees – 2013	159
-	-	Audit fees – 2012	14
40	915	Operating lease expense	1,477
2,010	12,256	Consultancy and contractor fees	16,981
988	8,585	Other operating costs	8,912
3,088	**21,922**	**Total other operating costs**	**27,543**

Note 5: Property, plant and equipment

Motor Vehicles 2012 $000		Motor Vehicles 2013 $000	Furniture, Fittings and Office Equipment 2013 $000	Total 2013 $000
	Cost			
23	Opening balance	124	-	124
101	Additions	-	871	871
124	**Closing balance – cost**	**124**	**871**	**995**
	Accumulated depreciation			
(1)	Opening balance	(18)	-	(18)
(17)	Depreciation	(33)	(182)	(215)
(18)	**Closing balance – accumulated depreciation**	**(51)**	**(182)**	**(233)**
106	**Carrying amount of property, plant and equipment as at 30 June 2013**	**73**	**689**	**762**

Note 6: Accounts payables and accruals

Actual 2012 $000		Actual 2013 $000
4,053	Trade creditors	5,845
1,698	Goods and services tax	3,347
4,637	Accrued expenses	4,014
10,388	**Total payables**	**13,206**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

Note 7: Return of net surplus to the Crown

Actual 2012 $000		Actual 2013 $000
7,588	Net surplus	19,088
7,588	**Total repayment of net surplus**	**19,088**

The payment of the net surplus to the Crown is required to be paid by 31 October 2013.

Note 8: Provisions

Actual 2012 $000		Actual 2013 $000
108	Accident Compensation Corporation (ACC) provisions	400
108	**Total provisions**	**400**

Note 9: Employee entitlements

Actual 2012 $000		Actual 2013 $000
	Current liabilities	
266	Provision for annual leave	642
266	**Total current portion**	**642**
-	**Non-current liabilities**	**-**
266	**Total employee entitlements**	**642**

Note 10: General funds

Actual 2012 $000		Actual 2013 $000
	General funds	
-	Opening balance	150
150	Capital contribution	2,000
150	**Closing general funds at 30 June**	**2,150**

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

Actual 2012 $000		$000	Actual 2013 $000
7,588	Net surplus		19,088
	Add/(subtract) non-cash items		
17	Depreciation		215
17	**Total non-cash items**		**215**
	Add/(subtract) working capital movements		
553	(Increase)/decrease in accounts receivable	(4,818)	
2	(Increase)/decrease in prepayments	-	
6,580	Increase/(decrease) in accounts payables	3,110	
(2)	(Decrease) in capital charge payable	-	
256	Increase in provision for employee entitlements	376	
7,389	**Net movement in working capital items**		**(1,332)**
14,994	**Net cash inflow from operating activities**		**17,971**

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 2013 totalled $4.276 million (2012: $6.045 million). These purchases included air travel, postage, electricity, information systems support and platform, audit fees and personnel costs relating to seconded staff.

Key management personnel compensation

Actual 2012 $000		Actual 2013 $000
2,765	Salaries and other short-term employee benefits	2,461

During the period to 30 June 2013 the key management personnel included the Chief Executive and the Senior Leadership Team. As at 30 June 2013, there were five Deputy Chief Executives in the Senior Leadership Team plus the Chief Executive.

Note 13: Events after balance date

No significant events, which may have had an impact on the actual results, have occurred between year-end and the signing of the accounts.

Note 14: Financial instruments categories

Actual 2012 $000		Actual 2013 $000
	Loans and receivables	
16,068	Cash and cash equivalents	27,581
2,326	Accounts receivable	7,143
18,394	**Total loans and receivables**	**34,724**
	Financial liabilities measured at amortised cost	
10,388	Accounts payable and accruals	13,206

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

As at 30 June 2012				As at 30 June 2013		
AA $000	Non-rated $000	Total $000		AA $000	Non-rated $000	Total $000
16,068	-	16,068	Cash and cash equivalents	27,581	-	27,581
-	2,326	2,326	Debtors and receivables	-	7,143	7,143
16,068	**2,326**	**18,394**	**Total financial assets**	**27,581**	**7,143**	**34,724**

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.

Liquidity risk management

As at 30 June 2012				As at 30 June 2013		
Carrying Value	0-12 Months	1-2 Years		Carrying Value	0-12 Months	1-2 Years
10,388	10,388	-	Accounts payable	13,206	13,206	-
10,388	**10,388**	**-**	**Total financial liabilities**	**13,206**	**13,206**	**-**

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, 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

Explanations for major variances from CERA's estimated figures in the Forecast Financial Statements are as follows.

		Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000	Actual vs Main Estimates 2013 $000	Actual vs Supplementary Estimates 2013 $000
(a)	Personnel costs	16,735	19,295	20,783	2,560	4,048
(b)	Other operating costs	27,543	29,107	43,076	1,564	15,533
(c)	Cash and cash equivalents	27,581	3,596	8,551	23,985	19,030
(d)	Accounts receivable	7,143	-	2,310	7,143	4,833
(e)	Accounts payable and accruals	13,206	3,492	10,388	9,714	2,818
(f)	Return of operating surplus	19,088	-	-	19,088	19,088

Statement of Comprehensive Income

(a) Personnel costs are lower than anticipated due to delays in the recruitment of staff to permanent and fixed-term roles within CERA.
(b) Operating costs are lower than expected due to delays in the finalisation of the work plan associated with the *Christchurch Central Recovery Plan*.

Statement of Financial Position

(c) Cash and cash equivalents are higher due to the unanticipated under-spend.
(d) Accounts receivable reflect an unanticipated balance for inter-entity funds receivable at year end.
(e) Accounts payable and accruals were higher due to delays in the finalisation of the expenses for the major work programmes.
(f) Return of operating surplus is higher than anticipated due to under-spends in personnel and professional services costs linked to the delays in delivery of work programmes.

Non-departmental Financial Statements and Schedules

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that CERA 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 2012/13.

The non-departmental financial information is for the 12 months ended 30 June 2013.

Statement of Accounting Policies: Non-departmental
For the year ended 30 June 2013

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by CERA 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 cashflows for the financial year, readers should refer to the Financial Statements of the Government.

Basis of preparation

The non-departmental schedules and statements 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.

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

Significant accounting policies

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

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.

Comparative Figures

The 2011/12 and 2012/13 audited statements of appropriation and schedules of income, expenses cover a 12 month period ended.

Revenues

CERA 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 accounted for insurance recoveries at the time that Government policy on zoning is announced and there is a reliable estimate of the revenue.

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

Expenses

Expenses are recognised in the period in which a liability is incurred.

Property, plant and equipment

Property, plant and equipment are recognised as an asset when the expenditure is incurred with the intention of gaining economic benefit or future service potential and when an asset can be reliably measured. The only property, plant and equipment CERA holds on behalf of the Crown comprise land, which is not depreciated.

Financial instruments

Financial assets

'Cash and cash equivalents' includes cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition. Debtors and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate less any provision for impairment.

The impairment of a receivable is established when there is objective evidence CERA will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rates. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the schedule of non-departmental expenses.

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 a duration of less than 12 months are recognised at their nominal value.

Provisions
Provisions are recognised if, as a result of a past event, CERA has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Residential red zone
A provision for residential red zone property acquisitions is recognised when a Government policy on zoning is announced, and the liability can be reliably estimated.

Water infrastructure recovery costs
A provision for the Government's share of the water infrastructure recovery costs is recognised when the obligating event (namely, the earthquakes) occurs and the liability can be reliably estimated.

Goods and services tax
All items in the financial statements, including the appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. 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 a separate expense and eliminated against GST revenue at the consolidation of the government financial statements.

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.

Contingent assets and liabilities
Contingent assets and liabilities are disclosed at the point at which the contingency is evident.

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 settlement provision (refer to Note 3)
- estimation of the insurance recoveries – residential red zone (refer to Note 4)
- estimation of the water infrastructure recovery cost liability (refer to Note 7).

Statement of Non-departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2013

Actual 2012 $000	Type of Appropriation	Actual 2013 $000	Remeasurement 2013 $000	Actual after Remeasurement 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	VOTE CANTERBURY EARTHQUAKE RECOVERY					
	Appropriations for non-departmental output expenses					
77,699	Canterbury earthquake property demolitions and related costs compensation	38,735	-	38,735	34,000	105,694
4,832	Impairment of demolition debt	479	-	479	-	-
82,531	**Total non-departmental output expenses**	**39,214**	**-**	**39,214**	**34,000**	**105,694**
	Appropriation for non-departmental other expenses					
160	Acquisition of additional red zone properties	-	-	-	-	-
509,491	Acquisition of Canterbury red zone properties	(29,245)	35,547	6,302	-	202,329
-	Anchor project development costs for the Convention Centre Precinct	1,033	-	1,033	-	3,000
-	Anchor project development costs for the Metro Sports Facility	16	-	16	-	1,000
-	Anchor project development costs for the Te Papa Ōtākaro /Avon River Precinct	2,935	-	2,935	-	6,000
-	Anchor project development costs for the urban Frame	1,664	-	1,664	-	10,000
553,940	Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs	155,800	-	155,800	-	155,800

Continued...

