

# The Treasury

## Budget 2011 Information Release

### Release Document

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Chair  
Memorandum to Cabinet

## **Paper 1: Canterbury Earthquake Recovery: Proposed Governance Arrangements**

### **Purpose**

- 1 This paper recommends the creation of a new, single authority to provide leadership and coordination of the ongoing recovery effort of Christchurch and the greater region (greater Christchurch<sup>1</sup>) following the earthquakes of 4 September 2010 and 22 February 2011.
- 2 This paper should be read as a companion to the paper entitled: "*Paper 2: Canterbury Earthquake Recovery: Proposed Powers*". That paper proposes that certain powers are vested in the Minister for Canterbury Earthquake Recovery and the Canterbury Earthquake Recovery Authority in order to enable an effective, timely and co-ordinated recovery effort.

### **Executive summary**

- 3 We have carefully considered a range of factors in determining the most effective way to provide the necessary leadership and certainty for the rebuilding and recovery of greater Christchurch from the 4 September and 22 February earthquakes. These factors include:
  - 3.1 the scale of the post-earthquake rebuilding effort
  - 3.2 lessons learnt from international experience and from the recovery planning after the 4 September earthquake
  - 3.3 the need for timely and effective decision making processes, and
  - 3.4 the significant co-ordination needed between local and central government, residents of greater Christchurch, Ngai Tahu, NGOs, business interests and the private sector.
- 4 The recovery will require integrated and timely decision making and a single entity responsible for overall co-ordination. The cost of recovery in greater Christchurch will run to several billions of dollars. Central government will need to balance expectations of its contribution to funding the recovery while carefully managing its fiscal situation.
- 5 We propose establishing the Canterbury Earthquake Recovery Authority (CERA), as a public service department, and it operating as soon as possible. CERA will report to the Minister for Canterbury Earthquake Recovery. The Minister for Canterbury Earthquake Recovery will invite a range of community representatives to join a

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<sup>1</sup> Greater Christchurch covers the areas of the three territorial authorities (Christchurch City Council, Selwyn District Council, and Waimakariri District Council) and one regional council (Environment Canterbury).

community forum for the purpose of hearing the direct views of local community interests. A Review Panel will be set-up to provide advice to the Minister for Canterbury Earthquake Recovery on the necessity of any draft Orders in Council. In addition a cross-party parliamentary forum will be set-up to share information on the recovery efforts. The Minister for Canterbury Earthquake Recovery and CERA will work in a spirit of collaboration with the Christchurch City Council, Selwyn District Council, Waimakariri District Council and Environment Canterbury and engage with the local communities of greater Christchurch, including Ngai Tahu, the private sector and business interests. A diagram setting out these relationships is attached as Annex 1.

- 6 A companion paper sets out the range of powers that will be needed to effectively lead and coordinate the recovery.
- 7 The Order in Council to establish CERA will take effect from 29 March 2011. The State Services Commissioner will appoint an Acting Chief Executive of CERA whose term will commence on 29 March 2011 and be in place until a permanent appointment is made. CERA will be funded by way of a new separate Vote.

## **Background**

- 8 Following the 4 September 2010 earthquake, the Government established the Canterbury Earthquake Recovery Commission to provide advice to Ministers. Since the more destructive aftershock on 22 February 2011, a state of national emergency remains in place. It is able to be extended under the Civil Defence Emergency Management Act 2002, in summary, if the Minister of Civil Defence is satisfied on reasonable grounds that the emergency has not ceased and an effective response continues to be beyond the resources of the local Civil Defence Emergency Management Group.
- 9 The scale of damage particularly in the Christchurch area is profound, including the number of deaths expected to reach 180 people. Destruction of the physical infrastructure of Christchurch is on a vast scale and there is also significant damage to the economic and social systems within the city.
- 10 On 16 March 2011, the Ad Hoc Cabinet Committee on Canterbury Earthquake Recovery directed the State Services Commission, the Department of the Prime Minister and Cabinet and the Treasury, in consultation with other government agencies as required, to further develop the governance arrangements proposal [ACE Min (11) 6/1].

## **Why is there a need to look at new governance arrangements?**

- 11 There are a range of factors that have led us to conclude it is necessary to put in place stronger governance and leadership arrangements for the rebuilding and recovery of greater Christchurch from the cumulative effects of the 4 September 2010 and 22 February 2011 earthquakes. These include:
  - 11.1 the scale of the post-earthquake rebuilding effort recognising that the 22 February earthquake represents an incomparable natural disaster in New Zealand's history;

- 11.2 lessons learnt from international experience and from the recovery planning after the 4 September earthquake including the strong indication to have a single entity in charge of and responsible for the recovery efforts
- 11.3 the need for timely and effective decision making powers
- 11.4 the significant co-ordination needed between local and central government, residents of greater Christchurch, Ngai Tahu, NGOs, business interests and the private sector, and
- 11.5 the advisory capacity of the Canterbury Earthquake Recovery Commission being considered no longer sufficient to deliver what is now needed.
- 12 We have looked into how other recovery efforts from natural disasters have been managed including:
- 12.1 Napier earthquake 1931
- 12.2 Cyclone Tracey, Darwin, Australia, 1974
- 12.3 Hurricane Katrina, New Orleans, USA, 2005
- 12.4 Black Sunday bushfires, Victoria, Australia, 2009, and
- 12.5 Floods, Queensland, Australia, 2011.
- 13 In summary, lessons from these recovery efforts are that:
- 13.1 the status quo was not sufficient to address the recovery from major disasters and, in each instance, a new authority was needed to focus on the recovery effort;
- 13.2 recovery was a long-term activity that needs to commence quickly, and
- 13.3 recovery cannot just be about infrastructure - the social and economic contexts are equally, if not more, important.
- See Annex two for a brief overview of each disaster by impact, governance of recovery, funding, timeline and lessons learnt.
- 14 The recovery effort now required means that the mechanisms in place after the 4 September earthquake are not adequate for the task ahead. The dimensions of the greater task include:
- 14.1 stronger governance and leadership given the scope and scale of the recovery effort
- 14.2 the significantly greater central government investment required
- 14.3 increased coordination across multiple agencies – central and local government, the private and voluntary sectors – given the severity of damage to physical infrastructure, in order for recovery tasks to proceed efficiently
- 14.4 a recovery effort that is multi-pronged, covering not just physical rebuilding but social, economic and community rebuilding in order for any one part of the recovery to be effective
- 14.5 coordinated business and community engagement and more effective information management (gathering and disseminating) in order to build and maintain confidence in the recovery process.

