

# Annual Report 2012



---

**Published in October 2012 by**  
Canterbury Earthquake Recovery Authority  
Christchurch, New Zealand

Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989

G.66 AR (2012)

**Contact**  
Canterbury Earthquake Recovery Authority  
Private Bag 4999, Christchurch 8140  
info@cera.govt.nz  
0800 7464 2372 toll-free  
www.cera.govt.nz

**Citation**  
Canterbury Earthquake Recovery Authority (2012). *Canterbury Earthquake Recovery Authority Annual Report 2012*. Christchurch: Canterbury Earthquake Recovery Authority.



**Crown copyright ©**

This work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. You are free to copy, distribute, and adapt the work, as long as you attribute the work to The Canterbury Earthquake Recovery Authority (CERA) and abide by the other licence terms. Please note you may not use any departmental or governmental emblem, logo, or coat of arms in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Use the wording 'Canterbury Earthquake Recovery Authority' in your attribution, not the CERA logo.

# Contents

---

<b>Chief Executive’s Foreword</b> .....	4
<b>Nature and Scope of Functions</b> .....	5
<b>The Period in Review</b> .....	7
<b>Equal Employment Opportunity Reporting</b> .....	11
<b>Statement of Responsibility</b> .....	12
<b>Independent Auditor’s Report</b> .....	13
<b>Statement of Service Performance</b> .....	17
Reporting against revised Output Classes .....	17
Output Class: Implementation of the Recovery .....	18
Output Class: Planning for the Recovery .....	20
Output Class: Management of Voluntarily Acquired Insured Residential Red Zone Properties .....	24
Output Class: Managing the Recovery .....	25
Output Class: Policy Advice .....	26
<b>Departmental Financial Statements</b> .....	27
Statement of Accounting Policies: Departmental .....	27
Statement of Comprehensive Income .....	32
Statement of Financial Position .....	33
Statement of Changes in Taxpayers’ Funds.....	34
Statement of Cash Flows .....	35
Statement of Commitments .....	36
Statement of Contingent Liabilities and Contingent Assets .....	36
Statement of Departmental Expenditure and Capital Expenditure against Appropriations .....	37
Statement of Unappropriated Departmental Expenditure and Capital Expenditure.....	37
Notes to the Financial Statements .....	38
<b>Non-departmental Financial Statements and Schedules</b> .....	46
Statement of Accounting Policies: Non-departmental.....	47
Statement of Non-departmental Expenditure and Capital Expenditure against Appropriations .....	49
Statement of Unappropriated Non-departmental Expenditure and Appropriations.....	51
Schedule of Non-departmental Income.....	52
Schedule of Non-departmental Expenses .....	53
Schedule of Non-departmental Assets .....	54
Schedule of Non-departmental Liabilities.....	55
Schedule of Non-departmental Commitments.....	56
Schedule of Non-departmental Contingent Liabilities and Contingent Assets .....	56
Notes to the Non-departmental Financial Statements.....	57

# Chief Executive's Foreword

---

It has been a testing time for Cantabrians since the first earthquake on 4 September 2010. The ongoing seismic activity, including the major earthquakes on 22 February, 13 June and 22 December 2011 and the many aftershocks, has added to the damage to land and property, and to the stress of the residents.

The Canterbury Earthquake Recovery Authority (CERA) was established in late March 2011 as a government department with the purpose of leading, facilitating, coordinating and partnering with communities to respond to, and recover from, the impacts of the Canterbury earthquakes. This is the first annual report for CERA for the period to 30 June 2012.

The period covered by this report has seen a move from emergency response to assisting and directing recovery. I am very proud of the progress this department has made and of the people working in it, many having been directly affected themselves by the earthquakes.

The major achievements during the period have included:

- establishing support services, including Support Centres, for the communities affected by the Canterbury earthquakes
- completing and communicating the zoning decisions for all flat land areas
- completing and communicating the majority of the zoning decisions for the Port Hills
- managing the Crown's offer for red zoned residential properties
- reducing the cordon around the central city
- managing the demolition of a large number of buildings in the central city
- coordinating the development of the *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha*.

I would like to thank the staff, secondees and contractors at CERA who have worked long and tirelessly during the year. Many have been personally affected by the earthquakes, and yet they continue to rise to the challenge of providing a truly public service in difficult circumstances.

CERA has not made progress with implementing the Recovery Strategy in isolation. I would like to thank the elected members and staff of our strategic partners, Christchurch City Council, Waimakariri District Council, Selwyn District Council and Te Rūnanga o Ngāi Tahu; the staff of the many other agencies that have contributed to aspects of implementing the Recovery Strategy; and members and staff of non-governmental organisations and community groups. 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

---

## Purpose

The purpose of the Canterbury Earthquake Recovery Authority (CERA) is to lead and partner with communities to return greater Christchurch<sup>1</sup> to a prosperous and thriving place to work, live and play, as quickly as possible.

CERA's vision is to support and enable greater Christchurch to take back responsibility for its ongoing recovery. With this vision fulfilled, it is intended that CERA and the Canterbury Earthquake Recovery Act 2011 (CER Act) will conclude in April 2016.

## Scope

CERA provides services to the Minister and Associate Minister for Canterbury Earthquake Recovery, as mandated by the CER Act.

## Role

CERA's role, covered in section 3 of the CER Act, is to:

1. enable a focused, timely and expedited recovery of greater Christchurch
2. enable community participation in the planning of the recovery of greater Christchurch
3. enable information to be gathered about any land, structure or infrastructure affected by the Canterbury earthquakes
4. facilitate, coordinate and direct the planning, rebuilding and recovery of affected communities in greater Christchurch, including the repair and rebuilding of land, infrastructure and other property
5. restore the social, economic, cultural and environmental wellbeing of greater Christchurch communities.

## Structure

CERA delivers services to greater Christchurch through five operational units:

- Community Wellbeing – focuses on the recovery of people and communities of greater Christchurch
- Economic Recovery – leads the economic recovery of greater Christchurch, ensuring the region becomes responsive, connected, attracts investment and increases in productivity
- Infrastructure – manages the development of the Built Environment Recovery work programme
- Operations – has oversight of the physical works required to enable the economic, social and cultural recovery such as management of the red zone cordon and access to the central business district, and building deconstruction
- Christchurch Central Development Unit – leads the rebuild of central Christchurch to deliver the vision of the Christchurch Central Recovery Plan.

These units are supported by a Strategy Planning and Policy function, a Communications and Engagement team, Corporate Services, and the Chief Executive's Office.

<sup>1</sup> In the Canterbury Earthquake Recovery Act 2011, 'greater Christchurch' is defined as the districts of the Christchurch City Council, the Selwyn District Council and the Waimakariri District Council, and includes the coastal marine area adjacent to these districts.

---

### **Collaboration**

CERA works in collaboration and partnership with local government, business, insurers, Te Rūnanga o Ngāi Tahu, other central government agencies and community groups. While CERA is mandated to take the lead on some matters in the recovery, in other areas it has a facilitative or monitoring role which it implements through established governance frameworks.

### **Legislation**

CERA manages and administers the Canterbury Earthquake Recovery Act 2011. The Act will be reviewed annually to ensure that it is operating effectively to meet the Government's priorities and policy objectives.

# The Period in Review

---

## **First Annual Report for CERA**

This is the first annual report of CERA since it was established as a government department in late March 2011.<sup>2</sup>

## **CERA established to lead, facilitate and coordinate the recovery process**

CERA was established by the Government four weeks after the 22 February 2011 earthquake to work with the people of greater Christchurch to lead, facilitate and coordinate the recovery of greater Christchurch following the Canterbury earthquakes on 4 September 2010 and 22 February 2011 and subsequent aftershocks. At the time a National State of Emergency was in place across the region and this remained until 1 May 2011.

Initially the department was staffed by a small number of secondees from other government departments, local government and the private sector. Over the last 15 months there has been a shift into a mixed model of staffing with fixed-term staff and secondments, and contractors to provide specialist short-term services. This model has allowed for agility in responding to the changing demands for services and phases of the recovery.

The ongoing seismic activity has made for a unique operating environment, presenting further challenges for the recovery effort.

## **Size and scale of the task**

The scale and complexity of the recovery task are unprecedented in New Zealand history. The Canterbury earthquakes are the fourth-largest insurance event in world history; and the cost of the rebuild is roughly predicted to be the size of the region's entire gross domestic product.

## **Building and maintaining relationships has been a focus**

Building relationships has been an important feature of the reporting period for CERA at both local and national levels.

As the only government department that has its head office in Christchurch, CERA faces specific challenges in maintaining connections with other parts of government. CERA's role is to lead and coordinate the recovery effort, and yet all the other government departments are based in the capital. These circumstances have resulted in a lot of travel and different ways of working.

As a new agency in the city, CERA has had the further challenge of developing and maintaining working relationships with local government and other stakeholders when it has been given special statutory powers and functions that can over-ride decisions of those organisations. In practice, the special powers have been used cautiously for the purpose of maintaining public safety and security.

