

Report on the Departmental Activities of the Canterbury Earthquake Recovery Authority for the seven months to 31 January 2015



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Chief Executive's Foreword

The publication of this report marks a milestone in the recovery and rebuild of greater Christchurch following the devastating earthquakes of September 2010 and February 2011 and aftershocks. It marks the end of the Canterbury Earthquake Recovery Authority (CERA), as a government department.

As of 1 February 2015 CERA became a departmental agency hosted by the Department of the Prime Minister and Cabinet (DPMC). This is a step along a transition path of returning some functions related to earthquake recovery to longer term arrangements, be they central or local government. I am very careful to avoid the term 'business-as-usual' as the process of recovery is a very long process, and it will be many years before the business of public agencies in greater Christchurch is back to 'usual' proportions, if ever. A new 'normal' is being established.

This Disestablishment Report serves the purpose of closing off the activities and accountabilities required of CERA, the department. In future the accountabilities will be reported by CERA, the departmental agency of DPMC.

This report is a 'mini' Annual Report, covering the period 1 July 2014 to 31 January 2015, a period of seven months for departmental activities and financial statements.

I would like to take this opportunity to thank the staff of CERA for their continued commitment to the task of recovery through their individual roles. It has been a difficult seven months for the staff, first with the announcement of the transition programme and second, the resignation of Roger Sutton as chief executive. Although staff have been on fixed term contracts, largely ending in April 2016 to coincide with the expiry of the special legislation, it begins to hit home when discussion turns to the transfer of jobs and functions.

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

I want to thank businesses, investors and developers for their on-going confidence in the rebuild and development of the city. With the increasing visibility of new buildings it is now abundantly evident that the recovery of the built environment is well underway.

Finally, I would like to thank all the residents of greater Christchurch who have continued to contribute ideas and energy to the recovery.



John Ombler
Acting Chief Executive

Nature and Scope of Functions

Scope

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

Purpose

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

CERA administers the CER Act 2011. This is reviewed annually to ensure that it is operating effectively to meet the Government's priorities and policy objectives.

Structure

CERA delivers services to greater Christchurch through five operational units.

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

Chief Executive's Review

The Canterbury Earthquake Recovery Authority (CERA) was established as a government department in late March 2011 to lead, facilitate and coordinate the recovery of greater Christchurch following the devastation caused by the 22 February 2011 earthquake and aftershocks.

This report marks the end of CERA as a government department and covers the seven month period from 1 July 2014 until 31 January 2015.

For many people outside of the organisation there may be apparent confusion because CERA still exists with the same branding, same organisational structure and same contacts. CERA became a departmental agency hosted by the Department of the Prime Minister and Cabinet (DPMC) on 1 February 2015.

However, CERA the department has been disestablished and CERA the departmental agency has been established.

This report is required to fulfil the obligations for a final annual report for a disestablished entity pursuant to section 45J of the Public Finance Act 1989. Previous annual reports can be found on the CERA website.

Maintaining Recovery Momentum

It is useful to record some of the background to the machinery of government change that has led to the disestablishment of CERA, the department.

At the time the Canterbury Earthquake Recovery Act 2011 (CER Act) was passed, five years was estimated to be the period within which the recovery would advance to the stage where the extraordinary powers were less necessary and many of CERA's functions could be passed back to revitalised local institutions. Since that time the understanding of recovery has deepened significantly, through both the ongoing experience in greater Christchurch and the study of international recovery experiences.

In taking stock the Government decided to shift the focus from response to long term recovery, and ensure new effective institutional and legislative arrangements were in place.

Looking ahead a well-planned and managed transition is required to provide effective long term recovery arrangements that will:

- Maintain and accelerate recovery momentum
- Strengthen local government and local institutions so they can inherit functions and roles from CERA
- Meet social needs and promote economic growth, and
- Draw on lessons from Canterbury to strengthen future resilience for the benefit of all New Zealanders.