- 15 The scale of the recovery effort is beyond the capability of current institutions. New institutional arrangements with specific powers are required.

### **Proposed governance arrangements for supporting the recovery efforts**

- 16 The overall concept is for the Minister for Canterbury Earthquake Recovery to be responsible for coordinating the planning, expenditure, and rebuilding activity necessary to affect the recovery. The Minister will work in a spirit of collaboration with the Christchurch City Council, Selwyn District Council, Waimakariri District Council and Environment Canterbury and engage with the local communities of greater Christchurch, including Ngai Tahu.
- 17 The role of the Minister for Canterbury Earthquake Recovery will work across many existing Ministerial portfolio boundaries. The principle for interaction is that Ministers will retain their portfolio responsibilities and decision rights. However, portfolio Ministers will need to ensure, when exercising those decisions in relation to greater Christchurch, that decisions have been developed in collaboration with the Minister for Canterbury Earthquake Recovery so that those decisions are not inconsistent with the recovery effort. Existing mechanisms, such as the Ad Hoc Cabinet Committee on the Canterbury Earthquake Recovery and its supporting officials' committee chaired by the Department of the Prime Minister and Cabinet, will assist these processes.
- 18 The Minister for Canterbury Earthquake Recovery will require executive support to achieve this.

### *Establishing a new government agency*

- 19 We recommend that a single authority be established reporting to the Minister for Canterbury Earthquake Recovery. The role of the new public service department will be to coordinate the recovery efforts of the Christchurch City Council, Selwyn District Council, Waimakariri District Council, Environment Canterbury, central government departments and Crown entities, infrastructure providers, business, construction firms, and the local community. No single central or local government agency has the powers available to manage, oversee and, if necessary, direct the recovery effort. The need for a greater Christchurch-based organisation and the necessary focus on the recovery effort militate against an existing agency being used. A new entity is necessary.
- 20 Departments are the default option for the governance of functions and powers that require a high degree of Ministerial control, including where there is exercise of the significant coercive powers of the State. Another option is a Crown agent. However, Crown agents are characterised by an arm's length relationship with Ministers and are not as effective where co-ordination across portfolios and agencies is required. The channels of Ministerial directions and other instructions are considerably more formalised and the Minister is prohibited, under the Crown Entities Act, from directing a Crown agent in respect of particular actions and persons. The departmental form provides for an entity that has a high degree of central control, with a leadership structure that is able to act decisively and quickly and be closely aligned with the Government's priorities. Annex 3 provides further advice from officials regarding organisational form.

- 21 Consequently, we recommend the creation of a new public service department, the Canterbury Earthquake Recovery Authority (CERA), as the lead organisation with overall control and leadership of the ongoing recovery effort. We recommend that CERA report to the Minister for Canterbury Earthquake Recovery. CERA will have a finite life (i.e., five years to be reviewed at three years), after which the recovery effort will transition to 'business as usual' activities for existing local and central government agencies and relevant infrastructure owners.
- 22 We believe it is important to get CERA up and running immediately, before the conferring of any powers discussed in the companion paper which will require legislation. Initially, CERA will have the functions and powers conferred on it by the State Sector Act 1988 and by any mandate provided by the Minister for Canterbury Earthquake Recovery and Cabinet. During this establishment phase, we expect CERA to:
- 22.1 provide immediate support for the Minister for Canterbury Earthquake Recovery
  - 22.2 establish and maintain a close working relationship with the Christchurch City Council, Selwyn District Council, Waimakariri District Council, and Environment Canterbury
  - 22.3 engage with other local and central government agencies, Ngai Tahu, businesses, and the local community
  - 22.4 coordinate and prioritise recovery planning by central government agencies
  - 22.5 gather information necessary to assess the best approach(es) to the long-term recovery
  - 22.6 start work on a long-term recovery strategy
  - 22.7 assume responsibility for supporting the Canterbury Earthquake Recovery Commission
  - 22.8 review and oversee existing operations on the ground and work towards structures and arrangements that will be necessary for effective and co-ordinated rebuilding and recovery of Christchurch, and
  - 22.9 exercise any other powers that might be conferred as described in the companion paper entitled Paper 2: Canterbury Earthquake Recovery: Proposed Powers.
- 23 CERA will work in collaboration with relevant local authorities. CERA will:
- 23.1 support local authorities in understanding the magnitude of the recovery, and
  - 23.2 help to coordinate the efforts of local and central government, NGOs, the private sector and greater Christchurch residents.

The Mayors and elected Councillors will continue to be responsible for their organisations and communities and will be expected to engage collaboratively with the Minister for Canterbury Earthquake Recovery and CERA.