Actual 2012 $000	Type of Appropriation	Actual 2013 $000	Remeasurement 2013 $000	Actual after Remeasurement 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
28,000	Christchurch temporary stadium	-	-	-	-	-
2,472	Contributions towards legal fees	1,165	-	1,165	2,000	3,309
8,762	Management of voluntarily acquired insured residential red zone properties	-	-	-	10,000	-
-	Construction of land slip removal in the Port Hills	935	-	935	-	2,000
-	Holding cost for land acquired for anchor projects	134	-	134	-	1,000
	Impairment of improvements	8,668	-	8,668	-	-
-	Payment in respect of indemnity for response and recovery costs (PLA)	239,179	-	239,179	-	985,060
-	Procurement of rock-fall protection systems	-	-	-	-	8,000
-	Red zone property management costs	11,343	-	11,343	-	28,871
1,102,825	**Total non-departmental other expenses**	**393,627**	**35,547**	**429,174**	**12,000**	**1,406,369**
1,185,365	Total operating	432,841	35,547	468,388	46,000	1,512,063
	Non-departmental capital expenditure					
-	Canterbury earthquake demolition-related property purchases	-	-	-	1,000	-
-	Anchor project land acquisition	100,914	-	100,914	-	716,000

Actual 2012 $000	Type of Appropriation	Actual 2013 $000	Remeasurement 2013 $000	Actual after Remeasurement 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
-	**Total non-departmental capital expenditure**	**100,914**	**-**	**100,914**	**1,000**	**716,000**
1,185,365	**Total Vote Canterbury Earthquake Recovery**	**533,755**	**35,547**	**569,302**	**47,000**	**2,228,063**

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 2012/13.

Statement of Unappropriated Non-departmental Expenditure and Appropriations
For the year ended 30 June 2013

Unappropriated Expenditure 2012 $000	Type of Appropriation	Notes	Actual Expenditure 2013 $000	Appropriation Voted 2013 $000	Unappropriated Expenditure 2013 $000
	VOTE CANTERBURY EARTHQUAKE RECOVERY				
	Appropriation for non-departmental other expenses				
4,832	Impairment of demolition debt	2	479	-	479
	Appropriation for non-departmental output expenses				
175,135	Acquisition of Canterbury red zone properties		-	-	-
-	Impairment of improvements		8,668	-	8,668
179,967	**Total**		**9,147**	**-**	**9,147**

2012/13 unappropriated expenditure against Main Estimates
There was no unappropriated expenditure against Main Estimates for the year ended 30 June 2013. (2011/12: Nil).

2012/13 unappropriated expenditure against Supplementary Estimates
In addition to the table above, the following information highlights unappropriated expenditure that was committed before Cabinet decisions were finalised.

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.

2011/12 unappropriated expenditure against Supplementary Estimates
Acquisition of additional red zone properties
The obligation to purchase a red zone property existed before the $3 million appropriation was established to provide for the discretionary fund. This resulted in unappropriated expenditure of $0.160 million for the period between 1 July and 31 October 2011.

Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs
Before the Alliance Agreement for the Stronger Christchurch Infrastructure Rebuild Team's Infrastructure was executed in September 2011, the Alliance incurred costs that resulted in unappropriated expenditure of $4.166 million between July and December 2011. CERA received an appropriation that covered this expenditure on 16 April 2012.

The Minister of Finance has issued an indemnity, pursuant to section 65ZD of the Public Finance Act 1989, to Christchurch City Council, Waimakariri District Council and Selwyn District Council to cover the Crown's share of infrastructure rebuild following the Canterbury earthquakes and aftershocks.

The unappropriated expenditure noted above will be validated in the 2012/13 Appropriation (Financial Review) Act.

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 2012/13.

Schedule of Non-departmental Income
For the year ended 30 June 2013

Actual 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
620	Interest revenue		1,141	300	-
252,846	Insurance recoveries from red zone acquisitions	4	(4,554)	-	37,236
73,495	Recovery of demolition costs from property owners		28,013	25,000	27,752
-	Contribution from Christchurch City Council for red zoning		399	-	-
326,961	**Total non-departmental income**		**24,999**	**25,300**	**64,988**

Note: The negative income in the insurance recoveries from red zone acquisitions recorded above resulted from the actuarial remeasurement of recovery of insurance and earthquake commission proceeds associated with purchases of red zone land 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 2012/13.