The establishment of CERA as a departmental agency hosted by DPMC was made for the following reasons:

- DPMC leadership reinforces the fact that the Canterbury recovery is a Government priority. The Chief Executive of DPMC has a central role that enables him to mobilise the wider public sector to perform its role in recovery more effectively than the Chief Executive of CERA can do on his own.
- Tasking DPMC with developing an effective plan for transition addresses the limitations of CERA managing its own 'wind down'. This includes the issues of CERA having competing priorities and weak incentives to dissolve itself.
- DPMC, unlike CERA, has an enduring presence. In hosting CERA, DPMC provides an appropriate long term home for the remaining future central government role, for example, policy and monitoring of the recovery. This remaining role will eventually end, but is likely to last for several years.
- Ministry of Civil Defence and Emergency Management is an existing business unit with DPMC, and proximity of CERA will allow for knowledge capture and its development of future disaster resilience.

The Prime Minister announced the Government's decision that CERA would become a departmental agency hosted by DPMC on 2 September 2014 as one of the four planks to support long term recovery. The other planks were:

- A formal Transition plan building on transition work already undertaken by CERA staff.
- A review of CER Act to remove or scale back powers no longer needed.
- An advisory group of local leaders and community representatives established to guide development of transition plan and review of CER Act powers, and to give greater Christchurch a strong voice in this work.

Our recovery journey

On 20 February 2015 leading up to the fourth anniversary of the February earthquakes, I published Our Recovery Story in the Christchurch Star. It is republished in its entirety as it sets out the state of play at the time of the disestablishment of CERA, the department.

As we reach the fourth anniversary of the most devastating earthquake in the 2010 and 2011 sequence, it is an appropriate time to reflect on the progress we have made as a community.

For those who lost their loved ones or who were seriously injured, this journey through recovery may never truly end. And for those who are still working through the issues of repairs and rebuilds, the challenge is on-going.

But if we look at the big picture, there is still a lot to appreciate and much to celebrate. As a city we are on track for success, both physically and psychologically. 2015 will be our year of momentum.

This is quite evident when we look at the major event our city is currently hosting. Who would have thought four years ago that we would not only have a spectacular new cricket oval hosting significant international games, but that we would be in a position to host the Cricket World Cup Opening ceremony?

The fact that we have enough working infrastructure, hotel rooms, and transport services, let alone the brand new world-class Hagley Oval, is testament to the entire Canterbury community.

The Cricket World Cup tournament is a huge opportunity to show the world how far we have come in a short time. Literally millions of people have been watching the coverage of our city as it features on televisions and big screens across the world.

And having enjoyed the opening game at the Hagley Oval last weekend, I can genuinely say there is a vibe of excitement about the facility. The only downside was the weather!

The Oval is the first Anchor Project to be completed. The Bus Interchange and the Margaret Mahy Family Playground will also be opening this year.

I know there is a train of thought that the rebuild is slower than expected. But the reality is that the last substantial earthquake was just over three years ago.

We could not have rebuilt any facilities any faster – the components of planning, design and the construction required the ground to have stopped shaking.

But now that we are at the point of getting Anchor Projects open and operational, we will see that momentum continue.

Within 18 months we will have seen the Earthquake Memorial constructed, and the Justice and Emergency Services Precinct open with its hundreds of staff moving back into the central city. In that time frame we will also start to see developments within the Innovation Precinct being completed, and in the central residential space the East Frame neighbourhood will be starting to take shape.

The latter is an exciting step in our city refresh.

Ideally we would like to see around 6 per cent of our population at any one time living centrally, and really embracing the concept of living, working and playing inside the CBD.

We want our new city to be attractive for residents and businesses alike, and with a thriving population, that is what we will achieve.

This is not a pipe dream. We already know the working population inside the CBD is set to grow substantially. By the end of next year, 1700 staff from a range of Government departments will be working in offices in and around the Retail Precinct.

For many of these people, the idea of living in an apartment or townhouse, on the doorstep of all the inner city has to offer, will be an attractive proposition.

Within the CBD the range of new office and retail buildings are already being snapped up by eager tenants.

This is made exceptionally clear in the recent information released by Colliers International which determines that more than 22,000 square metres of office space has been constructed in the city since 2011.

And as of October last year 88 per cent of that had been leased. That leaves 12 per cent vacant which is not substantially different to the other major New Zealand cities. Auckland's vacancy rate is 8.2 per cent, and Wellington's is 11.4.

A year ago we were all reading news stories and commentary that suggested the inner city would develop as a doughnut – that is with a lot of action around the edge and the empty hole in the middle.