### *CERA's operations*

- 24 CERA must operate as a greater Christchurch organisation, because of the need to achieve local engagement in the recovery effort. Factors assisting this will be CERA's location in Christchurch and the expectation that there will be secondment of staff from greater Christchurch organisations. There will also be a need for CERA to manage policy and legislative processes with secondments from Wellington-based central government and other agencies as appropriate.
- 25 The cost of the new department needs to be minimised to focus as much of the Government's investment as possible onto the recovery effort. There will be a strong expectation that the Chief Executive will make the fullest possible use of shared services arrangements with other departments or government agencies in greater Christchurch. This might include office space, information technology, human resources, corporate planning, financial, and other support services.
- 26 International experience may also be helpful through the establishment phase, in particular in determining the skills and capabilities required for CERA. Officials will investigate options to access such expertise for consideration by the Acting or Permanent Chief Executive of CERA.

### *Activities and Powers*

- 27 The activities and powers to be performed during the recovery effort are set out in a companion paper entitled: "*Paper 2: Canterbury Earthquake Recovery: Proposed Powers*".

## **Establishing new forums for information and engagement**

### *Advisory Board*

- 28 Many departments have formal advisory boards, which can provide benefits such as local or sectoral representation, and specific knowledge, skills, and experience. Disadvantages of advisory boards include an additional element of process, a lack of clarity over roles, and an expectation of representation, when the reality is that individual board members have their own preferences and interests.
- 29 An advisory board for CERA could provide a useful sounding board and critical voice to the Chief Executive and an ongoing mechanism to hear directly the concerns of the community. Advisory board members, appointed by the Minister for Canterbury Earthquake Recovery, could comprise a mix of representatives from each affected territorial authority, Ngai Tahu, and other people with the knowledge and expertise to advise on the development and implementation of recovery strategies and plans. The existing advisory body, the Canterbury Earthquake Recovery Commission, provided a useful mechanism for discussion of Orders in Council to be made under the Canterbury Earthquake Response and Recovery Act 2010. The Commission provided an independent input into decision-making processes and provided a check on the use of Orders in Council. The use of this power in the Canterbury Earthquake Response and Recovery Act has attracted public and academic attention. The use of an advisory board can assist in demonstrating that there is a check on these broad powers for Orders in Council to be developed.

- 30 However, our preference is not to have an advisory board, as this would reduce the visibility and effect of a straight and clear line of accountability from the chief executive of CERA to the Minister for Canterbury Earthquake Recovery. The Christchurch City Council, Selwyn District Council, Waimakariri District Council and Environment Canterbury will have clear roles in the recovery effort in collaboration with CERA. We do not consider that a seat on an advisory board will enhance that role. The Minister for Canterbury Earthquake Recovery has discussed the need for an advisory board with the Mayors of Christchurch and Waimakariri, and both consider that such a board is not necessary.
- 31 We, therefore, recommend that the existing advisory body, the Canterbury Earthquake Recovery Commission, be disestablished, as legislation allows.

#### *Review Panel*

- 32 The need, however, for an independent group of persons to review draft Orders in Council before they are finalised is considered a necessary component of the checks and balances of this new framework. It is recommended that a Review Panel be established, with members appointed by the Minister for Canterbury Earthquake Recovery and considered by the Cabinet Appointments and Honours Committee. The Review Panel will provide recommendations to the relevant Minister within 3 business days of receipt of the draft Order in Council, which the Minister must have regard to. The recommendations of the Review Panel will be publicly notified.
- 33 It is proposed that the membership of the Review Panel be convened by a former or retired High Court judge and include two other members. The Review Panel will report to the Minister for Canterbury Earthquake Recovery and meet, virtually using technology or in person, as required.

#### *Community forum*

- 34 International experience reinforces the importance of engagement with local community interests through the recovery process. A community forum gives the opportunity for the Minister for Canterbury Earthquake Recovery to encourage meaningful participation by community representatives in the process. Therefore, it is proposed that the Minister appoint approximately 20 members to the community forum. This forum would be for providing information and advice to the Minister and would meet at least 6 times per annum.

#### *Cross-party parliamentary forum*

- 35 We propose that a cross-party parliamentary forum, comprising the Members of Parliament with a greater-Christchurch based constituency and those Members of Parliament with matched electorate responsibilities for greater Christchurch issues, should be convened in order that issues for recovery of Greater Christchurch from the 4 September and 22 February earthquakes can be worked through in a cooperative manner. It would assist in gaining broad political buy-in to the recovery effort.

## Next steps

- 36 The Order in Council to establish CERA is proposed to take effect from 29 March 2011. The proposed position description for the Chief Executive of CERA is attached as Annex four. Key tasks include establishing CERA, delivering the long-term recovery strategy, and implementing recovery activities. The State Services Commissioner will appoint an Acting Chief Executive of CERA whose term will commence on 29 March 2011. The Acting Chief Executive's term will expire when the permanent Chief Executive commences in the position. The vacancy for the permanent Chief Executive will be advertised as soon as possible after the announcement of a new department. The State Services Commissioner intends to complete the appointment process for the Chief Executive within five weeks of the announcement of the establishment of a new department.

## Consultation

- 37 The following departments have been consulted in the development of this paper: Crown Law Office, Department of Building and Housing, Department of Internal Affairs, Department of Conservation, Department of Labour, Ministry of Justice, Te Puni Kokiri, Ministry of Transport, Land Information New Zealand, Ministry for Culture and Heritage, Ministry of Economic Development, Ministry for the Environment, Ministry of Education, Ministry of Health, Ministry of Social Development and the Treasury.
- 38 The Department of the Prime Minister and Cabinet has been informed.
- 39 The Chief Executive of the Christchurch City Council has reviewed an earlier version of this paper. The Minister for Canterbury Earthquake Recovery has discussed the contents of this paper with the Mayors of Christchurch City and Waimakariri District and their views have been taken into account.
- 40 The Chair of the Canterbury Earthquake Recovery Commission has been consulted and his views taken into account.
- 41 Consultation in respect of the draft Order in Council under the Ombudsmen Act 1975 has been undertaken with the Ministry of Justice, whose views were taken into account.