Another important relationship has been with the Community Forum. The CER Act requires the establishment of a Community Forum to provide the Minister and the Chief Executive with information and advice. It comprises a group of over 30 people representing a wide range of community and special interest groups who have provided feedback and views on a wide range of topics and planning documents.

<sup>2</sup> Refer *State Sector (Canterbury Earthquake Recovery Authority) Order 2011*.

---

Finally, but not least, is the relationship with the residents of greater Christchurch who have been affected by the earthquakes. It has been important that CERA communicates and engages with individual property owners when decisions affect them. CERA has used a variety of means of communication, such as direct mail, emails, telephone calls, face-to-face contact including public and street meetings, newsletters, websites and other media depending on the situation. Not everyone has been happy with the messages they have received, or in some cases with the timing of the message; but over the year there have been literally thousands of people contacted for a variety of reasons. CERA is committed to engaging with the community about issues that are important to them.

### **Developing collaborative relationships in the initial response phase of the recovery has been important**

An early collaborative, multi-agency approach and timely decision-making have helped to avoid some of the problems that often follow disasters of this scale, such as widespread health issues, and a long-term loss of population or capital. As a result of exceptional partnerships between asset owners, funders and contractors, critical infrastructure and networks – both below and above ground – have been repaired rapidly.

The initial response phases of the recovery from the Canterbury earthquakes have had a focus on safety and assistance.

### **Coordinating community assistance has been a priority**

CERA's role in the area of community assistance has been to coordinate a large number of different organisations and agencies that provide a wide range of services. The basic services have focused on the provision of information and access to social and health services, such as telephone counselling; faith-based and other organisations providing pastoral care; training support for schools; and the increased delivery of extended consultations through general health practices. In addition, there has been increased access to focused and/or specialised services provided by a number of other agencies, especially in the health and education sectors.

The Earthquake Support Coordination Service is a new service model for New Zealand. Earthquake Support Coordinators provide practical information and support, including household planning, service coordination and connection to other services. This service includes 55 full-time equivalent staff working across approximately 18 government and non-governmental organisations. The Support Coordinators continue to be employed and managed by their respective agencies, so they can maintain linkages with these services.

### **There has been a focus on land zoning decisions**

CERA has focused on supporting residents with information that provides the certainty and confidence they need to make decisions, and with social services to facilitate this decision-making. The first land zone decisions were announced in June 2011 and property owners in residential red zones became eligible for a Crown offer to purchase their property.

By the end of June 2012, more than 180,000 greater Christchurch properties had been zoned green, and 7,558 were zoned red. One hundred and sixty-six properties remain in the white zones of the Port Hills until further assessments are made.

---

Of the 5,624 residential red zone property owners who had signed a Sale and Purchase Agreement by the end of the financial year, over 4,000 have already settled. Work to complete the offer process with the remaining property owners within this zone is continuing so that they can move on with their recovery.

### **Making the central city safe has involved deconstructing buildings**

In the central business district (CBD) more than 1,000 buildings have been demolished or deconstructed, or have been made safe and are under repair. The CBD red zone cordon, which began with a perimeter of 8 kilometres and covered 387 hectares, was reduced to just under 50 hectares by the end of the financial year. The cordon is important to the safety not only of the public, but also of those owners and their contractors who are working inside the cordon to restore their buildings and their businesses.

Recognising the need of Cantabrians to reconnect with their city, CERA has conducted bus and walking tours in the CBD red zone for more than 170,000 people. In addition, in partnership with the business community, it has initiated the RE:Start container mall, an important symbolic and physical first step towards reclaiming and renewing the CBD.

### **Recovery planning got under way in earnest**

The overarching, long-term strategy for the reconstruction and recovery of greater Christchurch is the *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha*. During the period under review, this strategy was developed through a public process with invaluable input from individuals and the community, including the Community Forum.

The *Recovery Strategy* consolidates CERA's strategic partnership with local entities. 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. The *Recovery Strategy* came into effect on 1 June 2012.

The other key planning process during the year has been the development of the *Christchurch Central Recovery Plan (CCRP)*, building on the Christchurch City Council's draft Central City Plan and the ideas submitted by the community through the innovative *Share an Idea* process and further consultation processes.

The Christchurch Central Development Unit was established within CERA in April 2012 to provide clearer leadership for the rebuild of the central city. Its first task was to prepare a final draft CCRP within 100 days, based on the draft Central City Plan developed by the Christchurch City Council, and including a spatial Blueprint Plan for redevelopment. The final CCRP was approved by the Minister and released publicly on 30 July. The CCRP directs changes to the *Christchurch City District Plan* and came into effect on 7 August 2012.

### **Infrastructure repairs and planning also got started**

Horizontal infrastructure across greater Christchurch was so damaged by the 2010 and 2011 earthquakes that enduring recovery cannot be achieved without a major rebuild programme. Damage has been most severe and widespread across Christchurch city, although significant pockets of damage have occurred outside the city boundaries in the districts of Selwyn District Council and Waimakariri District Council.

---

In September 2011 an alliance to repair the horizontal infrastructure (roads, water supply and wastewater systems) within the Christchurch City Council boundaries was formed, called the Stronger Christchurch Infrastructure Rebuild Team (SCIRT). In addition, CERA has been working with Waimakariri District Council and Selwyn District Council to address their infrastructure recovery needs.

The head contractual agreement within SCIRT is an alliance between the owner participants (CERA, Christchurch City Council and NZ Transport Agency) and the non-owner participants (City Care, Downer, Fletcher Construction, Fulton Hogan, and McConnell Dowell). Alliance partners are bound by a commercial model to harness the expertise of the public and private sectors; provide competitive tension between owner participants to promote information sharing and collaboration; and manage the many risks and opportunities that will develop as works progress.

In September 2012 the five-year forward works programme for the SCIRT rebuild was launched. It describes in detail the next 12 months of work and the general 'east-west' approach to the recovery of the infrastructure across all of the Christchurch City Council area. Specific attention is also being given to the central Christchurch area through the formation and management of the Christchurch Central Infrastructure Rebuild Team which is developing the strategic framework and implementation plan to meet the requirements of the Christchurch Central Recovery Plan.

CERA has also worked with telecommunications and energy utility network operators to ensure rebuild activities are optimised and take advantage of opportunities through SCIRT.

### **Looking to the future may require a change in emphasis**

In its first 15 months, CERA has focused on the immediate response during the early stage of the recovery process following the Canterbury earthquakes and aftershocks, and on the establishment of a new department from scratch. As the recovery progresses, the emphasis is shifting to the medium to longer term. For an agency that has a finite existence through to 2016, this focus is the three-to five-year horizon.

Over the coming years CERA will become more focused on planning, reporting and monitoring the recovery as the environment, in the broadest sense, evolves and changes.

CERA will continue working with our strategic partners, central government and the community 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.

# Equal Employment Opportunity Reporting

---

CERA does not have a specific policy relating to equal employment opportunities (EEO). However, it places a strong emphasis on fostering a diverse workplace and inclusive culture.

Equality and diversity are a core part of the way CERA operates rather than 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.

Diversity at a leadership level is evident with three of the eight General Managers being female. There is also a strong balance of female representation at the third-tier leadership level.

CERA does not record ethnic distribution.

EEO policy and programme development will be an area of focus as the organisation continues to evolve.

# 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 CERA's financial statements and statement of service performance, and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Canterbury Earthquake Recovery Authority for the period ended 30 June 2012.



**Roger Sutton**  
**Chief Executive**  
28 September 2012



**David Mills**  
**Chief Financial Officer**  
28 September 2012

# Independent Auditor's Report

---

## **To the readers of Canterbury Earthquake Recovery Authority's financial statements, statement of service performance and schedules of non-departmental activities for the period ended 30 June 2012.**

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 statement of service performance and the schedules of non departmental activities of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 27 to 45, that comprise:
  - the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 15 months ended on that date;
  - statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure for the year ended 30 June 2012; and
  - the notes to the financial statements that include accounting policies and other explanatory information.
- the statement of service performance of the Authority on pages 17 to 26; and
- the schedules of non-departmental activities of the Authority on pages 46 to 67 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 2012, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule 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 27 to 45:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Authority's:
    - financial position as at 30 June 2012;
    - financial performance and cash flows for the 15 months 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 2012; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2012.

- 
- the statement of service performance of the Authority on pages 17 to 26:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflects for each class of outputs for the year ended 30 June 2012 the Authority's:
      - service performance compared with the forecasts in the statement of forecast service performance at the start of the year; and
      - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the year.
  - the schedules of non-departmental activities of the Authority on pages 46 to 67:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect:
      - the assets, liabilities, contingencies, and commitments as at 30 June 2012 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.

Our audit was completed on 28 September 2012. 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.