Clearly the Colliers statistics paint a different picture.

Our central city will be as bustling as any other – with the benefit of being newer, more innovative and better designed.

That's not to say it hasn't been frustrating to get to that point. Who hasn't found themselves cursing the seemingly relentless road works and underground repairs?

But we all know it has had to be done. The above-ground structures like hotels and offices, bars and restaurants, would be inoperative without the sewage, storm water and freshwater services connecting to them.

The work being completed by the Stronger Christchurch Infrastructure Rebuild Team is making excellent progress with 86 per cent of the central city work completed.

Overall the SCIRT statistics are impressive and put the organisation at around 60 per cent complete.

If we reflect on that, we have a huge percentage of the central city infrastructure repairs completed, and we have a suite of new buildings housing restaurants and offices open or under construction.

Our population has almost returned to pre-quake levels and employment is booming. These are hugely positive aspects of our recovery and we should embrace them.

If you think back to those initial post-quake days, there was huge uncertainty about job retention and population retention in general.

But if you recall, the Government created a unique work support subsidy package in the days after the February 22 earthquake. This allowed employers to keep paying their staff even when their businesses were shut, and a job loss cover to help those who knew their businesses would no longer be viable.

I think this support in the first six weeks made a huge difference for people who might otherwise have left immediately.

The voluntary Crown red zone offer was another innovative system designed to give people certainty and assistance as quickly as possible. For those who lived in the worst

affected suburbs and who had liquefaction surging through their badly broken homes, being able to take an offer for their home quickly was hugely beneficial.

In total over 8000 homes were zoned red, which mean the land they were on was so badly damaged, or dangerous, it would not be able to rebuild on without considerable widespread remediation. And with the timeframes for this work – if it was even found to be possible – being many, many years away, it was important for the Crown to be able to help people move on and into new homes as quickly as possible.

As I write this, 97 per cent of the people eligible to take the Crown offer have settled and moved on. This is a huge step in our recovery and has ensured that many people in the worst possible situations have been able to start afresh elsewhere.

As I write, the deadline is approaching for the Port Hills residents. All information is available on the CERA website, and eligible home owners have until February 27 to accept the voluntary offer.

This is not been easy, and I am aware of the difficulties that has presented for so many people. But the aim has always been to help as many people as possible move on from the aftermath of an unprecedented natural disaster.

The next step is to clear all of the properties from the damaged land so that its future use can be determined.

So far we have cleared 6308 properties, which is the majority of the flat land properties and almost 100 of the Port Hills homes. We have also begun the conversation about the future use for the red zones in the Waimakariri District and this was greatly assisted by the public input. A similar consultation process will begin this year for the Christchurch city red zone areas and I look forward to hearing the ideas the community has for this vast area of land.

That consultation and subsequent decision process will be one of the last major projects for CERA to get underway.

As most people are aware, the legislation that CERA works to has a finite shelf life. That does not mean the organisation ends but I think there may still be a misconception that CERA itself shuts down in April 2016.

I have heard people referring to that as the time that the last person out shuts the door and turns out the lights.

But I look at it in a different way. Rather than turning all of the lights off, we'll be dimming some and leaving some burning brightly.

That is because while the CER Act 2011 comes to an end, some of the work programmes will still continue, some will be taken over by other agencies and some will be wound up as they are completed.

Which work programmes, and how this occurs, is what is currently being worked though in the development of a transition plan. This is important to get right because it will be

the legacy of all we have learned throughout the series of tragic earthquakes.

As we mark the fourth anniversary of the February quake, I think it is appropriate to turn our minds to the design and delivery of our Earthquake Memorial. The six developed designs are now out for public input, and we very much want to hear your views.

This is important to get right. We want a lasting memorial that will be a fitting place for our community and the international community to visit, where we all can reflect on the events that have brought us to this point in time.

We have come a long way in four years, and while we have a long way to go, we can take heart in our progress and celebrate what we all have achieved.



John Ombler
Acting Chief Executive

Organisational Health and Performance

CERA's structure

CERA has a distinctive set of organisational challenges that arise from its unique status as a single-purpose, time-limited central government agency located outside Wellington. Over time, the organisation's functions have changed and continue to do so with the commencement of the transition period. The structure has been designed in a way to best position it to be nimble, flexible and quick to respond to this dynamic environment.