## Financial implications

- 42 Cabinet established a new non-departmental output expense appropriation in Vote Economic Development for the Canterbury Earthquake Recovery Commission members' fees and expenses and increased the existing departmental output expense appropriation Policy Advice and Sector Leadership – Firm Capability, Sector and Regional Development in Vote Economic Development by \$1.250m in 2010/11 and \$0.500m in 2011/12 to provide secretariat and other services to the Canterbury Earthquake Recovery Commission and to establish a special project team to coordinate policy advice and provide communications support for Ministers.
- 43 To ensure appropriate financial management and reporting, a Vote can be administered by only one department. As a department, CERA will need to administer a new separate Vote.

- 44 It is proposed that:
- 44.1 initially this Vote contain one departmental output expense appropriation "Planning for the Recovery"
  - 44.2 the scope of this appropriation be "This appropriation is limited to expenses incurred in the recovery from the Canterbury earthquakes", and
  - 44.3 initial funding for this appropriation be by way of a fiscally neutral transfer of \$0.500 million from the departmental output expense in Vote Economic Development referred to in the preceding paragraph.
- 45 To provide for paying the remuneration and expenses of the chief executive of the new department, there will need to be an increase of \$0.150 million in the Vote State Services non-departmental other expense Remuneration and Related Employment Costs of Chief Executives in 2010/11. As it does with all other departments, the State Services Commission will recover these costs from CERA.
- 46 Beyond this initial funding, Budget Ministers, in consultation with the Minister for Canterbury Earthquake Recovery, should determine the amount of funding to be appropriated for CERA and any additional amount to be held in a tagged contingency for this purpose. This is currently scheduled to occur in the week beginning 28 March 2011.

### **Human rights**

- 47 There are no human rights implications arising from this paper.

### **Legislative implications**

#### *Orders in Council*

- 48 It is highly desirable that CERA commence operations as soon as possible. To enable a chief executive to be appointed before any new legislation comes into effect, an Order in Council will need to be made to add CERA to the Schedule 1 of the State Sector Act 1988 as a public service department. We propose that the Order in Council take effect on 29 March 2011.
- 49 Another Order in Council will be needed to add CERA to Schedule 1 of the Ombudsmen Act 1975. This will ensure that CERA is subject to the Official Information Act 1982 enabling transparency and accountability of decision making processes. This Order is also proposed to come into effect on 29 March 2011.

#### *Orders in Council Timing and 28-day rule*

- 50 The Orders in Council are to come into force on 29 March 2011.
- 51 A waiver of the 28-day rule is required to enable establishment of the new department as soon as possible. This waiver is justified on the grounds that establishment of the department is in response to an emergency.

#### *Orders in Council and Regulations Review Committee*

- 52 There are no grounds for the Regulations Review Committee to draw the Orders in Council to the attention of the House under Standing Order 378.

## *Certification of Orders in Council by Parliamentary Counsel*

- 53 Parliamentary Counsel has certified the draft Orders in Council as being in order for submission to Cabinet.

### **Regulatory impact analysis**

- 54 No regulatory impact statement for the Orders in Council is required as the Orders deal with administrative and machinery of government matters that do not impact on business, consumers, or the public.

### **Gender implications**

- 55 There are no gender implications arising from this paper.

### **Disability Perspective**

- 56 There are no issues from a disability perspective arising from this paper.

### **Publicity**

- 57 It is proposed that the contents of this paper be announced by the Prime Minister and the Minister for Canterbury Earthquake Recovery on Tuesday 29 March in Christchurch.
- 58 The State Services Commissioner will announce the appointment of an acting chief executive for CERA on Tuesday 29 March.

### **Recommendations**

- 59 We recommend that the Ad Hoc Cabinet Committee on Canterbury Earthquake Recovery:

#### **Previous Consideration**

- 1 **note** on 16 March 2011, the Ad Hoc Cabinet Committee on Canterbury Earthquake Recovery directed the State Services Commission, the Department of the Prime Minister and Cabinet and the Treasury, in consultation with other government agencies as required, to further develop the proposed governance arrangements proposal [ACE Min (11) 6/1];

#### **Background**

- 2 **note** the impact of the Canterbury earthquake on 4 September 2010 and the subsequent aftershocks, including the destructive aftershock on 22 February 2011;

- 3 **note** a state of national emergency remains in place, and is able to be extended under the Civil Defence Emergency Management Act 2002, in summary, so long as the Minister of Civil Defence is satisfied on reasonable grounds that the emergency has not ceased and an effective response continues to be beyond the resources of the local Civil Defence Emergency Management Group;
- 4 **note** a range of factors have been taken into account in determining that a new, single authority is needed to provide leadership and coordination of the ongoing recovery effort of Christchurch and the greater region including:
- 4.1 the scale of the post-earthquake rebuilding effort;
  - 4.2 lessons learnt from international experience and from the recovery planning after the 4 September earthquake;
  - 4.3 the need for timely and effective decision making processes; and
  - 4.4 the significant co-ordination needed between local and central government, residents of greater Christchurch, Ngai Tahu, NGOs, business interests and the private sector;
- 5 **note** that international experience from dealing with major disasters suggests that:
- 5.1 the status quo was not sufficient to address the recovery from major disasters and, in each instance, a new authority was needed to focus on the recovery effort;
  - 5.2 recovery was a long-term activity; and
  - 5.3 recovery cannot just be about infrastructure – the social and economic contexts are equally, if not more, important;