***Emphasis of Matter – uncertainties associated with residential red zone property settlement provision and insurance recoveries, and water infrastructure liability***

Without modifying our opinion, we draw your attention to notes 3 and 4 to the non-departmental financial statements. These notes describe the residential red zone property settlement provision and the associated insurance recoveries resulting from the government's offer to purchase properties in the Canterbury residential red zone. The notes also describe the significance of the amounts and the inherent uncertainties involved in estimating those amounts using actuarial assumptions. We consider the disclosures to be adequate.

We also draw your attention to note 6 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.

**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 statement of service performance and the schedules of non-departmental activities are free from material misstatement.

---

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the statement of service performance 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 statement of service performance 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 statement of service performance 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 statement of service performance 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 adequacy of all disclosures in the financial statements, the statement of service performance and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the statement of service performance and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the statement of service performance 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 a statement of service performance 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 reflects its service performance; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
  - comply with generally accepted accounting practice in New Zealand; and
  - 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, a statement of service performance and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

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 statement of service performance 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 New Zealand Institute of Chartered Accountants.

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 the Canterbury Earthquake Recovery Authority for the period ended 30 June 2012 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 28 September 2012 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.

# 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 period to 30 June 2012.

The Output Classes are specified in the *Performance Information for Appropriations – Vote Canterbury Earthquake Recovery (Information Supporting the Estimates 2011/12 B.5A Vol 1)*; and the *Information Supporting the Supplementary Estimates – Vote Canterbury Earthquake Recovery (The Supplementary Estimates of Appropriations and Supporting Information 2011/12 B.7)*.

These documents can be found at: [www.treasury.govt.nz/budget/2011/ise/v1](http://www.treasury.govt.nz/budget/2011/ise/v1)

## Reporting against revised Output Classes

During the preparation of the Supplementary Estimates for 2011/12 the structure of the Output Classes under the appropriation was changed from two Output Classes – *Planning for the Recovery* and *Implementation of the Recovery* – to a new structure with two new Output Classes, *Policy Advice* and *Managing the Recovery*. A new (third) Output Class *Management of Voluntarily Acquired Insured Residential Red Zone Properties* was added through this process.

The Reconciliation of Changes in Appropriation Structure is provided in *The Supplementary Estimates of Appropriations and Supporting Information 2011/12 B.7* on page 83.

The reporting of non-financial service delivery is against the standards and measures for the original and revised Output Classes as at 30 June 2012.

# Output Class: Implementation of the Recovery

## Scope

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

## Summary of performance

This Output Expense, established in the Supplementary Estimates of Appropriations in 2010/11, was transferred to **Managing the Recovery** in the Supplementary Estimates of Appropriations in 2011/12.

## Financial performance information

Actual 3 Months 30 June 2011 \$000	Financial Performance	Actual 12 Months 30 June 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
877	Total revenue	-	5,369	-
877	Total expenditure	-	5,369	-
-	Net surplus	-	-	-

## Output performance measures and standards

Performance Measure	Budget Standard	Actual as at 30 June 2012
Provide ongoing advice and updates to the Minister for Canterbury Earthquake Recovery.	The Minister reports satisfaction with the quality of reporting and policy advice received.	The Minister for Canterbury Earthquake Recovery has confirmed his satisfaction with the quality of reporting and policy advice he receives.
Reduce areas blocked off by cordons.	All areas currently blocked off are reopened by 30 June 2012.	Outside the CBD the reduction and removal of cordons have been dependent on operational requirements. In several residential streets and suburbs the cordon has remained in place as ongoing seismic activity has damaged the horizontal infrastructure.
Restore full access to the Christchurch CBD.	Full access is restored to the CBD by 30 June 2012.	By the 30 June 2012 the CBD cordon restricted access to 49.5 hectares. <sup>Note 1</sup>

---

**Note 1:** Immediately after the 22 February 2011 earthquake, a state of National Emergency was declared and a cordon was placed around the CBD. Initially access was restricted to an area of 387 hectares bounded by the five avenues around the CBD (Bealey, Fitzgerald, Moorhouse, Rolleston and Harper).

A cordon was maintained to control entry to this restricted area. This CBD cordon was progressively reduced as demolitions were completed and safe access could be provided. On 1 July 2011 the CBD cordon enclosed 64.88 hectares.

The subsequent aftershocks in June and December 2011, in particular, caused further damage to many of the buildings within the CBD which resulted in decisions to demolish or deconstruct further buildings. In order to allow the safe and efficient demolition or deconstruction of these buildings, areas of the CBD have remained cordoned off for longer than originally anticipated.

## Output Class: Planning for the Recovery

### Scope

This appropriation is limited to expenses incurred in planning the recovery from the Canterbury Earthquake.

### Summary of performance

This Output Expense, established in the Supplementary Estimates of Appropriations in 2010/11, was transferred to **Managing the Recovery** and **Policy Advice** in the Supplementary Estimates of Appropriations in 2011/12.

### Financial performance information

Actual 3 Months 30 June 2011 \$000	Financial Performance	Actual 12 Months 30 June 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
2,570	Total revenue	-	16,108	-
2,570	Total expenditure	-	16,108	-
-	Net surplus	-	-	-

### Output performance measures and standards

Performance Measure	Budget Standard	Actual as at 30 June 2012
Establish CERA as a public service department.	All permanent staff members are recruited and corporate support services are in place by 31 July.	At 31 July 2011 CERA had 3 fixed term employees and 19 secondments. By 30 June 2012 CERA had 107 fixed-term employees and 52 secondments. <sup>Note 2</sup>
Prepare a future focus plan for the worst affected suburbs.	A draft plan is developed, fully informed by scientific and technical land-use information.	By 30 June 2012, over 180,000 properties were zoned as green and 7,558 residential homes were zoned red. One hundred and sixty-six properties remain in the white zones on the Port Hills until further assessments are made. There are no properties remaining in the orange zone. <sup>Note 3</sup>
Involve community representatives adequately in recovery planning.	At least six meetings are held of the Community Forum.	The Community Forum met 17 times during the financial year. <sup>Note 4</sup>
Present the first draft of the long-term recovery strategy for public consultation.	A first draft is available for consultation by 30 September 2011.	The draft Recovery Strategy was released on CERA's website on 10 September 2011 for public consultation over seven weeks. <sup>Note 5</sup>

Performance Measure	Budget Standard	Actual as at 30 June 2012
Present a draft long-term recovery strategy for consideration by the Minister.	The Minister receives the draft long-term recovery strategy by 15 January 2012.	The draft Recovery Strategy was sent to the Minister in December 2011. <small>Note 6</small>
Complete planning for the restoration of priority infrastructure (outside the CBD).	A detailed plan is developed by 31 December 2011.	In December 2011 Christchurch City Council published the Stronger Christchurch Infrastructure Rebuild Plan which focused on the work of SCIRT and other work required to repair Council-owned horizontal infrastructure assets. <small>Note 7</small>
Provide input into the development of the Recovery Plan for the Christchurch CBD, led by the Christchurch City Council.	The draft Recovery Plan incorporates views and input from CERA.	An all-of-government response to the initial draft Recovery Plan was provided to the Christchurch City Council on 28 September 2011. <small>Note 8</small>

**Note 2:** The establishment of CERA as a new public service department was enabled through the use of resources from other agencies, in particular the back-office services of the Ministry of Social Development for computer infrastructure and financial services.

CERA is an agency with a finite existence so cannot employ permanent staff beyond the end of its existence in April 2016. As a consequence CERA has used a mixed model for staff recruitment, initially with a high number of secondments from both central and local government. As the organisation has matured, more staff have been appointed for varying fixed terms through to April 2016.

**Note 3:** The worst-affected suburbs are located in the east of Christchurch (along the Avon River and in related areas, usually associated with waterways or former waterways), in the north-east of Christchurch (such as Brooklands) and in the beach areas of Waimakariri district (Pines and Kairaki Beach), and in Kaiapoi (both north and south of the Kaiapoi River).

In addition the Port Hills areas have suffered from cliff collapse, rockroll and landslip from the series of Canterbury earthquakes, especially on and after 13 June 2011.

In June 2011 Cabinet agreed (for suburbs other than the Port Hills) on an approach based on extensive geotechnical work that was undertaken to assess the state of the affected land, and the feasibility of engineering remedial solutions for this land.

---

Four 'zones' were identified based on the severity and extent of land damage, and the cost-effectiveness and social impacts of land remediation.

1. In the green zones, there are no significant issues that prevent rebuilding, based on current knowledge of seismic activity.
2. For the orange zones, further work was required to determine if land repair is practical and if the areas are suitable for rebuilding on in the short to medium term.
3. In the red zones, rebuilding may not occur in the short to medium term because the land is damaged beyond practical and timely repair, most buildings are generally rebuilds, these areas are at high risk of further damage to land and buildings from low-level aftershocks, flooding or spring tides; and infrastructure needs to be rebuilt.
4. The white zones include the Port Hills where further extensive assessment was required.

Progressively throughout the period decisions were taken to zone all properties in greater Christchurch primarily into the green or red zones. Properties initially in the orange or white zones were rezoned following further assessment as either red or green.

