

The Treasury

Budget 2014 Information Release

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Office of Hon Gerry Brownlee

MP for Ilam

Leader of the House
Minister of Transport

Minister for Canterbury Earthquake Recovery
Minister Responsible for the Earthquake Commission

18 FEB 2014

Hon Bill English
Minister of Finance
Parliament Buildings
WELLINGTON

BUDGET 2014 SUBMISSION FOR VOTE CANTERBURY EARTHQUAKE RECOVERY

Introduction

As you are aware, the Government has made the rebuild of greater Christchurch one of its four priorities and expects to see significant tangible and visible progress in the rebuild through 2014 and beyond.

To achieve this progress, the Canterbury Earthquake Recovery Authority (CERA) has five priority areas for the year ahead:

- Build and maintain confidence in the rebuild and recovery through setting and communicating recovery priorities and activity timelines, demonstrating progress and highlighting success.
- Identify and address roadblocks to enable a sustainable market-led rebuild.
- Progress action on the rebuild of the central city.
- Strengthen community resilience and rebuild social infrastructure.
- Agree on public cost-sharing arrangements for the rebuild, and continue to attract local, national and international private investment.

To enable CERA to maintain the momentum in achieving these priorities, and in lieu of submission of a Four Year Plan for CERA, I seek your support for the following budget initiatives affecting the baseline for Vote **Canterbury Earthquake Recovery** for Budget 2014.

Significant budget initiatives:

Departmental Annual Appropriations

Managing the Recovery

CERA's baseline is scheduled to decrease from approximately \$75 million in 2013/2014 to approximately \$42 million per annum for 2014/15 and 2015/16.

Without intervention, this represents a \$66 million decrease in funding against current baseline for the next two financial years (or a 40% reduction in baseline). Additional operating funding is therefore sought in Budget 2014 to maintain the current level of services delivered by CERA (although obviously the exact services will reflect new and developing priorities). I have thoroughly reviewed CERA's existing prioritised activities and seek an additional Σ million in new funding over the next two financial years to maintain levels of service at the same as this financial year. This will ensure continuation of its current prioritised work plan through effectively flat lining CERA's operating budget for the next two financial years. Further details of this bid are provided in Appendix 1.

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Development Costs for the Christchurch Earthquake Memorial

Up until late 2013 responsibility for the development of the Earthquake Memorial was led by the Ministry for Culture and Heritage. No formal funding bid was made by the Ministry for Culture and Heritage and consequently no funding transferred when leadership of this project transferred to CERA in December 2013. The current estimate for a suitable memorial is approximately \$10 million, this includes the acquisition of land. The budget bid includes a pre-commitment on Budget 2014 funding in order to start the delivery of the memorial in 2013/14. Further details of this bid are provided in Appendix 4.

Technical budget initiatives:

Non-Departmental Other Appropriations

Impairment of Improvements

In 2012/13 the Canterbury Earthquake Recovery Authority incurred unappropriated expenditure (\$6.886 million) due to a technical classification of the impairment of improvements on properties purchased for the development of Anchor Projects as part of the Christchurch Central Recovery Plan.

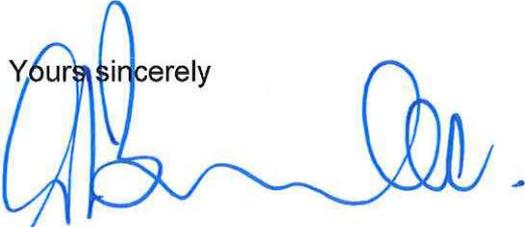
The Crown originally intended to purchase bare land from central Christchurch property owners in order to develop the major projects but in a number of cases to purchase the land CERA has been required to purchase the existing improvements to secure the agreement. Since these improvements will be demolished to make way for the new projects, they have little or no value to the Crown and CERA are required to assess the value of all assets as part of its year end accounting programme. As at 31 January 2014 CERA has acquired an additional \$50.630 million in improvements the majority which will be demolished prior to construction of Anchor Projects. The single largest improvement was the IRD Building purchased for $\$$

The impact of the accounting adjustment will be the recognition of an expense estimated at approximately \$51.000 million in the Crown accounts at 30 June 2014 for which no appropriation exists and a write down of an asset. Final decisions on the disposition of improvements will affect the value of adjustment to be made as at 30 June 2014.

Conclusion

I look forward to your support for these budget initiatives so that we may continue to demonstrate the Government's support for the rebuild of Christchurch.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Gerry Brownlee', with a flourish at the end.