#### **Proposal governance arrangements for supporting the recovery efforts**

- 6 **note** that the overall concept is for the Minister for Canterbury Earthquake Recovery to have responsibility for coordinating the planning, spend and rebuilding activity necessary to effect the recovery in greater Christchurch and will be supported by an agency for that purpose;
- 7 **note** that portfolio Ministers will retain their portfolio responsibilities and decision rights;
- 8 **invite** portfolio Ministers when exercising those decisions in relation to greater Christchurch to ensure those decisions have been developed in collaboration with the Minister for Canterbury Earthquake Recovery so that those decisions are not inconsistent with the recovery effort;

#### **Establishment of the Canterbury Earthquake Recovery Authority**

- 9 **agree** to establish a new public service department, the Canterbury Earthquake Recovery Authority (CERA) as the lead organisation with overall control and leadership of the ongoing recovery effort;

- 10 **agree** that CERA will establish and maintain a close working relationship with the Christchurch City Council, Selwyn District Council, Waimakariri District Council, Environment Canterbury, Ngai Tahu, community and business interests and the private sector;

#### **Establishment of Community and Cross-party parliamentary forums**

- 11 **agree** that the Minister for Canterbury Earthquake Recovery invite approximately 20 members to participate in a community forum for the purpose of providing information and advice to the Minister and would meet at least 6 times per annum;
- 12 **agree** that a cross-party parliamentary forum, comprising Members of Parliament with a constituency or matched electorate responsibility for greater Christchurch, be convened for the purpose of sharing information on recovery efforts;
- 13 **note** that the establishment of an advisory board could provide a useful sounding board and critical voice to the Chief Executive and an ongoing mechanism to hear directly the concerns of the community;
- 14 **note** that having an advisory board would reduce the visibility and effect of a straight and clear line of accountability from the chief executive of CERA to the Minister for Canterbury Earthquake Recovery;
- 15 **agree** that the existing advisory body, the Canterbury Earthquake Recovery Commission, be disestablished, as legislation allows;

#### **Establishment of a Review Panel**

- 16 **note** that there is a need for an independent group of persons to review draft Orders in Council before they are finalised and is considered a necessary component of the checks and balances of this new framework;
- 17 **agree** that a Review Panel be established, convened by a former High Court judge with 3 members appointed by the Minister for Canterbury Earthquake Recovery and considered by the Cabinet Appointments and Honours Committee;
- 18 **agree** that the Review Panel will provide recommendations to the relevant Minister within 3 business days of receipt of the draft Order in Council, which the Minister must have regard to;
- 19 **agree** that the recommendations of the Review Panel will be publicly notified;
- 20 **agree** that the Review Panel will report to the Minister for Canterbury Earthquake Recovery and meet, virtually using technology or in person, as required;

## Appointment of a chief executive

- 21 **note** that the State Services Commissioner will appoint an Acting Chief Executive of CERA whose term will commence on 29 March 2011 and expire when a permanent chief executive commences in the position;
- 22 **confirm** the position description attached to the paper as Annex four as a basis for selecting a suitable candidate for appointment as the permanent Chief Executive of CERA;
- 23 **note** that the State Services Commissioner intends to complete the appointment process for a permanent Chief Executive within five weeks of the announcement of the establishment of a new department;

## Financial implications

- 24 **agree** to the establishment of a new Vote Canterbury Earthquake Recovery to be the responsibility of the Minister for Canterbury Earthquake Recovery and to be administered by CERA;
- 25 **agree** that initial funding for this Vote be by way of a fiscally neutral transfer from the Vote Economic Development departmental output expense Policy Advice and Sector Leadership – Firm Capability, Sector and Regional Development;
- 26 **agree** to establish in Vote Canterbury Earthquake Recovery a departmental output expense appropriation 'Planning for the Recovery' and that the scope of this appropriation be limited to expenses incurred in the recovery from the Canterbury earthquakes;
- 27 **agree** that CERA is not able to commit fiscal expenditure beyond its appropriation;
- 28 **agree** to increase Vote State Services (Remuneration and Related Employment Costs of Chief Executives appropriation) by \$0.150 million to cover the CERA chief executive's remuneration and expenses in 2010/11;
- 29 **agree** to the following changes in appropriations to provide initial funding for CERA:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
<b>Vote Economic Development</b> <b>Minister for Economic Development</b> Departmental Output Expense: Policy Advice and Sector Leadership – Firm Capability, Sector and Regional Development; (funded by revenue Crown)	(0.500)	-	-	-	-
<b>Vote Canterbury Earthquake Recovery</b> <b>Minister for Canterbury Earthquake Recovery</b> Departmental Output Expense: Planning for the Recovery (funded by revenue Crown)	0.500	-	-	-	-
<b>Vote State Services</b> <b>Minister of State Services</b> Non-Departmental Other Expense: Remuneration and Related Employment Costs of Chief Executives	0.150	-	-	-	-

30 **agree** that the changes to appropriations for 2010/11 in the paragraph above be included in the 2010/11 Supplementary Estimates and, in the interim, that the increase be met from Imprest Supply;

31 **agree** that Budget Ministers, in consultation with the Minister for Canterbury Earthquake Recovery, should determine the amount of funding to be appropriated for CERA and any additional amount to be held in a tagged contingency for this purpose;

#### Orders in Council

32 **note** that the two draft Orders in Council add CERA to Schedule 1 of the State Sector Act 1988 as a public service department and to Schedule 1 of the Ombudsmen Act 1975;

33 **note** a waiver of the 28-day rule is required to enable establishment of the new department as soon as possible, with this waiver justified on the grounds that establishment of the department is in response to an emergency;

34 **agree** to the waiver of the 28-day rule, and that the Orders in Council shall come into effect on 29 March 2011.