**Note 4:** The Community Forum is a statutory requirement set out in section 6 of the Canterbury Earthquake Recovery Act 2011. The Minister is required to invite at least 20 people to participate in the forum which must meet at least six times a year.

The Minister appointed 39 people to the Forum, after receiving approximately 240 nominations, who come from a wide range of constituent bodies with particular urban, suburban and neighbourhood concerns and interests.

**Note 5:** The Canterbury Earthquake Recovery Act 2011 requires that the Chief Executive of CERA must develop a draft Recovery Strategy within nine months after the Act came into force (that is, by 19 January 2012). This draft was to be publicly notified. The Recovery Strategy is an overarching, long-term strategy for the reconstruction, rebuilding and recovery of greater Christchurch.

Engaging and consulting communities and stakeholders was an important part of developing the Recovery Strategy. In June and July 2011 eight community workshops were held to gather input to inform the development of the draft Recovery Strategy.

The draft Recovery Strategy was released on CERA's website on 10 September 2011 for public consultation over seven weeks. A total of 463 individuals, community groups and non-governmental organisations, professional groups and businesses, government agencies and local government bodies provided comments in paper or online form.

**Note 6:** The comments received as part of the public consultation exercise in September and October 2011 were used to revise the draft Recovery Strategy.

The draft Recovery Strategy was sent to the Minister in December 2011 for his consideration. The Minister had regard to the information and advice he received from the Community Forum on the draft Recovery Strategy.

The *Recovery Strategy for Greater Christchurch: Mahere Haumanutanga o Waitaha* was approved by Order in Council by the Governor-General and notified in the Gazette on 31 May 2012. The Recovery Strategy came into effect on 1 June 2012.

**Note 7:** In September 2011 an alliance to repair the city's horizontal infrastructure (roads, water supply, and wastewater systems) that was damaged by the earthquakes was formed through the Stronger Christchurch Infrastructure Rebuild Team (SCIIRT).

---

The alliance is a form of contractual agreement between multiple parties created to align all participants to common goals and objectives. This is considered an important approach given the scale of infrastructure damage and anticipated cost of the rebuild.

The head contractual agreement within SCIRT is an alliance between the owner participants (CERA, Christchurch City Council and New Zealand Transport Agency) and the non-owner participants (City Care, Downer, Fletcher Construction, Fulton Hogan, and McConnell Dowell). Alliance partners are bound by a commercial model to harness the expertise of the public and private sectors; promote information sharing and collaboration; and manage the many risks and opportunities that will develop as works progress.

SCIRT is governed by a Board of Directors made up of senior executive managers from both the owner and non-owner participant organisations.

In December 2011 Christchurch City Council published the Stronger Christchurch Infrastructure Rebuild Plan. This Plan focused on the work of SCIRT and other work required to repair Council-owned horizontal infrastructure assets.

By 30 June 2012, SCIRT had progressed the infrastructure rebuild in the following ways:

- 24,855 square metres of road pavement laid
- 174 projects valued at \$71 million in the process of being handed back to asset owners
- 423 work notices distributed to 83,600 residents
- 12.8 kilometres of freshwater pipe laid
- 82 projects, valued at \$135 million, currently being constructed around Christchurch
- 200 kilometres, out of the 900-kilometre stormwater network needing assessment (over 100-millimetre diameter), completed using closed circuit television (CCTV) and multi-criteria assessment
- 700 kilometres, out of the 1,600-kilometre wastewater network needing assessment (over 100-millimetre diameter), completed using CCTV and multi-criteria assessment
- 122 projects, valued at \$730.2 million, currently being designed
- 21.4 kilometres wastewater pipe laid.

**Note 8:** CERA officials became actively involved in the development of the draft Recovery Plan for the Christchurch CBD when the first draft was published in August 2011. Officials coordinated a response across government work streams that worked closely with Christchurch City Council staff. This culminated in the preparation and collation of an all-of-government response to the initial draft Central City Plan on 28 September 2011.

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

## Scope

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

## Summary of performance

This is a new appropriation for 2011/12 for the costs prior to the settlement of properties purchased under the Crown offer including the cost of conveyancing.

## Financial performance information

Actual 3 Months 30 June 2011 \$000	Financial Performance	Actual 12 Months 30 June 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	Revenue			
-	Revenue Crown	4,220	-	4,220
-	Total revenue	4,220	-	4,220
-	Total expenditure	2,073	-	4,220
-	Net surplus	2,147	-	-

## Output performance measures and standards

Performance Measure	Total Standard	Actual as at 30 June 2012
Purchase of residential red zone properties settled in a timely manner.	Crown conveyancers adequately funded to complete settlement.	Crown conveyancers were adequately funded to complete settlements.

## Output Class: Managing the Recovery

### Scope

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

### Summary of performance

This appropriation incorporates, with the exception of policy advice activities, **Planning for the Recovery** and **Implementation for the Recovery**, created in 2010/11.

### Financial performance information

Actual 3 Months 30 June 2011 \$000	Financial Performance	Actual 12 Months 30 June 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	Revenue			
-	Revenue Crown	29,078	-	29,078
-	Revenue department	76	-	-
-	Revenue other	87	-	-
-	Total revenue	29,241	-	29,078
-	Total expenditure	23,892	-	29,078
-	Net surplus	5,349	-	-

### Output performance measures and standards

Performance Measure	Total Standard	Actual as at 30 June 2012
Land Recovery	Complete residential zoning decisions.	All but 166 residential properties have been zoned red or green. These 166 properties are all on the Port Hills and are subject to further assessments.

## Output Class: Policy Advice

### Scope

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.

### Summary of performance

This appropriation was established in March 2012 to isolate policy advice and reporting activity of CERA into a separate appropriation.

#### Financial performance information

Actual 3 Months 30 June 2011 \$000	Financial Performance	Actual 12 Months 30 June 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	Revenue			
-	Revenue Crown	4,800	-	4,800
-	Total revenue	4,800	-	4,800
-	Total expenditure	4,708	-	4,800
-	Net surplus	92	-	-

#### Output performance measures and standards

Performance Measure	Total Standard	Actual as at 30 June 2012
CERA will develop quality policy advice for decision making.	Minister satisfied with quality of policy advice delivered.	Minister has indicated his satisfaction with the quality of policy advice.

# Departmental Financial Statements

## Statement of Accounting Policies: Departmental For the 15 months to 30 June 2012

---

### Reporting entity

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

The primary objective of CERA 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 equivalents to the International Financial Reporting Standards (NZ IFRS).

The financial statements of CERA are for the 15 months ended 30 June 2012. These are CERA's first set of financial statements as the Minister of Finance gave CERA an exemption to produce accounts for the three months to 30 June 2011. The financial statements were authorised for issue by the Chief Executive of CERA on 28 September 2012.

In addition, in the financial statements CERA has also provided information for the three months to 30 June 2011 and the twelve months 1 July 2011 to 30 June 2012. This highlights the linkage to twelve-month appropriation information.

### 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. 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 New Zealand dollars.

### Significant accounting policies

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

#### Budget figures

The budget figures are those included in the Budget 2011, 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.

#### 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 15 months to 30 June 2012, direct costs accounted for 65.8 per cent of CERA's departmental operating costs.

### **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 initially 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.

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.

### *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%

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 in surplus or deficit.

### **Income tax**

Government departments as public authorities 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 (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to or received from IRD, 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.

## **Employee entitlements**

### *Short-term employee entitlements*

Employee entitlements 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.

## **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.

**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 15 months to 30 June 2012.

## Statement of Comprehensive Income For the 15 months to 30 June 2012

Actual 3 Months 2011 \$000		Notes	Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	<b>Income</b>					
3,447	Revenue Crown		41,545	38,098	21,477	38,098
-	Revenue other	1	163	163	-	-
<b>3,447</b>	<b>Total income</b>		<b>41,708</b>	<b>38,261</b>	<b>21,477</b>	<b>38,098</b>
	<b>Expenditure</b>					
356	Personnel costs	2	9,086	8,730	7,934	13,437
1	Depreciation	5	18	17	4	75
2	Capital charge	3	6	4	5	4
3,088	Other operating expenses	4	25,010	21,922	13,534	24,582
<b>3,447</b>	<b>Total expenditure</b>		<b>34,120</b>	<b>30,673</b>	<b>21,477</b>	<b>38,098</b>
-	<b>Net surplus</b>		<b>7,588</b>	<b>7,588</b>	-	-
-	<b>Other comprehensive income</b>		-	-	-	-
-	<b>Total comprehensive income</b>		<b>7,588</b>	<b>7,588</b>	-	-

Explanations of significant variances against budget are detailed in Note 17.

No comparatives have been included because the 15-month reporting period is CERA's first reporting period. Periods of 3 and 12 months have been provided to enable the reader to align the 12-month period with appropriation schedules.