CERA's organisational structure is designed to deliver the operational aspects of the work programme in the most efficient and effective way, with the agility to respond to evolving roles and responsibilities and to deliver a quality transition of its functions by April 2016.

Functionally CERA is structured into five groups, each of which is led by a Deputy Chief Executive reporting directly to the Chief Executive. These groups are:

- Implementation/Christchurch Central Development Unit
- Social and Cultural Recovery
- Strategy and Governance
- Communications
- Corporate Services.

CERA has developed a clear programme management framework with a matrix organisational structure that supports the delivery of the key objectives within it. This framework is broken into portfolios, programmes and projects. It gives CERA staff clearly assigned responsibilities and a clear direction to communicate, enabling better recovery leadership and progress.

CERA's people

CERA at full establishment has 452 positions. Because of its time-limited life span, and because of the need for the right mix of skills to respond to particular requirements and roles as and when required, CERA has staff employed under a variety of employment arrangements. The majority are on fixed-term employment agreements; they are supplemented by staff seconded from other agencies and contractors.

Key goals for People, Capability and Performance are to:

- use innovative recruitment solutions to attract the best talent who are motivated by a genuine desire and passion to contribute to the recovery of greater Christchurch
- continually monitor and review roles, responsibilities, systems and structure to ensure CERA is delivering on its recovery priorities as effectively and efficiently as possible
- reward and recognise outstanding contributions to the recovery of greater Christchurch and celebrate successes along the way
- focus on the retention and development of key staff and commit to their ongoing development in preparation for careers beyond CERA
- create a supportive culture focused on the health, safety and wellbeing of staff and key internal and external stakeholders
- develop leadership capability.

Credible and effective leadership

CERA continues to focus on developing its leadership group and on ensuring open, consultative and transparent communication from this group. Its leaders strive to exemplify CERA's purpose, vision and values in their work with each other, their staff, and their counterparts in other organisations in pursuit of recovery goals. CERA develops its leaders to provide strong, supportive and motivational leadership through change and ensures a particular focus on the recovery environment is embedded throughout.

CERA provides development opportunities to its leaders through the delivery of the CERA annual leadership development workshop series, 360 degree appraisal process, the leading through change development and mentoring programme and individually tailored learning and development plans.

CERA's structure is designed to support the delivery of the work programme and provides the opportunity for a cohesive approach to the leadership of the organisation. Because it has developed a clear work programme and structure to support the delivery of the key objectives within it, CERA communicates a clear direction, enabling better recovery leadership.

Health, safety and wellbeing

CERA works in a demanding, deadline driven environment where expectations and public interest are very high, meaning staff work under intense pressure. This work context remains a major focus as CERA expands or changes its responsibilities and as it moves further through the timeline for achieving its purpose.

As part of the workforce strategy, the demands and personal impacts on people are addressed through: a comprehensive CERA wellness programme; new employee support initiatives; use of secondments and project resourcing to manage workloads; and providing the tools for CERA staff and key stakeholders to feel supported and have their wellbeing addressed in the workplace.

It is also critical that CERA is focused on continually improving internal and external health and safety systems and processes and that it aligns them with the Canterbury Rebuild Safety Charter commitments as well as preparing for impending new Health and Safety legislation. CERA's aim is to be considered a leader in health and safety for the greater Christchurch rebuild and to lift standards of practice across industry.

Assessing staff engagement and organisational health

The four tools CERA uses to assess staff engagement and organisational health are:

- the employee culture and engagement index – with the goal of achieving the agreement or strong agreement of over 85 per cent of staff across all categories in the annual culture and engagement survey
- the personal development and performance management system – CERA will manage and evaluate individual performance and behaviours against roles and expected standards of the department. With this information, the department's collective performance capability against departmental outcomes, including the overall and individual group work programme and government priorities, can be assessed

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- informal 'pulse checks' of the organisation including those focused on wellness, the physical work environment, communication, learning and development and any secondary stressors such as insurance or earthquake-related issues
 - health and safety data analysis relating to staff, contractors and subcontractors, which is monitored regularly with the goal of achieving a zero harm workplace for all key stakeholders.
 - voluntary staff turnover is measured and reported on a monthly basis to track any retention risks being realised across the organisation as we enter the critical period of transition

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 with gender balanced interview panels, as well as fair and reasonable employment practices and policies for all staff. Gender diversity at a leadership level is evident with two 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.