Schedule of Non-departmental Expenses
For the year ended 30 June 2013

Actual 2012 $000		Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
82,531	Payments to demolition contractors	39,213	34,000	105,694
512,123	Purchase of residential land and buildings	(28,080)	2,000	205,638
-	Purchase of rock-fall protection systems	-	-	8,000
28,000	Grant to build temporary stadium	-	-	-
553,940	Provision of three waters infrastructure recovery costs	394,979	-	1,140,860
-	Payments to contractors for land slip removal in the Port Hills	935	-	2,000
8,762	Payment to suppliers for management of residential properties	11,343	10,000	28,871
-	Payment to contractors developing anchor projects	5,782	-	21,000
-	Reduction in value of improved anchor project land	8,668	-	-
1,185,356	**Total non-departmental expenses**	**432,840**	**46,000**	**1,512,063**

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

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 2012/13.

Schedule of Non-departmental Assets
As at 30 June 2013

Actual 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Current assets				
181,585	Cash and cash equivalents		236,485	53,700	175,128
24,314	Accounts receivable – building demolitions	2	20,841	25,000	7,752
564,828	Insurance recoveries	4	517,809	125,838	569,719
48,300	Prepayments		36,319	-	48,300
819,027	**Total current assets**		**811,454**	**204,538**	**800,899**
	Non-current assets				
10,750	Residential red zone land	5	17,430	5,000	16,400
-	Anchor project land	6	100,914	-	716,000
10,750	**Total non-current assets**		**118,344**	**5,000**	**732,400**
829,777	**Total assets**		**929,798**	**209,538**	**1,533,299**

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 2012/13.

The accompanying notes and policies form part of these financial statements.

Schedule of Non-departmental Liabilities
As at 30 June 2013

Actual 2012 $000		Notes	Actual 2013 $000	Main Estimates 2013 $000	Supplementary Estimates 2013 $000
	Current liabilities				
744,700	Residential red zone property settlement provision	3	221,350	-	462,179
203,800	Provision for Crown's share of three waters infrastructure recovery costs	7	417,254	740,091	1,349,660
15,302	Accruals		13,693	-	651,490
757	GST payable		1,018	-	757
964,559	**Total current liabilities**		**653,315**	**740,091**	**2,464,086**
	Non-current liabilities				
325,800	Provision for Crown's share of three waters infrastructure recovery costs	7	351,525	-	-
325,800	**Total non-current liabilities**		**351,525**	**-**	**-**
1,290,359	**Total liabilities**		**1,004,840**	**740,091**	**2,464,086**

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 2012/13.

Schedule of Non-departmental Commitments
As at 30 June 2013

Actual 2012 $000		Actual 2013 $000
	Operating commitments	
	Demolition contractual commitments	
21,794	Less than one year	-
21,794	**Total demolition contractual commitments**	**-**
	Property and vehicle lease commitments	
326	Less than one year	117
100	One to two years	49
24	Two to five years	-
450	**Total property and vehicle lease commitments**	**166**
22,244	**Total operating commitments**	**166**
	Capital commitments	
	Anchor project land purchase commitments	
-	Less than one year	11,058
-	**Total anchor project land purchase commitments**	**11,058**
-	**Total capital commitments**	**11,058**
22,244	**Total commitments**	**11,224**

Note: 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 2012/13.

Schedule of Non-departmental Contingent Liabilities and Contingent Assets

As at 30 June 2013

Quantifiable and unquantifiable contingent liabilities

CERA, on behalf of the Crown, has the following quantifiable or unquantifiable contingent liabilities as at 30 June 2013 (2012: Nil).

- 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 second to costs associated with the removal and disposal of asbestos prior to the work being halted.

- 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. See Note 9 for post balance-date events.

Contingent assets

CERA on behalf of the Crown has the following contingent assets as at 30 June 2013 (2012 Nil).

- 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 2012/13.

Notes to the Non-departmental Financial Statements
For the year ended 30 June 2013

Note 1: Explanation of major variances against budget

Changes in actual results and Supplementary Estimates

Explanations for variances from CERA's supplementary figures are as follows.