# Statement of Financial Position

## As at 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	<b>Assets</b>				
	<b>Current assets</b>				
1,098	Cash and cash equivalents		16,068	134	8,485
2	Accounts receivable		2,326	-	-
2,879	Crown receivable		-	-	-
<b>3,979</b>	<b>Total current assets</b>		<b>18,394</b>	<b>134</b>	<b>8,485</b>
42	Property, plant and equipment	5	106	16	66
<b>4,021</b>	<b>Total assets</b>		<b>18,500</b>	<b>150</b>	<b>8,551</b>
	<b>Liabilities</b>				
	<b>Current liabilities</b>				
3,959	Accounts payable and accruals	6	10,388	-	8,389
2	Capital charge payable	3	-	-	2
-	Return of operating surplus to the Crown	7	7,588	-	-
10	Provision for employee entitlements	9	266	-	10
-	Other provisions	8	108	-	-
<b>3,971</b>	<b>Total current liabilities</b>		<b>18,350</b>	<b>-</b>	<b>8,401</b>
<b>3,971</b>	<b>Total liabilities</b>		<b>18,350</b>	<b>-</b>	<b>8,401</b>
<b>50</b>	<b>Net assets</b>		<b>150</b>	<b>150</b>	<b>150</b>
	<b>Taxpayers' funds</b>				
50	General funds	10	150	150	150
<b>50</b>	<b>Total taxpayers' funds</b>		<b>150</b>	<b>150</b>	<b>150</b>

Explanations of significant variances against budget are detailed in Note 17.

## Statement of Changes in Taxpayers' Funds For the 15 months to 30 June 2012

Actual 3 Months 2011 \$000		Notes	Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
-	<b>Opening balance</b>		-	<b>50</b>	<b>50</b>	<b>50</b>
-	Total comprehensive income		7,588	7,588	-	-
-	Return of operating surplus to the Crown	7	(7,588)	(7,588)	-	-
50	Capital injections		150	100	100	100
<b>50</b>	<b>Balance at 30 June</b>		<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>

# Statement of Cash Flows

## For the 15 months to 30 June 2012

Actual 3 Months 2011 \$000		Notes	Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
<b>Cash flows from operating activities</b>						
1,100	Receipts from Crown revenue		42,077	40,977	21,477	40,972
-	Receipts from other revenue		147	147	-	-
(52)	Payments to suppliers		(19,251)	(19,199)	(13,534)	(19,663)
-	Payments to employees		(8,212)	(8,212)	(7,934)	(13,600)
-	Payments to capital charge		(6)	(6)	(5)	(4)
-	Goods and services tax (net)		1,287	1,287	-	(318)
<b>1,048</b>	<b>Net cash flow from operating activities</b>	<b>11</b>	<b>16,042</b>	<b>14,994</b>	<b>4</b>	<b>7,387</b>
<b>Cash flows from investing activities</b>						
-	Purchase of property, plant and equipment		(124)	(124)	-	(100)
-	<b>Net cash flow from investing activities</b>		<b>(124)</b>	<b>(124)</b>	<b>-</b>	<b>(100)</b>
<b>Cash flows from financing activities</b>						
50	Capital contribution from the Crown		150	100	100	100
<b>50</b>	<b>Net cash flow from financing activities</b>		<b>150</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>1,098</b>	<b>Net increase/ (decrease) in cash held</b>		<b>16,068</b>	<b>14,970</b>	<b>104</b>	<b>7,387</b>
-	Cash and cash equivalents at the beginning of the period		-	1,098	30	1,098
<b>1,098</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>16,068</b>	<b>16,068</b>	<b>134</b>	<b>8,485</b>

Explanations of significant variances against budget are detailed in Note 17.

## Statement of Commitments

### As at 30 June 2012

---

	Actual 2012 \$000
<b>Operating commitments</b>	
<b>Non-cancellable leases</b>	
Less than one year	1,062
One to two years	1,001
Two to five years	2,998
More than five years	2,669
<b>Total non-cancellable leases</b>	<b>7,730</b>

#### **Non-cancellable commitments**

CERA has long-term leases on premises, which are subject to regular reviews. The amounts disclosed above as future commitments are based on the current rental rates. There are no other capital commitments or other non-cancellable commitments.

## Statement of Contingent Liabilities and Contingent Assets

### As at 30 June 2012

#### **Unquantifiable contingent liabilities**

There are no unquantifiable contingent liabilities as at 30 June 2012.

#### **Quantifiable contingent liabilities**

There are no quantifiable contingent liabilities as at 30 June 2012.

#### **Contingent assets**

There are no contingent assets as at 30 June 2012.

## Statement of Departmental Expenditure and Capital Expenditure against Appropriations For the 12 months to 30 June 2012

Actual 3 Months 2011 \$000		Actual 12 Months 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	<b>Appropriation for output expenses</b>			
	<b>VOTE CANTERBURY EARTHQUAKE RECOVERY</b>			
877	Implementation for the recovery	-	5,369	-
-	- Management of voluntarily acquired insured residential red zone properties	2,073	-	4,220
-	- Managing the recovery	23,892	-	29,078
2,570	Planning for the recovery	-	16,108	-
-	- Policy advice	4,708	-	4,800
<b>3,447</b>	<b>Total Vote Canterbury Earthquake Recovery</b>	<b>30,673</b>	<b>21,477</b>	<b>38,098</b>
<b>42</b>	<b>Appropriation for capital expenditure</b>	<b>82</b>	<b>100</b>	<b>100</b>

## Statement of Unappropriated Departmental Expenditure and Capital Expenditure For the 12 months to 30 June 2012

CERA had no unappropriated departmental operating and capital expenditure in 2011/12.

# Notes to the Financial Statements

## For the 15 months to 30 June 2012

### Note 1: Revenue other

Actual 3 Months 2011 \$000		Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000
-	Other recoveries	163	163
-	<b>Total revenue other</b>	<b>163</b>	<b>163</b>

CERA received revenue from the State Services Commission for KiwiSaver (\$0.076 million). In addition, CERA received other revenues of \$0.087 million.

### Note 2: Personnel costs

Actual 3 Months 2011 \$000		Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000
265	Salaries and wages	8,305	8,040
10	Increase/(decrease) in employee entitlements	266	256
1	Defined superannuation contribution scheme	128	127
80	Other personnel expenses	387	307
<b>356</b>	<b>Total personnel costs</b>	<b>9,086</b>	<b>8,730</b>

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 at 31 December and 30 June each financial year. The capital charge rate for the 12 months to 30 June 2012 was 8 per cent. For the 3 months to 30 June 2011 the capital charge rate was 7.5 per cent.

#### Note 4: Other operating expenses

Actual 3 Months 2011 \$000		Actual 15 Months 2012 \$000	Actual 12 Months 2012 \$000
50	Audit fees	216	166
40	Operating lease expense	955	915
2,010	Consultancy and contractors' fees	14,266	12,256
988	Other operating expenses	9,573	8,585
<b>3,088</b>	<b>Total operating costs</b>	<b>25,010</b>	<b>21,922</b>

#### Note 5: Property, plant and equipment

	Actual 2012 \$000
<b>Costs</b>	
Additions by purchase (15 months) - motor vehicles	124
<b>Balance as at 30 June 2012</b>	<b>124</b>
<b>Accumulated depreciation and impairment losses</b>	
Depreciation expense (15 months) - motor vehicles	(18)
<b>Balance as at 30 June 2012</b>	<b>(18)</b>
<b>Carrying amount as at 30 June 2012</b>	<b>106</b>

---

## Note 6: Accounts payable and accruals

	Actual 2012 \$000
<b>By type</b>	
Trade creditors	4,053
GST payable	1,698
Accrued expenses	4,637
<b>Total payables</b>	<b>10,388</b>

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 operating surplus to the Crown

	Actual 2012 \$000
Net surplus	7,588
<b>Total repayment of surplus</b>	<b>7,588</b>

The repayment of surplus is required to be paid by 31 October 2012.

## Note 8: Other provisions

	Actual 2012 \$000
Accident Compensation Corporation (ACC) provisions	108
<b>Total provisions</b>	<b>108</b>

## Note 9: Provision for employee entitlements

	Actual 2012 \$000
<b>Current liabilities</b>	
Provision for annual leave	266
<b>Total current portion</b>	<b>266</b>
<b>Non-current liabilities</b>	-
<b>Total employment entitlements</b>	<b>266</b>

## Note 10: General funds

	Actual 2012 \$000
<b>General funds</b>	
Opening balance	-
Capital contribution	150
<b>General funds at 30 June</b>	<b>150</b>

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

	Actual 2012 \$000
Net surplus	7,588
<b>Add/(less) non-cash items</b>	
Depreciation	18
<b>Total non-cash items</b>	<b>18</b>
<b>Add/(less) working capital movement</b>	
(Increase)/decrease in accounts receivable	(2,326)
(Increase)/decrease in prepayments	-
Increase/(decrease) in accounts payable	10,496
Increase/(decrease) in provisions for employee entitlements	266
<b>Net movement in working capital items</b>	<b>8,436</b>
<b>Net cash inflow from operating activities</b>	<b>16,042</b>

---

## Note 12: Related party transactions and key management personnel

### 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 2012 totalled \$6.045 million (in the three months to June 2011 \$0.505 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
Salaries and other short-term employee benefits	2,765

Key management personnel include the Chief Executive and eight members of the Senior Leadership Team.