With regards to remuneration practices, CERA operates a robust remuneration policy. Any remuneration movements within CERA must meet the expectations for pay and employment conditions in the State Sector. All remuneration increase recommendations undergo a moderation process. Remuneration ranges are consistent with those in MSD and are reviewed regularly.

On 1 February 2015, CERA became a departmental agency within the Department of Prime Minister and Cabinet (DPMC). As part of the transition process CERA conducted an assessment of all people related policies and procedures in comparison to those already in place at DPMC. It has been agreed that CERA will align with DPMC's 'Equal Employment Opportunities Policy' which forms part of their equality and diversity programme.

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 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 fairly reflect the financial position and operations of the Canterbury Earthquake Recovery Authority for the seven months ended 31 January 2015.



John Ombler
Acting Chief Executive
29 April 2015

Countersigned



Martin Langridge
Acting Chief Financial Officer
29 April 2015

Independent Auditor's Report

To the readers of Canterbury Earthquake Recovery Authority's financial statements for the seven months ended 31 January 2015

The Auditor General is the auditor of the 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 of the Authority on her behalf.

We have audited the financial statements of the Authority on pages 20 to 39, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 31 January 2015, the statement of accounting policies, statement of comprehensive revenue and expense, statement of changes in taxpayers' funds and statement of cash flows for the seven months ended on that date and the notes to the financial statements that include other explanatory information.

Opinion

In our opinion the financial statements of the Authority on pages 20 to 39, that are prepared on a disestablishment basis:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Department's:
 - financial position as at 31 January 2015; and
 - financial performance and cash flows for the seven months ended on that date.

The financial statements are appropriately prepared on a disestablishment basis

Without modifying our opinion, we draw your attention to page 20 of the financial statements which describes the disestablishment of the Authority as a government department on 31 January 2015. The Authority became a departmental agency of the Department of the Prime Minister and Cabinet with effect from 1 February 2015. This change in organisational form did not affect the measurement or presentation of the Authority's assets and liabilities that are recognised in the financial statements. We consider the basis of preparation of the financial statements and the related disclosures to be appropriate to the Authority's circumstances.

Our audit was completed on 29 April 2015. 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 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. 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 procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, 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 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 adequacy of disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

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 that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Authority's financial position, financial performance, and cash flows.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements 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, 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 and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

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



Scott Tobin
Audit New Zealand

On behalf of the Auditor General
Christchurch, New Zealand

Departmental Financial Statements and Schedules

The Departmental financial information is for the seven months ended 31 January 2015.

Statement of Accounting Policies for the seven months to 31 January 2015

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 financial reporting purposes.

These financial statements are for the 7 months ended 31 January 2015, being the disestablishment date of CERA and were authorised for issue by the Chief Executive of CERA on 29 April 2015.

Basis of Preparation

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 Tier 1 of the Public Benefit Entity (PBE) accounting standards.

The financial statements have been prepared on a historical cost basis and are presented in New Zealand dollars, which is the functional currency of CERA. All values are rounded to the nearest thousand dollars (\$000).

In May 2013, the External Reporting Board issued a new suite of Public Benefit Entity (PBE) accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. These financial statements are the first presented in accordance with the new PBE accounting standards. There are no material adjustments arising from transition to the new standards.

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

Disestablishment of CERA

From 1 February 2015, the operations of CERA moved to a new Departmental Agency, with the Department of the Prime Minister and Cabinet (DPMC) being the host Department. Therefore these financial statements have been prepared on a disestablishment basis. Because the assets and liabilities of CERA have been transferred to the new Departmental Agency, no adjustments have been made to their measurement due to the disestablishment basis. In addition, no adjustment has been made to the presentation of assets and liabilities as either current or non-current.

Contemporaneous with the transfer of operations to the Departmental Agency, all Vote Canterbury Earthquake Recovery appropriations were transferred to the administration of DPMC, as the host department. Reporting against all appropriations for the year ended 30 June 2015 will be included in the DPMC 2014/15 annual report.