	Actual 2013 $000	Supplementary Estimates 2013 $000	Variance 2013 $000	Explanation
VOTE CANTERBURY EARTHQUAKE RECOVERY				
Appropriations for non-departmental output expenses				
Canterbury earthquake property demolitions and related costs and compensation	38,735	105,694	66,959	There are fewer residential red zone demolitions due to option selection and progress is slower than forecast due to single clearance rather than projected block clearance.
Appropriation for non-departmental other expenses				
Acquisition of Canterbury red zone properties	(29,245)	202,329	231,574	Valuation data have changed by removing of properties ineligible for a Crown offer and deferring announcement of Port Hills rezoning.
Payment in respect of indemnity for response and recovery costs (PLA)	239,179	985,060	745,881	Cost-sharing agreement with Christchurch City Council reduced the Crown's exposure to three waters infrastructure response and rebuild costs.
Red zone property management costs	11,343	28,871	17,528	The delays experienced in property management directly correlate with the delays in property demolition.
Appropriation for non-departmental capital expenditure				
Anchor project land acquisitions	100,914	716,000	615,086	Negotiations to secure anchor project land have been slower than predicted.

Changes in appropriations
The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2012/13 financial year.

	Main Estimates 2013 $000	Supplementary Estimates 2013 $000	Variance $000
VOTE CANTERBURY EARTHQUAKE RECOVERY			
Appropriation for non-departmental output expenses			
Canterbury earthquake property demolitions and related costs and compensation	34,000	105,694	71,694
Total non-departmental output expenses	**34,000**	**105,694**	**71,694**
Appropriation for non-departmental other expenses			
Acquisition of Canterbury red zone properties	-	202,329	202,329
Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs	-	155,800	155,800
Anchor project development costs for the Convention Centre Precinct	-	3,000	3,000
Anchor project development costs for the Metro Sports Facility	-	1,000	1,000
Anchor project development costs for the Te Papa Ōtākaro/Avon River Precinct	-	6,000	6,000
Anchor project development costs for the urban Frame	-	10,000	10,000
Construction of landslip removal in the Port Hills	-	2,000	2,000
Contributions towards legal fees	2,000	3,309	1,309
Holding costs for land acquired for anchor projects	-	1,000	1,000
Management of voluntarily acquired insured residential red zone properties	10,000	-	(10,000)
Payment in respect of indemnity for response and recovery costs (PLA)	-	985,060	985,060
Procurement of rockfall protection systems	-	8,000	8,000
Red zone property management costs	-	28,871	28,871
Total non-departmental other expenses	**12,000**	**1,406,369**	**1,394,369**
Total operating expenses	**46,000**	**1,512,063**	**1,466,063**

Continued...

	Main Estimates 2013 $000	Supplementary Estimates 2013 $000	Variance $000
Appropriation for non-departmental capital expenditure			
Anchor project land acquisitions	-	716,000	716,000
Canterbury earthquake demolition-related property purchases	1,000	-	(1,000)
Total non-departmental capital expenditure	**1,000**	**716,000**	**715,000**
Total Vote Canterbury Earthquake Recovery	**47,000**	**2,228,063**	**2,181,063**

The variances above all relate to Government policy decisions made after Main Estimates and prior to Supplementary Estimates resulting from the Canterbury earthquakes and aftershock sequences.

Note 2: Accounts receivables – building demolitions

Balances owed to CERA are made up of the recovery of demolition costs from building owners.

The carrying value and fair value are the same for these amounts. The provision for impairment has been calculated based on a line-by-line review of overdue receivables.

Actual 2012 $000		Actual 2013 $000
	Building demolitions	
29,146	Invoices outstanding	26,153
(4,832)	Provision for impairment	(5,312)
24,314	**Accounts receivable – building demolitions**	**20,841**
24,314	Expected to be realised within one year	20,841
24,314	**Accounts receivable – building demolitions**	**20,841**

Note 3: Residential red zone property settlement provision

On 23 June 2011 the Government announced zones of land damage in Christchurch and parts of Waimakariri district. Residential red zones were declared in areas where there is area-wide damage (implying an area-wide solution) and an engineering solution to remediate the land damage would be uncertain, disruptive, not timely, and not cost-effective. This meant the land in the residential red zone was considered so badly damaged that rebuilding is unlikely to be practicable there over the short to medium term. 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 and flooding, and damage to essential services.

In light of the initial land zoning decision, the Government also announced on the same day 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 a policy response designed to provide some certainty to home owners in the worst-affected residential suburbs.