35 **authorise** the submission to the Executive Council of the State Sector (Canterbury Earthquake Recovery Authority) Order 2011 and Ombudsmen Act (Schedule 1 – Canterbury Earthquake Recovery Authority) Order 2011.

Hon Gerry Brownlee  
**Minister for Canterbury Earthquake Recovery**

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Hon Tony Ryall  
**Minister of State Services**

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Released by the Minister for Canterbury Earthquake Recovery

## Annex 2 – Other experiences with recovery from disaster

Disaster	Napier earthquake, 1931	Cyclone Tracey, Darwin, Australia, 1974	Hurricane Katrina, New Orleans, USA, 2005	Black Saturday bushfires, Victoria, Australia, 2009	Floods, Queensland, Australia, 2011
Impact	<p>256 deaths, mostly in CBD</p> <p>Extensive damage to city centre</p> <p>Loss of water supply, sewerage systems, and houses</p> <p>Raising of land by two metres</p>	<p>65 killed.</p> <p>5% of homes in Darwin remained intact</p> <p>All public services destroyed or severely damaged.</p>	<p>1800+ people died</p> <p>\$81b of property damage</p>	<p>173 killed.</p> <p>8400+ properties destroyed.</p> <p>Extensive wildlife and national park damage</p> <p>Insurance claims of \$1.09b</p>	<p>35 deaths</p> <p>\$1b of damage, \$30b reduction to GDP</p>
Governance of recovery	<p>Two commissioners, appointed by Napier Borough Council and then government-appointed, operating under the Municipal Corporations Act 1920 and the Hawke's Bay Earthquake Act 1931</p>	<p>Commonwealth-led recovery (as Northern Territory was a dependency at time).</p> <p>Darwin Reconstruction Commission established (using resources and personnel from the National Capital Development Commission – the entity to develop Canberra as a centre of government)</p>	<p>Both State and Local government established governance bodies. Local government unable to manage effort. Eventually joined up as the Office of Recovery Management, which coordinates the rebuilding effort.</p>	<p>An advisory body, the Victoria Bushfire Reconstruction and Recovery Authority, established within Victoria Government's DPC.</p> <p>Body to advise Federal and State government, coordinate efforts and develop an overarching plan for recovery.</p>	<p>Queensland Reconstruction Authority, a statutory State government body, created to coordinate rebuilding.</p>
Funding	<p>Government loaned money to Borough Council but these not sufficient to help businesses rebuild – remaining came from charity</p>	<p>Paid for by Commonwealth</p>	<p>Funding directed by Louisiana State government</p>	<p>\$867m spent so far, from Australian and Victorian governments, the Victorian Bushfire Appeal Fund and donor contributions.</p>	<p>From reprioritised spending within Queensland state government and a \$2b allocation from Commonwealth government</p>

Disaster	Napier earthquake, 1931	Cyclone Tracey, Darwin, Australia, 1974	Hurricane Katrina, New Orleans, USA, 2005	Black Saturday bushfires, Victoria, Australia, 2009	Floods, Queensland, Australia, 2011
Timeline	Earthquake in February 1931; Commissioners appointed in March 1932; powers transferred back to borough council in 1933	Cyclone on 25 December 1974; Darwin evacuated by 1 January 1975; Reconstruction Commission established February 1975; Reconstruction Commission disestablished in 1978 (when Northern Territory gained self-government – but also Darwin had reached pre-Tracey housing numbers)	Hurricane on 29 August 2005; Local government governance established 30 September 2005; State government governance established on 17 October 2005. Office of Recovery Management established January 2007. Rebuilding effort ongoing	Fires on 7 February 2009; Authority established on; sunset clause for Authority to end at end of June 2011, after which the functions will be carried out within a line department	Floods occurred in December 2010. Rebuilding effort ongoing.
Lessons	Rebuilding carefully planned. Temporary CBD operated for several years EQC + Standards Council etc set up through lessons learned.	Poor engagement and collaboration with local community (compounded by the long evacuation of residents from Darwin) Commission struggled to get and hold on to good staff	National government did not expedite investment in long-term recovery. Broken relationships at all levels across State and Local government Inadequate information flows constrained decision making	Long time to get full understanding of the impact of fires Place based approach missed out some key stakeholder groups (including families of the bereaved as a whole) Clarity of impact on existing roles and responsibilities	None yet determined

### Key lessons across each disaster

- 1 The status quo was not considered appropriate – in each instance, a new authority was needed to focus on the recovery effort.
- 2 Recovery was a long-term activity that needs to commence quickly.
- 3 Recovery cannot just be about infrastructure - the social and economic contexts are equally, if not more, important.

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### Annex 3 – Organisational form

- 1 The political and fiscal risks to the Crown mean a high degree of Ministerial control is required. This means that the organisational form should be either a department or a Crown agent. Key features of the department and Crown agent model are included in the following table.