Budget figures

The budget figures are those included in the Budget 2014, 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 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 2013/14 comparative figures cover a 12 month period ended 30 June 2014.

Significant accounting policies

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

Revenue

CERA receives revenue primarily from the Crown, but also from third parties for services rendered.

Crown Revenue

Crown funding is recognised when it is earned and reported in the financial period to which it relates. For a full financial year, all Crown funding received or receivable is recognised as revenue. For a part year, revenue from the Crown has been determined to be equivalent to the cash drawn down.

Provision Of Services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

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.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements

Expenses

Expenses are recognised in the period to which they relate.

Foreign currency

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

Property, plant and equipment

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

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

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

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

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

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

De-Recognition

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

Impairment

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

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

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

Financial Instruments

Financial Assets

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

Debtors and other receivables are classified as Loans and Receivables. Initial measurement is at cost. Subsequent measurement is at amortised cost.

Financial Liabilities

CERA's only financial liabilities are accounts payable. Financial liabilities entered into with a duration of less than 12 months are recognised at the amount required to settle the obligation.

Provisions

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

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that expenditure will be required to settle the obligation 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Income tax

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

Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, Inland Revenue (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

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

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

Commitments

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

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

Employee Benefits

Short-Term Employee Benefits

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

Employer Contributions To Superannuation Schemes

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

Statement of cash flows

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

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

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

Taxpayers' funds

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

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 7 months to 31 January 2015.

Statement of Comprehensive Revenue & Expense for the seven months to 31 January 2015

Actual 12 months 2014 \$000		Notes	Actual 7 months 2015 \$000	Main Estimates 12 months 2015 \$000
	Revenue			
68,861	Revenue - Crown		42,576	85,833
98	Revenue - other	1	533	-
68,959	Total revenue		43,109	85,833
	Expenses			
29,593	Personnel costs	2	23,668	35,828
172	Capital charge	3	100	172
34,022	Other operating expenses	4	18,392	49,379
253	Depreciation and amortisation expenses	5	208	454
64,040	Total expenses		42,368	85,833
4,919	Net surplus		741	-
-	Other comprehensive revenue or expense		-	-
4,919	Total comprehensive revenue and expense		741	-

Statement of Financial Position as at 31 January 2015

Actual 2014 \$000		Notes	Actual 2015 \$000	Main Estimates 2015 \$000
	Assets			
	Current assets			
8,919	Cash and cash equivalents		13,350	27,160
7,198	Accounts receivable and prepayments		1,080	7,143
14,052	Crown receivable		-	-
30,169	Total current assets		14,430	34,303
	Non-current assets			
644	Property, plant and equipment	5	627	1,183
644	Total non-current assets		627	1,183
30,813	Total assets		15,057	35,486
	Liabilities			
	Current liabilities			
21,663	Accounts payable and accruals	6	9,285	31,791
-	Crown payable		14	-
1,178	Provision for employee entitlements	7	1,300	642
903	Other provisions	8	1,251	903
4,919	Return of operating surplus to the Crown	9	741	-
28,663	Total current liabilities		12,591	33,336
	Non-current liabilities			
-	Provision for employee entitlements	7	316	-
-	Total non-current liabilities		316	-
28,663	Total liabilities		12,907	33,336
2,150	Net assets		-	2,150
	Taxpayers' funds			
2,150	General funds		2,150	2,150
2,150	Total taxpayers' funds		2,150	2,150

Statement of Changes in Taxpayers' Funds for the seven months to 31 January 2015

Actual 12 months 2014 \$000		Notes	Actual 7 months 2015 \$000	Main Estimates 2015 \$000
	Taxpayers' funds			
2,150	Opening		2,150	2,150
4,919	Net surplus		741	-
(4,919)	Return of operating surplus to the Crown	9	(741)	-
2,150	Total taxpayers' funds		2,150	2,150