## Note 13: Events after the balance sheet 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 14: Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the categories under NZ IFRS are as follows.

	Actual 2012 \$000
<b>Loans and receivables</b>	
Cash and cash equivalents	16,068
Accounts receivable	2,326
<b>Total loans and receivables</b>	<b>18,394</b>
<b>Financial liabilities measured at amortised cost</b>	
Accounts payable and accruals	10,388

## Note 15: Financial instrument 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, deposits with banks and derivative financial instrument assets.

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.

Westpac has opted into the Crown Retail Deposit Guarantee Scheme. This scheme guarantees deposits up to the value of \$1 million per depositor.

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.

## 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			
	Carrying Value \$000	0-12 Months \$000	1-2 Years \$000	> 2 Years \$000
Accounts payable	10,388	10,388	-	-
<b>Total financial liabilities</b>	<b>10,388</b>	<b>10,388</b>	-	-

## 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 variations

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

		Actual 12 Months 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000	Actual vs Main Estimates 2012 \$000	Actual vs Supplementary Estimates 2012 \$000
(a)	Personnel costs	9,086	7,934	13,437	1,152	(4,351)
(b)	Cash and cash equivalents	16,068	134	8,485	15,934	7,583
(c)	Accounts receivable	2,326	-	-	2,326	2,326
(d)	Accounts payable and accruals	10,388	-	8,389	(10,388)	(1,999)
(e)	Return of operating surplus	7,588	-	-	7,588	7,588

---

## 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.

## Statement of Financial Position

- (b) Cash and cash equivalents are higher due to the unanticipated under-spend.
- (c) Accounts receivable reflects an unanticipated balance for inter-entity funds receivable at year end.
- (d) Accounts payable and accruals were higher due to delays in the finalisation of the expenses for the major work programmes.
- (e) Return of operating surplus is higher than anticipated due to under-spends in personnel and professional services costs linked to the timing 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 2011/12.

All Government policy decisions giving rise to non-departmental expenditure in the 2011/12 year were made after Budget 2011 (Main Estimates).

The non-departmental financial information is for the 12 months ended 30 June 2012.

# Statement of Accounting Policies: Non-departmental

## For the year ended 30 June 2012

---

### 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 cash flows 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 relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules 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.

#### Revenues

CERA administers revenue on behalf of the Crown. This revenue includes recovery of demolition costs from property owners and insurance recoveries in relation to the residential red zone.

Revenue is recognised 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.

#### 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.

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 6).

# Statement of Non-departmental Expenditure and Capital Expenditure against Appropriations

## For the year ended 30 June 2012

Actual 3 Months 2011 \$000	Type of Appropriation	Actual Expenditure 2012 \$000	Remeasurement 2012 \$000	Actual after Remeasurement 2012 \$000	Supplementary Estimates 2012 \$000
<b>VOTE CANTERBURY EARTHQUAKE RECOVERY</b>					
<b>Appropriations for non-departmental output expenses</b>					
3,122	Canterbury earthquake property demolitions and related costs and compensation	77,699	-	77,699	132,865
-	Impairment of demolition debt	4,832	-	4,832	-
<b>3,122</b>	<b>Total non-departmental output expenses</b>	<b>82,531</b>	<b>-</b>	<b>82,531</b>	<b>132,865</b>
<b>Appropriation for non-departmental other expenses</b>					
-	Acquisition of additional red zone properties	160	-	160	3,000
1,038,958	Acquisition of Canterbury red zone properties	509,491	235,140	744,631	569,496
-	Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs	553,940	-	553,940	24,340
-	Christchurch temporary stadium	28,000	-	28,000	28,000
-	Contributions towards legal fees	2,472	-	2,472	3,189
-	Management of voluntarily acquired insured residential red zone properties	8,762	-	8,762	84,729
-	Rockfall protection systems	-	-	-	10,000
<b>1,038,958</b>	<b>Total non-departmental other expenses</b>	<b>1,102,825</b>	<b>235,140</b>	<b>1,337,965</b>	<b>722,754</b>

Continued...

Actual 3 Months 2011 \$000	Type of Appropriation	Actual Expenditure 2012 \$000	Remeasurement 2012 \$000	Actual after Remeasurement 2012 \$000	Supplementary Estimates 2012 \$000
<b>Non-departmental capital expenditure</b>					
-	Canterbury earthquake demolition-related property purchases	-	-	-	4,000
-	<b>Total non-departmental capital expenditure</b>	-	-	-	<b>4,000</b>
<b>1,042,080</b>	<b>Total Vote Canterbury Earthquake Recovery</b>	<b>1,185,356</b>	<b>235,140</b>	<b>1,420,496</b>	<b>859,619</b>

Explanations of significant variances against budget are detailed in Note 1.

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

# Statement of Unappropriated Non-departmental Expenditure and Appropriations

## For the year ended 30 June 2012

Unappropriated Expenditure 3 Months 2011 \$000	Type of Appropriation	Actual after Remeasurement 2012 \$000	Appropriation Voted 2012 \$000	Unappropriated Expenditure 2012 \$000
<b>VOTE CANTERBURY EARTHQUAKE RECOVERY</b>				
<b>Appropriation for non-departmental other expenses</b>				
1,038,958	Acquisition of Canterbury red zone properties	744,631	569,496	175,135
<b>Appropriation for non-departmental output expenses</b>				
-	Impairment provision (demolition)	4,832	-	4,832
<b>1,038,958</b>	<b>Total Vote Canterbury Earthquake Recovery</b>	<b>749,463</b>	<b>569,496</b>	<b>179,967</b>

### 2011/12 unappropriated expenditure against Main Estimates

There was no unappropriated expenditure against Main Estimates for the year ended 30 June 2012 (2010/11 Nil).

### 2011/12 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.

#### 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 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 2011/12 Appropriation (Financial Review) Act.

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Income For the year ended 30 June 2012

Actual 3 Months 2011 \$000		Notes	Actual 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
-	Interest revenue		620	-	400
385,979	Insurance recoveries from red zone acquisitions	4	252,846	-	105,800
1,959	Recovery of demolition costs from property owners		73,495	-	92,000
<b>387,938</b>	<b>Total non-departmental income</b>		<b>326,961</b>	<b>-</b>	<b>198,200</b>

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Expenses For the year ended 30 June 2012

Actual 3 Months 2011 \$000		Notes	Actual 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
3,122	Payments to demolition contractors		82,531	-	132,865
1,038,958	Purchase of residential land and buildings		512,123	-	575,685
-	Purchase of rockfall protection equipment		-	-	10,000
-	Purchase of land and buildings to effect demolitions		-	-	4,000
-	Grant to build temporary stadium		28,000	-	28,000
-	Payment and recognition of water infrastructure recovery costs	6	553,940	-	24,340
-	Payments to suppliers for management of residential properties		8,762	-	84,729
<b>1,042,080</b>	<b>Total Vote Canterbury Earthquake Recovery</b>		<b>1,185,356</b>	<b>-</b>	<b>859,619</b>

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Assets

### As at 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	<b>Current assets</b>				
1,000	Cash and cash equivalents		181,585	-	41,400
1,959	Accounts receivable - building demolitions	2	24,314	-	105,800
385,979	Insurance recoveries	4	564,828	-	420,938
-	Prepayments		48,300	-	-
<b>388,938</b>	<b>Total current assets</b>		<b>819,027</b>	<b>-</b>	<b>568,138</b>
	<b>Non-current assets</b>				
-	Property, plant and equipment	5	10,750	-	4,000
-	<b>Total non-current assets</b>		<b>10,750</b>	<b>-</b>	<b>4,000</b>
<b>388,938</b>	<b>Total non-departmental assets</b>		<b>829,777</b>	<b>-</b>	<b>572,138</b>

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Liabilities

### As at 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000
	<b>Current liabilities</b>				
1,038,958	Residential red zone property settlement provision	3	744,700	-	515,698
-	Provision for the Crown's share of water infrastructure recovery costs	6	203,800	-	280,470
3,122	Accruals and payables		15,302	-	-
-	GST payable		757	-	-
<b>1,042,080</b>	<b>Total current liabilities</b>		<b>964,559</b>	<b>-</b>	<b>796,168</b>
	<b>Non-current liabilities</b>				
-	Provision for the Crown's share of water infrastructure recovery costs	6	325,800	-	-
-	<b>Total non-current liabilities</b>		<b>325,800</b>	<b>-</b>	<b>-</b>
<b>1,042,080</b>	<b>Total non-departmental liabilities</b>		<b>1,290,359</b>	<b>-</b>	<b>796,168</b>

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Commitments As at 30 June 2012

	Actual 2012 \$000
<b>Demolition contractual commitments</b>	
Less than one year	21,794
<b>Property and vehicle lease commitments</b>	
Less than one year	326
One to two years	100
Two to five years	24
More than five years	-
<b>Total operating commitments</b>	<b>22,244</b>

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

## Schedule of Non-departmental Contingent Liabilities and Contingent Assets As at 30 June 2012

### **Quantifiable and unquantifiable contingent liabilities**

CERA on behalf of the Crown has no quantifiable or unquantifiable contingent liabilities as at 30 June 2012 (2011 Nil).