Hon Gerry Brownlee
Minister for Canterbury Earthquake Recovery

APPENDIX 1

Initiative Name	Vote	Department	Contact Person
Operational	CER	CERA	Dave Mills
Describe what this funding request is for and what the expected results from this spending are.			
<ul style="list-style-type: none"> Maintaining CERA operating funding at current levels thus allowing delivery of current and future work programme for the recovery of greater Christchurch 			
Describe how the expected results will be measured.			
<ul style="list-style-type: none"> Delivery of work programme 			

Budget 2014

Funding Sought at Budget 2014	2014/15 \$0.000m	2015/16 \$0.000m	2016/17 \$0.000m	2017/18 \$0.000m
Operating				
Operating funding (need)	∞		25.050	25.050
Agreed funding (baseline)	42.558	41.906	25.050	25.050
Tagged contingency	9.775	9.703		
Recoveries	-	-	-	-
Operating funding sought	∞		-	-
Capital				
Capital funding sought	-	-	-	-

Describe how this new funding request supports the Governments priorities:
<ul style="list-style-type: none"> The recovery of Christchurch is one of four key priorities for the Government
Describe why this new initiative cannot be funded within baselines:
<ul style="list-style-type: none"> The CERA baseline is currently forecast to reduce by approximately \$33 million in 2014/15 and 2015/16. The current work programme can not be delivered with this reduced baseline funding.
Describe the implication if this funding is not approved:
<ul style="list-style-type: none"> The following work programmes will need to be examined and potentially curtailed should this funding not be approved: <ul style="list-style-type: none"> Drastic reduction in staff engaged in recovery and policy work programmes Curtailed recovery services, the exact nature to be determined. Current

activities include the Residential Advisory Service, clearance of the residential red zone, the Make it Right Programme, and our co-ordination role across government.

- Significant slowed development for the delivery of the Anchor Projects, including potentially putting some on hold indefinitely or significantly reducing the scope.
- Procurement of Specialist Advice for geotechnical and other wider policy matters
- Reduction in community engagement and building community resilience activities supporting the rebuild and recovery

If partial funding of this initiative is an option, please describe how partial funding might work:

We have thoroughly examined rephasing or partial funding options; however, these would not allow fulfilment of the expected delivery timeframes and would significantly slow the rebuild and recovery of greater Christchurch.

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APPENDIX 4

Initiative Name	Vote	Department	Contact Person
Earthquake Memorial	CER	CERA	Dave Mills
Describe what this funding request is for and what the expected results from this spending are. <ul style="list-style-type: none"> The development of a suitable memorial for the Canterbury Earthquake CERA is seeking funding for the memorial which is a joint development between the Ministry of Culture and Heritage and CERA 			
Describe how the expected results will be measured. <ul style="list-style-type: none"> Delivery of a suitable memorial to commemorate the events of 2010 and 2011. 			

Budget 2014

Funding Sought at Budget 2014	2013/14 \$0.000m	2014/15 \$0.000m	2015/16 \$0.000m	2016/17 \$0.000m	2017/18 \$0.000m
Operating					
Operating funding	10.000				
Agreed funding		-	-	-	-
Tagged contingencies	-				-
Projected recoveries	-				-
Operating funding sought	10.000				-
Capital					
Capital funding sought		-	-	-	-

Operating cost phasing	2013/14	2014/15	2015/16	2016/17	2017/18
Projected recoveries - CCC	-	-	-	-	-
Projected recoveries – other	-	-	-	-	-
Operating funding sought	2.000	8.000	-	-	-

Describe how, if the funding sought represents the total amount required for the initiative - and if not, what the total is and where the additional funds are coming from: <ul style="list-style-type: none"> The funding sought of \$10.000 million is the upper limit of the proposed funding for the development of the memorial
Describe if this initiative might require additional funding in future years: <ul style="list-style-type: none"> No additional funding will be required in future years The responsibility for the maintenance of the memorial will be transferred to the Christchurch City Council
Describe how this new funding request supports the Governments priorities:

<ul style="list-style-type: none"> • The Government has pledged to deliver a suitable memorial to commemorate the events of 2010 and 2011
<p>Describe how this new funding request aligns with your Strategic Direction and delivery thereof, as described in your 4YP:</p> <ul style="list-style-type: none"> • The Earthquake memorial is a define anchor project within the Christchurch Central Recovery Plan • The Government has pledged to deliver a suitable memorial to commemorate the events of 2010 and 2011
<p>Describe why this new initiative cannot be funded within baselines:</p>
<p>Describe what other activities are already being undertaken, either within your agency or across the State sector, to address the issue this new funding will look to address:</p> <ul style="list-style-type: none"> • The Ministry of Culture and Heritage is supporting CERA to deliver a suitable memorial to commemorate the events of 2010 and 2011 • The Ministry of Culture and Heritage is not seeking funding for the project
<p>Describe the implication if this funding is not approved:</p> <ul style="list-style-type: none"> • Memorial may not be constructed. • CERA may request the Ministry of Culture and Heritage to undertake the development and construction of a suitable memorial
<p>If partial funding of this initiative is an option, please describe how partial funding might work:</p> <ul style="list-style-type: none"> • The maximum funding for the delivery of a suitable memorial is estimated at \$10 million • The project is scalable and reduced funding will result in smaller but potentially lower quality and less suitable memorial