Statement of Cash Flows as at 31 January 2015

Actual 2014 \$000		Notes	Actual 2015 \$000	Main Estimates 2015 \$000
	Cash flows from operating activities			
54,809	Receipts from Revenue - Crown		56,628	85,833
668	Receipts from other revenue		563	-
(24,649)	Payments to suppliers		(22,618)	(49,378)
(28,530)	Payments to employees		(24,003)	(35,829)
(172)	Payments of capital charge		(86)	(172)
(1,565)	Goods and services tax (net)		(943)	-
561	Net cash inflow from operating activities	10	9,541	454
	Cash flows from investing activities			
(136)	Purchase of property, plant and equipment		(191)	(1,000)
(136)	Net cash outflow from investing activities		(191)	(1,000)
	Cash flows from financing activities			
(19,087)	Return of surplus to the Crown		(4,919)	-
(19,087)	Net cash outflow from financing activities		(4,919)	-
(18,662)	Net increase / (decrease) in cash held		4,431	(546)
27,581	Opening cash and cash equivalents		8,919	27,706
8,919	Closing Cash and cash equivalents		13,350	27,160

Statement of Commitments as at 31 January 2015

Actual 2014 \$000		Actual 2015 \$000
	Operating commitments	
	Non-cancellable leases	
1,903	Less than one year	1,878
1,821	One to two years	1,687
4,023	Two to five years	3,721
2,492	More than five years	1,849
10,239	Total non-cancellable leases	9,135
10,239	Total commitments	9,135

Schedule of Contingent Liabilities and Contingent Assets as at 31 January 2015

Quantifiable and unquantifiable contingent liabilities

There are no quantifiable or unquantifiable contingent liabilities as at 31 January 2015 (2014: Nil).

Contingent assets

There are no contingent assets as at 31 January 2015 (2014: Nil).

Notes to the Financial Statements for the seven months to 31 January 2015

Note 1: Other revenue

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
98	Other recoveries	533
98	Total revenue - other	533

CERA received other revenue from organisations to support its activities.

Note 2: Personnel costs

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
27,163	Salaries and wages	21,791
536	Increase in employee entitlements	438
654	Defined contribution superannuation scheme	496
1,240	Other personnel costs	943
29,593	Total personnel costs	23,668

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

Note 3: Capital charge

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
172	Capital charge on taxpayers' funds	100
172	Total capital charge	100

CERA incurs a capital charge to the Crown on its taxpayers' funds, payable on 31 December and 30 June each year. The capital charge rate for the year to 30 June 2015 was 8% (2014: 8%).

Note 4: Other operating costs

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
-	Audit New Zealand – disestablishment audit fees	45
167	Audit New Zealand – audit fees 2013/14	25
15	Audit New Zealand – probity services	-
2,193	Operating lease expenses	1,678
21,382	Consultancy and contractor fees	9,893
10,265	Other expenses	6,751
34,022	Total other operating costs	18,392

Note 5: Property, plant and equipment

Motor Vehicles	Furniture, fitting and office equipment	Total		Motor Vehicles	Furniture, fitting and office equipment	Total
2014	2014	2014		2015	2015	2015
\$000	\$000	\$000		\$000	\$000	\$000
124	871	995	Opening Cost	124	1,006	1,130
(51)	(182)	(233)	Opening Accumulated Depreciation	(84)	(402)	(486)
73	689	762	Opening Carrying Value	40	604	644
-	135	135	Additions	-	191	191
(33)	(220)	(253)	Depreciation ^(A)	(9)	(199)	(208)
40	604	644	Closing Carrying Value	31	596	627
			Represented By:			
124	1006	1130	Closing Cost	124	1,197	1,321
(84)	(402)	(486)	Closing Accumulated Depreciation	(93)	(601)	(694)
40	604	644	Closing Carrying Value	31	596	627

(A) The depreciation charge in the table above in 2014 represents a full year of depreciation while the charge in 2015 represents only seven months.

Note 6: Accounts payable and accruals

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
13,154	Trade creditors	5,075
1,779	Goods and services tax	835
6,730	Accrued expenses	3,375
21,663	Total accounts payable and accruals	9,285

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

Note 7: Employee entitlements

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
	Current liabilities	
1,178	Provision for annual leave	1,300
	Non-current liabilities	
-	Other employee benefits	316
1,178	Total employee entitlements	1,616

Note 8: provisions

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
903	Accident Compensation Corporation (ACC) provisions	1,251
903	Total provisions	1,251

Note 9: Return of net surplus to the Crown

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
4,919	Net surplus	741
4,919	Total return of net surplus to the Crown	741

Note 10: Reconciliation of net surplus to net cash from operating activities

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
4,919	Net surplus from statement of comprehensive revenue & expense	741
	Add / (subtract) non-cash items	-
253	Depreciation	208
253	Total non-cash items	208
	Add / (subtract) working capital movements	
(14,107)	Decrease in accounts receivable	20,171
8,960	Decrease in accounts payable	(12,017)
536	Increase in provision for employee entitlements	438
(4,611)	Net movement in working capital items	8,592
561	Net cash flow from operating activities from the statement of cash flows	9,541

Note 11: 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 is based on standard terms and conditions that apply to all tax and levy payers.