### **Contingent assets**

CERA on behalf of the Crown has no contingent assets as at 30 June 2012 (2011 Nil).

*These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2011/12.*

# Notes to the Non-departmental Financial Statements

## For the year ended 30 June 2012

### 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 2012 \$000	Supplementary Estimates 2012 \$000	Variance 2012 \$000	Explanation
<b>VOTE CANTERBURY EARTHQUAKE RECOVERY</b>				
<b>Appropriations for non-departmental output expenses</b>				
Canterbury earthquake property demolitions and related costs and compensation	77,699	132,865	55,166	CERA is now responsible for a lower number of property demolitions and the rate of residential red zone demolitions is slower than forecast.
Impairment provision	4,832	-	(4,832)	Recognition of potential doubtful debts for the demolition recoveries.
<b>Total non-departmental output expenses</b>	<b>82,531</b>	<b>132,865</b>	<b>50,334</b>	
<b>Appropriation for non-departmental other expenses</b>				
Acquisition of additional red zone properties	160	3,000	2,840	Discretionary fund was used to purchase a single property.
Acquisition of Canterbury red zone properties	509,491	569,496	60,005	The year-end actuarial review of the likely options to be selected by the red zone property owners has reduced the estimate of the Crown's outstanding obligations.
Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs	553,940	24,340	(529,600)	At the time of Supplementary Estimates the future liability for the Crown's share of water infrastructure recovery costs could not be reliably measured.
Christchurch temporary stadium	28,000	28,000	-	Crown's share of stadium cost is fully utilised.
Contributions towards legal fees	2,472	3,189	717	The number of settlements completed prior to 30 June is lower than initially forecast.

*Continued...*

	Actual 2012 \$000	Supplementary Estimates 2012 \$000	Variance 30 June 2012 \$000	Explanation
Management of voluntarily acquired insured residential red zone properties	8,762	84,729	75,967	The appropriation covers multiple years. Actual expenditure is consistent with the properties settled to date and the timing of post-settlement activity on sites.
Rockfall protection systems	-	10,000	10,000	Delay in the design and procurement of protection systems.
<b>Total non-departmental other expenses</b>	<b>1,102,825</b>	<b>722,754</b>	<b>(380,071)</b>	
<b>Non-departmental capital expenditure</b>				
Canterbury earthquake demolition-related property purchases	-	4,000	4,000	CERA is not required to purchase any properties to effect demolitions.
<b>Total non-departmental capital expenditure</b>	<b>-</b>	<b>4,000</b>	<b>4,000</b>	
<b>Total Vote Canterbury Earthquake Recovery non-departmental expenditure</b>	<b>1,185,356</b>	<b>859,619</b>	<b>(325,737)</b>	

## Changes in appropriations

The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2011/12 financial year.

	Main Estimates 2012 \$000	Supplementary Estimates 2012 \$000	Variance 2012 \$000
<b>VOTE CANTERBURY EARTHQUAKE RECOVERY</b>			
<b>Appropriation for non-departmental output expenses</b>			
Canterbury earthquake property demolitions and related costs and compensation	-	132,865	132,865
<b>Total non-departmental output expenses</b>	<b>-</b>	<b>132,865</b>	<b>132,865</b>
<b>Appropriations for non-departmental other expenses</b>			
Acquisition of additional red zone properties	-	3,000	3,000
Acquisition of Canterbury red zone properties	-	569,496	569,496
Advance payment for the estimated Crown share of the Stronger Christchurch Infrastructure Rebuild Team's infrastructure costs	-	24,340	24,340
Christchurch temporary stadium	-	28,000	28,000
Contributions towards legal fees	-	3,189	3,189
Management of voluntarily acquired insured residential red zone properties	-	84,729	84,729
Rockfall protection systems	-	10,000	10,000
<b>Total non-departmental other expenses</b>	<b>-</b>	<b>722,754</b>	<b>722,754</b>
<b>Appropriation for non-departmental capital expenditure</b>			
Canterbury earthquake demolition-related property purchases	-	4,000	4,000
<b>Total non-departmental capital expenditure</b>	<b>-</b>	<b>4,000</b>	<b>4,000</b>
<b>Total Vote Canterbury Earthquake Recovery</b>	<b>-</b>	<b>859,619</b>	<b>859,619</b>

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 2011 \$000		Actual 2012 \$000
1,959	Invoices outstanding	29,146
-	Provision for impairment	(4,832)
<b>1,959</b>	<b>Total receivables</b>	<b>24,314</b>
	<b>By maturity</b>	
1,959	Expected to be realised within one year	24,314
-	Expected to be held for more than one year	-
<b>1,959</b>	<b>Total receivables</b>	<b>24,314</b>

## Note 3: Residential red zone property settlement provision

Actual 2011 \$000		Number of Properties	Actual 2012 \$000
-	Opening balance	5,022	1,038,958
1,038,958	Plus – estimated property settlement value of zoning decisions made during the year	2,234	755,381
-	Less – cash paid on properties settled prior to 30 June 2012	(4,136)	(740,502)
-	Less – cash on passive insurance recoveries settled prior to 30 June 2012	-	(73,997)
-	Less – actuarial valuation adjustment as at 30 June 2012	-	(235,140)
<b>1,038,958</b>	<b>Closing balance</b>	<b>3,120</b>	<b>744,700</b>

---

On 23 June 2011 the Government announced zones of land damage in Christchurch and parts of Waimakariri district. The red zone covered land where the repair would be prolonged and uneconomic. This meant the land in the red zone was considered so badly damaged that rebuilding is unlikely to be practicable there over the short to medium term. In addition, due to the combination of increased seismic activity and the characteristics of the land, some parts of the worst-affected suburbs were likely to continue to be susceptible to liquefaction and flooding, as well as to damage to essential services.

In light of the initial land zoning decisions, the Government also announced on the same day that it was prepared to purchase insured residential property in the 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.

Following the initial zoning announcement on 23 June 2011, further zoning announcements were made during the year and prior to 30 June 2012 within the general locations of:

- Kaiapoi and Pines Beach
- Brooklands
- Dallington, Avonside, Wainoni and Burwood
- Richmond and Inner City
- West South Shore
- Port Hills.

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 specific home owners of an offer to 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. Under Option 1, the purchase price paid for properties is based on the most recent rating valuation for land, 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 most recent rating valuation for the land 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 has been ascertained by an actuarial valuation of the initial land zoning decision. This valuation by Melville Jessup Weaver, a firm of consulting actuaries, was completed in July 2011 to enable the Crown to record a liability as at 30 June 2011.

The 30 June 2011 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 2012 for settlement on property purchases or for deposits paid to land owners for settlements due after 30 June 2012 (a decrease in the liability)
- an adjustment reflecting the outcome of an actuarial valuation as at 30 June 2012.

The closing balance of the liability relates to outstanding property settlements as at 30 June 2012. CERA has commissioned an actuarial valuation as at 30 June 2012 undertaken by Melville Jessup Weaver. 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 yet been signed and an estimate is required as to the offer (Option 1 or 2) to be selected by the property owner.

The actuarial valuation of the outstanding residential red zone liability consists of the most recent 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. This analysis has highlighted that the actual outstanding liability could range as follows.

- The value could be \$17 million lower as a result settlement payments being 12 months later than planned.
- The value could be \$28 million higher if the take-up rate of Option 1 is 10 per cent higher than assumed within the valuation.
- The value could be \$28 million lower if the take-up rate of Option 1 is 10 per cent lower than assumed within the valuation.

After considering the valuation and the associated risks and sensitivities as at 30 June 2012, 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 the remaining white zones as no decision had been made at 30 June 2012 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 8 for post-balance date events.

#### Note 4: Insurance recoveries – residential red zone

Actual 2011 \$000		Actual 2012 \$000
-	Opening balance	385,979
385,979	Plus – assessment of additional red zone properties	302,701
-	Less – recoveries received as part of settlements completed prior to 30 June 2012	(73,997)
-	Less – an actuarial valuation adjustment as at 30 June 2012	(49,855)
<b>385,979</b>	<b>Insurance recoveries receivable</b>	<b>564,828</b>

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

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

	Number of Properties	Actual 2012 \$000
Valuation by Knight Frank of land relating to residential red zone properties settled before 30 June 2012	4,136	10,750
<b>Plant, property and equipment - residential red zone land</b>		<b>10,750</b>

The purchase of residential red zone properties has been initiated to provide certainty to Christchurch residents. The Crown's financial obligation in relation to the residential red zones has been triggered by each public zoning announcement that resulted in a reasonable expectation by specific home owners of an offer to be made. This obligation has been initially expensed given the challenges to ascertain a highest and best-use land value at the time zoning announcements are made.