During the current year ended 30 June 2013, further zoning announcements were made covering the following locations and property types:

- Port Hills
- Flat Land Zoning Review
- Crown offer to Vacant land, Uninsured and Commercial properties.

The Crown's financial obligation in relation to the residential red zones is triggered by each public announcement that results in a reasonable expectation by eligible property owners that a Crown offer will be made. At the time the offers were made, estimates of the Crown's liability were established using judgement of the proportion of likely acceptance under Option 1 and Option 2. For insured residential properties:

- under Option 1, the purchase price paid for properties 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 paid for properties is the 2007 rating valuation for the land (dependent on property type) and the Crown will take over the Earthquake Commission claim for land damage only.

The opening balance of the Crown's liability for property settlements was determined by an actuarial valuation of the initial land zoning decision. The original valuation and subsequent updates were prepared by Melville Jessup Weaver, a firm of consulting actuaries, and relies on information provided by CERA, Southern Response, the Earthquake Commission and the Treasury.

The 30 June 2013 liability has then been adjusted during the financial year for:

- additional land zoning announcements as noted above (an increase in the liability)
- payments made to land owners prior to 30 June 2013 for settlements on property purchases (a decrease in the liability)
- receipts by land owners of insurance proceeds prior to 30 June 2013 for Option 1 properties (passive insurance recoveries)
- an adjustment reflecting the outcome of an actuarial valuation as at 30 June 2013.

The valuation and therefore closing balance of the liability relate to outstanding property settlements as at 30 June 2013.

This valuation has two broad components:

- the estimated value of future-dated settlements where the land owners have accepted an offer and selection of Option 1 or Option 2 is known
- the estimated value of the Crown's liability in instances where no sale and purchase agreement has been signed and an estimate is required as to the offer (Option 1 or 2) to be selected by the property owner.

The valuation as at 30 June 2013 contains the impact of two critical adjustments:

- the removal of 129 properties for which the Crown offer to the owners has expired
- the removal of 367 properties owned by other Crown entities and local authorities who will not be receiving an offer.

There are 129 residential red zone properties represented by 113 legal owners who have chosen not to accept the Crown offer. The Crown offer has now expired, and as such is no longer available to be accepted.

The 367 properties owned by Housing New Zealand, the Christchurch City Council and Waimakariri District Council were removed from the valuation, as these local authorities and Crown entities will not receive an offer from the Crown under the existing residential red zone provisions.

The impact of these two adjustments is a reduction in the liability of approximately $103 million.

The actuarial valuation of the outstanding residential red zone liability consists of the 2007 rateable value of the properties yet to be settled, which includes assumptions about the option selected.

The actuarial valuation by its nature is based on assumptions that, if different, could significantly alter the outcome or 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 2013, CERA has relied on the independent base actuarial valuation and amended the closing value of outstanding property settlements accordingly.

No provision has been made in these financial statements for costs associated with further red zoning decisions at 30 June 2013 regarding any offer of purchase. Any subsequent offer to residents in earthquake-affected zones to purchase property will result in increased costs to the Crown. The extent of these costs will depend on the details of such offers. See Note 9 for post balance-date events.

Actual 2012 $000		Number of Properties	Actual 2013 $000
	Residential red zone property settlement provision		
1,038,958	Opening balance 1 July	3,120	744,700
755,381	Additional red zone properties	604	116,248
(740,502)	Settlements	(2,236)	(465,113)
(73,997)	Passive insurance recoveries – as part of settlement process		(35,672)
-	Properties removed where no offer to be made	(496)	(103,266)
(235,140)	Actuarial adjustment		(35,547)
744,700	**Closing residential red zone property settlement provision**	**992**	**221,350**

Note 4: Insurance recoveries – residential red zone

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 3.

The insurance recoveries receivable includes:

- an estimate of the outstanding insurance recoveries, where settlement with the owner has occurred prior to balance date and the Crown offer option selected by the property owner is therefore certain
- an estimate of the outstanding recoveries where settlement is due after balance date and the settlement option selected by the property owner is known
- an estimate of the outstanding recoveries where a sale and purchase agreement has not yet been signed and hence an assumption has been made as to which offer option the property owner may select.

To ascertain both the opening and closing balances, CERA has commissioned actuarial valuations undertaken by Melville Jessup Weaver, a firm of consulting actuaries, to independently prepare this information. The actuary has used the best available information, but it is acknowledged that there have been limitations on the quality and quantity of data available from insurers. The limitations noted above include, but are not limited to, the age and reliability of data.