CERA also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. These purchases are based on standard terms and conditions and are 'arms-length'.

Key management personnel compensation

Actual 12 months 2014 \$000		Actual 7 months 2015 \$000
1,955	Salaries and other short-term employee benefits	1,590
1,955	Total salaries and other short-term employee benefits	1,590

During the period to 31 January 2015 the key management personnel included the Chief Executive and the Senior Leadership Team. As at 31 January 2015, there were five Deputy Chief Executives in the Senior Leadership Team plus the Chief Executive.

Note 12: 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 financial statements.

Note 13: Financial instruments categories

Actual 2014 \$000		Actual 2015 \$000
	Financial assets measured at cost	
	Loans and receivables	
8,919	Cash and cash equivalents	13,350
21,250	Accounts receivable	1,080
30,169	Total loans and receivables	14,430
	Financial liabilities measured at amortised cost	
21,663	Accounts payable and accruals	9,285
21,663	Total Financial liabilities measured at amortised cost	9,285

Note 14: 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

2014 AA \$000	2014 Total \$000		2015 AA \$000	2015 Total \$000
8,919	8,919	Cash and cash equivalents	13,350	13,350
21,250	21,250	Debtors and receivables	1,080	1,080
30,169	30,169	Total financial assets	14,430	14,430

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.

2014 0 to 12 months \$000	2014 Carrying value \$000		2015 0 to 12 months \$000	2015 Carrying value \$000
21,663	21,663	Accounts payable	9,285	9,285
21,663	21,633	Total financial liabilities	9,285	9,285

Note 15: 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 16: Major budget variances

Actual to Main Estimates

Explanations for major variances between CERA's actual results and Main Estimates are as follows:

	Notes	Actual 7 months 2015 \$000	Main Estimates 12 months 2015 \$000	Actual versus Main Estimates 2015 \$000
Comprehensive revenue & expense				
Personnel costs	A	23,668	35,828	(12,160)
Other operating costs	B	18,392	49,379	(30,987)
Financial position				
Cash and cash equivalents	C	13,350	27,160	(13,810)
Accounts payable and accruals	D	9,285	31,791	(22,506)

Statement of Comprehensive Revenue and Expense

(A) Personnel costs – The main reason for the underspend is that the Main Estimates figure represents 12 months, compared to the 7 month period of these financial statements. The proportionate increase in personnel costs reflects CERA's focus on recruiting staff rather than utilising contracting resource. The Mains Estimates were set at a time when a high level of contracting resource was engaged.

(B) Other operating costs - The main reason for the underspend is that the Main Estimates figure represents 12 months, compared to the 7 month period of these financial statements. The proportionate decrease in other operating costs reflects CERA's focus on recruiting staff rather than utilising contracting resource. The Mains Estimates were set at a time when a high level of contracting resource was engaged.

Statement of Financial Position

(C) Cash and cash equivalents – The Main Estimates balance sheet position is that expected at 30 June 2015, as compared to 31 January 2015 in these financial statements.

(D) Accounts payable and accruals - The Main Estimates balance sheet position is that expected at 30 June 2015, as compared to 31 January 2015 in these financial statements.

Main Estimates to Supplementary Estimates

The Department was disestablished prior to the preparation of the 2014/15 Supplementary Estimates therefore no explanations for major variances between Mains and Supplementary Estimates has been prepared.

Note 17: Forecast financial statements

Pursuant to section 45BA of the Public Finance Act, forecast financial statements would normally be required to be disclosed. However due to the disestablishment of CERA no forecast financial statements are presented. Future activities and associated financial information of the new departmental agency will be incorporated in the reporting for the Department of the Prime Minister and Cabinet.