As at 30 June 2012, the Crown has settled and holds title to 4,136 properties. CERA has determined that the land where the Crown holds title as at 30 June 2012 meets the definition of an asset and CERA has sought to ascertain whether the assets can be reliably measured.

To help understand the asset value, Knight Frank valuers were commissioned to provide a value of the properties settled prior to 30 June 2012. Knight Frank has considered that although the land is in various localities, the land could be valued as if available for sale as a single transaction. Whilst no decision has been made on the ultimate use of the land, Knight Frank considers that possible highest and best uses of the land to enable a valuation 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.

The Knight Frank valuation per hectare for properties settled as at 30 June 2012 has then been used as a basis for valuing land as at 30 June 2012. Quotable Value Ltd undertook a peer review of the work of Knight Frank. This peer review provided further comfort to CERA around key assumptions made by Knight Frank.

CERA has not undertaken an independent valuation of the land value of other properties in the red zone that the Crown has not acquired at 30 June 2012. However, if the Knight Frank valuation above was extrapolated, the land value on these properties could be estimated as follows.

	Number of Properties	Estimated Value \$000
CERA estimate of the value of land relating to residential properties not settled as at 30 June 2012	3,120	9,950

No adjustment for this amount has been made in the financial statements.

#### Note 6: Water infrastructure recovery cost liability

	Actual 2012 \$000
<b>Opening balance as at 1 July 2011</b>	-
Estimated future liability for the Crown's share of water infrastructure recovery costs	553,940
Less – cash settled to date	(24,340)
<b>Total liability as at 30 June 2012</b>	<b>529,600</b>
Current liability estimate	203,800
Non-current liability estimate	325,800
<b>Total liability as at 30 June 2012</b>	<b>529,600</b>

In March 2012 the responsibility for funding of the Crown's contribution to permanent recovery costs relating to water infrastructure was transferred from the Department of Internal Affairs to CERA. This contribution included recovery costs for water infrastructure for Christchurch City Council, Waimakariri District Council, Selwyn District Council and Environment Canterbury. The Crown may provide financial support under the Emergency Management Plan and Guide to reimburse local authorities for 60 per cent of recovery repairs to wastewater, stormwater, freshwater and river management systems.

As at 30 June 2012, CERA has ascertained that a liability can be reliably estimated for the Crown's contribution towards water infrastructure recovery costs relating to damage caused by the earthquakes on 4 September 2010, 22 February 2011 and 13 June 2011 and related aftershocks.

In estimating the liability, CERA has relied on information provided by the councils. With any long-term estimate there is inherent forecasting risk. In the case of earthquake damage and the forecast repair estimates, there are complexities, particularly in these types of instances where the assets are predominantly underground.

For Waimakariri District Council, Selwyn District Council and Environment Canterbury, CERA has relied on estimates provided by these councils included within their Long Term Plans. These estimates have generally been established by councils following a detailed evaluation of assets, a scheduled repair work programme and expenditure forecasts that align to this work plan. There are risks that some damage may not have been fully identified, and risks around the assumptions used for contracting rates. Although the risks may be significant to the individual council entities, the risks are not material in context of the Crown's overall liability for water infrastructure recovery costs.

In the case of Christchurch City Council (CCC), the estimation risks are far more significant. Recovery work has to date been completed in accordance with a set of initial priorities. A full underground asset assessment and a long-term prioritised work programme are progressing but have yet to be completed. Given these uncertainties, CERA has worked with CCC to identify the best current source of information for the total water recovery cost and the Crown's potential liability.

It has been agreed with CCC that the best source of information to estimate long-term costs as at 30 June 2012 is an analysis produced for CCC by an independent consultant and then verified by internationally recognised quantity surveying specialists in September 2011. The independently verified analysis includes a long-term recovery cost estimate for sewer works, water systems and stormwater systems. This detailed asset analysis presents the likely cost of repairs based on asset and catchment data available at the time. It includes an assessment of potential overhead costs associated with a complex repair process. The analysis includes a contingency of approximately 10 per cent. The analysis does not include any impacts of the earthquake event on 23 December 2011.

Both CERA and CCC acknowledge that there are still significant risks within the current best source of information. The key risks are that damage may be more substantial than indicated by testing; programming and scheduling may lead to an extended repair timeframe; and there may be greater inflationary pressure on materials and labour. All of these risks may mean that actual costs could be higher than currently anticipated, and the Crown's liability may be consequently higher.

In order to demonstrate sensitivities, the table below highlights the impact of three scenarios. Two unfavourable scenarios are highlighted given CERA's view that there is greater risk of costs being higher than estimates identified in the September 2011 analysis.

The possible favourable impact on the Crown if actual costs for CCC water infrastructure recovery costs are 10% lower than forecasts	\$53.7 million
The possible unfavourable impact on the Crown if actual costs for CCC water infrastructure recovery costs are 25% higher than forecasts	\$134.2 million
The possible unfavourable impact on the Crown if actual costs for CCC water infrastructure recovery costs are 50% higher than forecasts	\$268.4 million

After acknowledging the risks noted above, CERA considers that it should recognise a liability for the Crown's likely contribution to water infrastructure costs. This is an exercise in judgement that chooses to rely on expert sources of estimation and validation, and to consider risks that are prevalent in estimating forecast expenditure in such a complex environment.

CERA is working through a process with all councils to validate claims and agree timing of the Crown's cash contribution to water infrastructure recovery costs. In future reporting periods, the liability will be updated for revised forecasts less any advances or claim payments made to councils.

---

## Note 7: 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 2011				As at 30 June 2012		
AA \$000	Non-rated \$000	Total \$000		AA \$000	Non-rated \$000	Total \$000
1,000	-	1,000	Cash and cash equivalents	181,585	-	181,585
-	1,959	1,959	Debtors and receivables	-	24,314	24,314
<b>1,000</b>	<b>1,959</b>	<b>2,959</b>	<b>Total financial assets</b>	<b>181,585</b>	<b>24,314</b>	<b>205,899</b>

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 8: Post-balance date events

The following policy decisions, which will result in material financial commitments, were made after 30 June and before the financial statements were signed. No adjustments have been made to the financial statements.

### Christchurch Central Recovery Plan

On 30 July 2012, the Christchurch Central Recovery Plan was approved by Cabinet and publicly launched. The Plan defines the form of the central city, identifies the locations of the key anchor projects needed to boost the recovery, and outlines block plans showing what the central city could look like in the future.

The Crown has committed financial resources to land acquisition and to the development of certain anchor projects. It is expected that land acquisition will commence in the second quarter of the 2012/13 financial year.

### Zoning decision - Port Hills

On 17 August 2012, a zoning decision was announced which resulted in the Crown committing to purchase 121 residential properties at risk of rockfall in the Port Hills. The estimated financial impact of this commitment to purchase properties is \$66 million which references the rateable value of specific properties.

On 10 September 2012, a zoning decision was announced which resulted in the Crown committing to purchase 37 residential properties at risk of rockfall in the Horotane Valley and adjacent to the Bridle Path Road in the Port Hills. The estimated financial impact of this commitment to purchase properties is \$19 million.

---

The Crown is likely to receive insurance receivables relating to the purchased properties pursuant to the 17 August and 10 September 2012 decisions, but the exact quantum of these receivables is yet to be confirmed and is dependent on the settlement option selected and individual insurance policies.

There is a working agreement between the Crown and the Christchurch City Council that all costs associated with rockroll in relation to zoning announcements on 29 June, 17 August and 10 September 2012 will be shared. There are a number of parameters to consider, and the proportion of each party's contribution has not yet been agreed to. Hence the residential red zone property provision as at 30 June 2012 includes the full value of settlement proceeds to be paid to property owners.

**Zoning decision – zoning reviews**

On 24 August 2012, and as a result of a zoning review, 3 properties changed from red to green zone, and 101 properties changed from green to red zone. The estimated financial impact of this commitment to purchase properties is \$17 million. In addition, the Crown is likely to receive insurance receivables relating to the purchased properties, but the exact quantum of these receivables is yet to be confirmed and is dependent on the settlement option selected and individual insurance policies.

**Zoning decision – legal fees for Rapaki Bay freeholding**

On 21 August 2012, two properties that were zoned red in Rapaki Bay, Lyttelton were not general freehold titles. The Crown will contribute to the vendors' legal fees to transfer the property to general freehold.

**Zoning decision – leased, vacant, uninsured and commercial and industrial properties**

On 3 September 2012, a zoning decision was announced that resulted in the Crown committing to purchase 163 leased, vacant, uninsured and commercial or industrial properties in the red zone. The estimated financial impact of this commitment to purchase properties is \$14 million. In addition, the Crown is likely to receive insurance receivables relating to the leased and commercial properties, but the exact quantum of these receivables is yet to be confirmed and is dependent on the settlement option selected and individual insurance policies.