The balance of the receivable consists of the most recent actuarial valuation of the insurance and EQC recoveries due to the Crown for the residential red zone properties.

The actuarial valuation of the insurance recoveries by its nature is based on assumptions that, if different, could alter the outcome or receivable significantly.

The valuation as at 30 June 2013 contains the impact of two critical assumptions:

- The treatment of goods and services tax on recoveries from the Earthquake Commission reduced the likely recoveries by $20.800 million.
- The removal of 129 properties for whom the Crown offer has expired and 367 properties owned by local authorities who will not be receiving an offer has had an impact of approximately $40 million.

Melville Jessup Weaver has considered the impact of changes in assumptions as part of its sensitivity analysis. This analysis has highlighted nine different possible scenarios, which are independent of each other, showing that the actual outstanding insurance recovery could range from $27 million lower to $78 million higher.

Actual 2012 $000		$000	Actual 2013 $000
	Insurance recoveries - residential red zone		
385,979	Opening balance 1 July		564,828
302,701	Additional red zone properties		21,267
(73,997)	Passive recoveries – as part of settlement process	(35,672)	
-	Active recoveries – post settlement direct with insurer and EQC	(6,750)	
(73,997)	Recoveries received		(42,422)
-	Properties removed where no offer to be made		(40,655)
(49,855)	Actuarial adjustment		14,791
564,828	**Closing insurance recoveries – residential red zone**		**517,809**

Note 5: Property, plant and equipment – residential red zone land

As at 30 June 2012 CERA recognised an asset with a cost of $10.750 million for the first 4,136 properties acquired pursuant to its asset recognition policy. In the current year, the Crown has settled and holds title to a further 2,243 properties, giving a total of 6,379 properties.

Knight Frank was requested to determine a valuation for the additional properties settled since 30 June 2012 using the same basis as previous years by adopting a highest and best-use land value per hectare as at 30 June 2013. As with the previous valuation it has considered that although the land is in various localities, the land could be valued as if available for sale as a single transaction.

No decision has been made on the ultimate use of the land. However, Knight Frank considers that possible highest and best uses 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 capable of building.

Actual 2012 $000		Number of Properties	Actual 2013 $000
	Property, plant and equipment – residential red zone land		
	Valuation by Knight Frank of land relating to residential red zone properties		
10,750	Settled before period ended 30 June 2012	4,136	10,750
-	Settled year to 30 June 2013	2,243	6,680
10,750	**Closing property, plant and equipment – residential red zone land**	**6,379**	**17,430**

CERA has not undertaken an independent valuation of the land of other properties in the red zone that the Crown has not acquired at 30 June 2013, including those to be transferred from local authorities and other Crown entities.

However, if the Knight Frank valuation above was extrapolated, the land value of these properties could be estimated as follows.

Estimated Value 2012 $000		Number of Properties	Estimated Value 2013 $000
9,950	CERA estimate of the value of land relating to residential properties not settled as at 30 June 2013	1,120	7,040

Included in the 1,120 properties not settled are 367 properties owned by local authorities and other Crown entities that are not being given a Crown offer and that will be transferred as part of cost-sharing and other agreements. Within the 367 properties are a number of very small parcels of land (circa 5 m2 per parcel) containing electrical infrastructure assets owned by Orion New Zealand Limited. No adjustment for this amount has been made in the financial statements.

Note 6: Property, plant and equipment – central business district

When the Christchurch Central Recovery Plan was launched in July 2012, the Crown identified land that would be acquired within the five avenues (Bealey, Fitzgerald, Moorhouse, Deans and Harper Avenues) for specific anchor projects.

As at 30 June 2013, 77 properties had been acquired.

To advance the redevelopment of the central business district, the negotiation for the purchase of properties for anchor projects focused on gaining bare land sites. In some cases, to complete the purchase it has been necessary to acquire both land and any residual improvements. Residual improvements include buildings, structures and in-ground piles.

In most cases these improvements will be demolished before the site is developed. As a result, the values of these improvements have been recorded at nil and a charge to operating costs has been recognised.

Actual 2012 $000		Number of Properties	Actual 2013 $000
	Property, plant and equipment – central business district		
-	Settled period ended 30 June 2013	77	109,582
-	Impairment of improvements		(8,668)
-	**Closing property, plant and equipment – central business district land**	**77**	**100,914**

Note 7: Water infrastructure recovery cost liability

In response to significant emergency events, the Crown may provide financial support to local authorities for response and rebuild costs for damaged infrastructure, including river management systems. The civil defence emergency management plan and guide stipulate 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.