Key features	Departments	Crown Agents
<b>Purpose</b>	Their purpose is to support Ministers and implement Ministers' decisions	Their purpose is to carry out functions conferred under an act as an instrument of executive government.
<b>Legal status</b>	Legally part of the Crown	Legally separate from the Crown
<b>Relationship with Minister</b>	Have a close relationship with the Minister	Have an arm's length relationship with Ministers
<b>Governing body</b>	Headed by a chief executive, appointed by the State Services Commissioner	Headed by a board, appointed by the Minister.
<b>Chief executive</b>		The board appoints a chief executive, who is responsible to the board.
<b>Ministerial powers of influence</b>	Broad and informal powers of direction. A department must implement all lawful instructions.	Formal powers of direction. Must 'give effect' to government policy if directed in writing.
<b>Decision-making</b>	Chief executive is directly responsible to the Minister	The board is responsible for all of the entity's functions and powers.
<b>Connection with central government</b>	Close working relationships with all other departments expected as a normal way of working	Close working relationship with monitoring department, which then engages other departments
<b>Employees</b>	Public servants expected to be bound by an ethos of public service values, including fidelity and responsiveness	Bound by standards of integrity and conduct but a culture would need to be developed
<b>Ease of establishment</b>	Can be established by Order in Council. Legislation necessary if specific functions and powers are granted.	Legislation necessary to establish entity and to confer functions and powers

- 2 There is a close and hierarchical relationship between Ministers and departments, with the governance arrangement centred on a direct Minister-chief executive relationship. Ministers have extensive powers to direct departments, as long as such directions are consistent with the law. Departments are the default option for the governance of functions and powers that require a high degree of Ministerial control, such as where policy advice is needed, there is a need to carry out multiple functions, particularly where those functions potentially conflict, where there is the exercise of significant coercive powers of the State, where there is a Ministerial desire to control the process and outcome of activities, including frequently

reviewing objectives, and where there is the need to obtain Cabinet approval for large sums of Crown expenditure to achieve those objectives.

- 3 Crown agents are characterised by an arm's length relationship with Ministers. The governance arrangements are centred on the Minister-board relationship. The Minister appoints board members who form the governing body of the entity. All decisions relating to the entity's operations must be made by or under the authority of the board. The channels of Ministerial directions and other instructions are considerably more formalised. Crown agents are a useful alternative to departments where there remains a need for a high degree of Ministerial control, but where the skills and experience of a governance board are essential to guide the executive powers of the entity, where legal separation from the Crown is necessary for success, or where it is necessary to credibly distance Ministers from politically hard decisions or to limit the scope for Ministers to be involved in decision-making.
- 4 It is important to note that the board of a Crown agent has a governance, not a representational, role. It would be inappropriate for any members of local government to be appointed to the board. In its governance role, board members owe their individual duties to the responsible Minister. This would create a conflict of interest between a local government member's accountability to his/her local constituency and the accountability required of a board member to the Minister. Similarly, it would be inappropriate for any central government employee or local government employee to be appointed to the board, as again they would have a conflict of interest between their duties to their employer and their duties as a board member to the Minister.
- 5 The departmental form provides for an entity that has a high degree of central control, with a leadership structure that is able to act decisively and quickly and be closely aligned with the Government's priorities. While the choice of organisational form will depend largely on the political acceptance of the form, officials recommend that CERA should be a department.

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New Zealand Government

**Canterbury Earthquake Recovery Authority**

**Position description**

Position	Chief Executive
Department	Canterbury Earthquake Recovery Authority (CERA)
Departmental purpose	<p>CERA will:</p> <ul style="list-style-type: none"> <li>• have overall responsibility to manage the post-earthquake recovery of greater Christchurch</li> <li>• make greater Christchurch better than before</li> <li>• make the recovery as efficient as possible</li> <li>• achieve recovery as soon as possible</li> <li>• work with other authorities, NGOs, the community, and the private sector (including business).</li> </ul> <p>CERA will be responsible for managing the earthquake recovery effort in greater Christchurch. It will be responsible for developing a recovery strategy and coordinating development of Targeted Recovery Plans and their implementation for the next (approximately) five years.</p>
Position purpose	The Chief Executive will have a highly influential and visible role in leading the government earthquake recovery effort and providing confidence to the people of greater Christchurch.
Roles	<p>The main roles of the Chief Executive of CERA are as follows.</p> <ul style="list-style-type: none"> <li>• Establish CERA as a new public service department, which shall include: <ul style="list-style-type: none"> <li>- development of an organisational structure and budget</li> <li>- departmental set-up (including securing permanent accommodation in Christchurch, recruitment of staff).</li> </ul> </li> <li>• Manage and coordinate recovery operations (restoration of services and physical assets) immediately (before a Long-Term Recovery Strategy is developed) and on an on-going basis.</li> <li>• Develop a long-term recovery strategy for greater Christchurch: <ul style="list-style-type: none"> <li>- in collaboration with affected parties, notably the Christchurch City Council</li> <li>- as the overarching document to guide future land use and infrastructure in greater Christchurch as well as integrating wider recovery issues (social, economic, infrastructure,</li> </ul> </li> </ul>

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built, and natural environments)

- to clearly set out the role of central, local and regional government
- subject to modification and approval by the Minister for Canterbury Earthquake Recovery.
- Develop Targeted Recovery Plans for greater Christchurch as required;
- Close CERA and transition residual activities to more suitable parties as the recovery effort comes to an end.

Key external relationships

#### Government and Parliament

- Minister for Canterbury Earthquake Recovery
- Other Ministers whose portfolios cover greater Christchurch recovery activities
- Chief executives of departments and other agencies involved in greater Christchurch recovery activities
- Department of the Prime Minister and Cabinet, The Treasury
- Christchurch City Council, Environment Canterbury, other local and regional authorities in greater Christchurch
- Officials' group supporting the Ad hoc Cabinet Committee on Canterbury Earthquake Recovery

#### Sector

- Firms active in the recovery effort (such as insurance, demolition, building and construction, land remediation, roading, business interests, utilities and urban design activities)

#### Communities and the public

- CERA will be required to actively consult with local community groups involved in the greater Christchurch recovery effort
- There will likely be significant media interest in CERA's role and decisions

### Performance profile

Accountabilities

The Chief Executive is accountable to the Minister for Canterbury Earthquake Recovery. The Chief Executive must perform the duties as set out in the State Sector Act, the Public Finance Act, and other relevant statutes and legislation.