CERA had 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 will be to the rebuild of assets owned by the Christchurch City Council. On 26 June 2013, the Crown entered into a cost-sharing agreement with the Christchurch City Council covering various items, including the Crown contribution to three waters infrastructure response and rebuild costs. Similar agreements are being prepared for Waimakariri District Council and Selwyn District Council and a specific agreement is being prepared for river management systems with the Canterbury Regional Council (Environment Canterbury).

The Crown's share of the cost-sharing agreement with Christchurch City Council for infrastructure response and recovery costs totals $1.800 billion. This amount includes both water 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 the Canterbury Earthquake Recovery Authority.

Determining the Crown share of the Christchurch City Council liability required an assessment of the future liabilities for road infrastructure repair costs managed by the New Zealand Transport Agency, and separation of those from CERA's liability for three waters response and rebuild costs.

The cost-sharing agreement also provides for an independent review of the Christchurch City Council's infrastructure recovery costs and delivery programme by December 2014. As a result of that review, the costs CERA has recognised for the Crown's liability for three waters may increase or decrease. The results could also change the allocation between the New Zealand Transport Agency's road repair costs and CERA's three waters response and rebuild costs.

The liability recorded by CERA as at 30 June 2013 is based on two components. The first is the three waters component of the cost-sharing agreement with the Christchurch City Council explained above. The second component is the programme of works for the recovery of three waters as per the cost-sharing agreement with Waimakariri District Council and cost estimations from Selwyn District Council for three waters infrastructure repairs and the repairs to the Canterbury Regional Council's river management systems.

There are inherent risks in determining this liability. CERA will actively manage 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 and a comprehensive independent assessment of work programme to ensure service and rebuild standards are being met. This assessment may result in changes to the overall cost of the infrastructure rebuild.

Actual 2012 $000		Actual 2013 $000
	Water infrastructure recovery cost liability	
-	Opening liability	529,600
553,940	Additional provisions recognised	436,821
(24,340)	Provision used during the period	(155,800)
-	Discounting of liability	(41,842)
529,600	**Closing water infrastructure recovery cost liability**	**768,779**
203,800	Current portion	417,254
325,800	Non-current portion	351,525
529,600	**Water infrastructure recovery cost liability**	**768,779**

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. A discount rate of 3.58 per cent has been used to determine the present value of the cash flows over the next three years.

Note 8: 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. Under NZ IFRS, these financial assets would be categorised as 'loans and receivables'. There is no difference between carrying value and fair value.

Classes and categories of financial liabilities

CERA's financial liabilities consist of other liabilities. Under NZ IFRS, these financial liabilities would be categorised as 'amortised cost'.

Credit risk management

As at 30 June 2012				As at 30 June 2013		
AA $000	Non-rated $000	Total $000		AA $000	Non-rated $000	Total $000
181,585	-	181,585	Cash and cash equivalents	236,485	-	236,485
564,828	24,314	589,142	Debtors and receivables	517,809	20,841	538,650
746,413	**24,314**	**770,727**	**Total financial assets**	**754,294**	**20,841**	**775,135**

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 9: Post balance-date events

The following policy decisions, which will result in material financial commitments, were made post 30 June 2013 and prior to the financial statements being signed. No adjustments have been made to the financial statements after these decisions were made. The nature and estimated amount of the financial commitments (where known) are noted below.

Port Hills Zoning Review and Port Hills vacant, commercial and uninsured land

Decisions relating to the Port Hill Zoning Review and vacant, commercial and uninsured land in the Port Hills have been deferred until the Court of Appeal has ruled on the High Court findings on the Quake Outcasts and Fowler Developments proceedings.

Quake Outcasts decision

In the recent High Court decision of *Fowler Developments Ltd v The Chief Executive of the Canterbury Earthquake Recovery Authority (Quake Outcasts)*, it was held that the government's decision to announce areas as residential red zone land had not been made according to law. It was also held that the government's decision to offer to purchase the applicants' red-zoned properties, comprised of uninsured residential property and vacant land, at 50 per cent of the property's 2007 rateable value was not made according to law and was set it aside.

The Court directed CERA's Chief Executive and the Minister for Canterbury Earthquake Recovery to reconsider the decision to offer to purchase the applicants' properties, and to reach a new decision.

The High Court's decision is subject to a pending appeal by the Crown which is set down to be heard on 23 and 24 October 2013.

CERA
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Te Mana Haumanu ki Waitaha

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