As a chief executive within the public service, the Chief Executive will be required to work collaboratively with other chief executives on wider public service issues, including raising the level of productivity of the New Zealand public service.

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Critical success factors

The Chief Executive will be responsible for leading and co-ordinating the effective recovery of the greater Christchurch region.

The following factors are critical for the Chief Executive to succeed in the position.

- Sound decisions - made promptly and effectively carried out
- Effective working relationships with Ministers, public service chief executives, communities, elected members and officials of local and regional government, firms, and other groups involved in the recovery effort
- Support and buy-in of local communities as partners with CERA in the recovery effort
- Connection and collaboration with local networks
- Communication of progress to affected parties (particularly when early progress may not be visible)
- Swift establishment of a new department from the start
- Ability to coordinate and monitor recovery activities
- Financial management and monitoring of public money invested in the recovery effort.

### Person profile

The ideal candidate will have the following skills and experience.

- Successful experience and management of similar organisations or operations of this size.
- Action orientation: the Chief Executive will be required to make decisions and to deliver action swiftly and efficiently.
- Ability to handle ambiguity: there may be times when there is ambiguity around the role and responsibilities of CERA and other organisations involved in the recovery effort. The Chief Executive must be comfortable operating in an environment of ambiguity and uncertainty and act authoritatively to resolve such issues.
- Decisiveness: the Chief Executive may need to make tough calls in the face of public and community criticism.
- Organisational start-up and management skills: The Chief Executive will need skills and/or experience in starting up new organisations, including designing the organisational structure, recruitment, setting long-term budgets, and setting in place management systems and controls. Once established, CERA may be a complex and highly active organisation.
- Consultation and community presence: the Chief Executive will become an important face of the Government's response to the Canterbury earthquake. The Chief Executive will require good communication skills in front of various audiences (community groups, local authorities, media, select committee etc).
- Familiarity with political systems: the Chief Executive will be required to liaise extensively with central government agencies and local authorities. Knowledge of the role of central and local government would be an advantage.

- Knowledge of the geography of greater Christchurch and familiarity with Canterbury culture and values would be an advantage.

### Position-specific competencies

The ideal candidate will have the following competencies.

**Strategic skills:** Excellent chief executives possess a depth and breadth of knowledge. The Chief Executive must be intellectually sharp, and deal with concepts and complexity comfortably. The appointee must have a strong grasp of the issues facing the recovery effort and must be able to develop and deliver on long-range strategies and plans. The Chief Executive must learn quickly when facing new problems and be comfortable handling risk and uncertainty. The Chief Executive must be future-oriented and take a broad perspective on issues, analysing both successes and failures for clues about how to improve. The Chief Executive will create a compelling vision and inspire others to support that vision.

**Operating skills:** Effective chief executives create focus within their organisations and get things done. The Chief Executive needs to zero in on the vital few issues that require his/her attention. The Chief Executive will create strong teams by empowering people, fostering open dialogue, and ensuring that individuals work together. In doing this, he/she will continually support the development of the senior team; coaching them and providing opportunities that will stretch them.

**Courage:** Effective chief executives can be counted on to step up when times are tough. The Chief Executive will be able to anticipate potential conflicts and make conscious choices about the approach to take. The Chief Executive will look for common ground, resolving differences equitably and calmly. He/she must be willing to take the lead on controversial issues. The ability to read situations and people accurately is critical.

**Energy and drive:** Effective chief executives consistently demonstrate energy and drive for better results. The Chief Executive is expected to strive for better performance, balanced with a concern for people and due process.

**Personal and interpersonal skills:** Effective chief executives have highly developed personal and interpersonal skills. In terms of personal skills, the appointee will know themselves well, be open to criticism and seek feedback. He/she will be adaptive. In dealings with others the Chief Executive needs to be a good listener and to easily establish rapport with people from all walks of life. It is essential that the Chief Executive builds relationships of trust and respect with Ministers, staff and colleagues, and that those relationships can be both direct and diplomatic.

**Organisational positioning skills:** The Chief Executive needs to understand the political and organisational context for the role. He/she must be sensitive to political processes and anticipate risks and how others may respond. It is important to manoeuvre through complex political situations effectively and quietly whilst maintaining public service standards of political neutrality.

**Acting with honour and integrity:** The Chief Executive must adhere to the Standards of Integrity and Conduct for the State Services, and role model the ethics, values and behaviours set out in the Standards.

### Security clearance

The appointee will be required to obtain and maintain a New Zealand Government Top Secret security clearance.

## Departmental profile

Department	Canterbury Earthquake Recovery Authority (CERA)
Legislation	CERA is governed by the State Sector Act 1988
Government priorities	Coordinate the recovery of greater Christchurch
Organisational structure	The Chief Executive will be responsible for establishing CERA's organisational structure and recruiting to fill positions.
Dimensions	<p>The size and budget of CERA will depend on its chosen <i>modus operandi</i>.</p> <p>In the short term CERA may potentially be housed within another department's premises with support provided and staff seconded from other departments. Once established, CERA's size will depend on whether the Chief Executive chooses to contract out corporate support services or establish CERA's own functions.</p>
Location	<p>Head office in Christchurch</p> <p>The Chief Executive may decide whether some staff members are required in Wellington (for liaison with Ministers and Wellington-based departments and other agencies)</p>
Appropriations	CERA will be funded through a specific Vote to be established.

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