

Reference: 20210488

17 November 2021

Dear [REDACTED]

Thank you for your Official Information Act request, received on 19 October 2021. You requested:

Request #1: On 13 Sept 2019 Lars Piepke sent an email to Ian Stewart stating “[IN-CONFIDENCE] Number 9. Cheers Lars”. Please provide a full copy of the ‘Number 9’ document.

Request #2: On 13 Sept 2019 Lars Piepke sent an email to Ian Stewart stating “[IN-CONFIDENCE] Number 10 - and the juiciest so far. Cheers Lars”. Please provide a full copy of the the ‘Number 10’ document with all the juicy parts un-redacted.

Request #3: On 31 May 2018 Sophia Tocker send an email to Sophie Slater attaching “Briefing 3591 17-18 Canterbury residential repairs - concerns about unreinforced concrete foundations.” Please provide a full copy of this briefing.

Request #4: On 13 Sept 2019 Lard Piepke sent an email to Ian Stewart stating “[IN-CONFIDENCE] Number 13 Cheers Lars”. Please provide a full copy of the ‘Number 13’ document.

Request #5: On 13 Sept 2019 Lard Piepke sent an email to Ian Stewart stating “[IN-CONFIDENCE] Number 15 Cheers Lars”. Please provide a full copy of the ‘Number 15’ document.

Request #6: On 13 Sept 2019 Lard Piepke sent an email to Ian Stewart stating “[IN-CONFIDENCE] Number 16 Cheers Lars”. Please provide a full copy of the ‘Number 16’ document.

Request #7: Please provide Numbers 1-8, 11 & 12, 14 documents as well.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	11 June 2018	Email Treasury to Southern Response	Release in Part

2.	12 June 2018	Internal Treasury Email	Release in Part
3.	15 June 2018	Email Treasury to Southern Response	Release in Part
4.	15 June 2018	Internal Treasury Email	Release in Part
5.	15 June 2018	Internal Treasury Email	Release in Part
6.	15 June 2018	Email Treasury to DPMC	Release in Part
7.	15 June 2018	Email Southern Response to Treasury	Release in Part
8.	21 June 2018	Internal Treasury Email	Release in Part
9.	21 June 2018	Internal Treasury Email	Release in Part
10.	21 June 2018	Internal Treasury Email	Release in Part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

I have not included multiple copies of the same draft answers where links to these draft answers are included within the email trains.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Requests Refused

Your requests #1, 2, 4, 5 & 6 are for requests of full copies of documents which have previously been provided to you in the answer to Official Information Act reply 20210283. That request was made based on an earlier OIA Response (to a different requestor) seeking, in part, information which you identified as:

Please provide a full unredacted copy of this OIA Response where the "out of scope" redactions are removed. I am wishing to read the entire document

The only redactions to those documents were contact details of officials and other natural people. I have decided to not provide you with those contact details and your request for full unredacted copies of the documents is refused for the reasons provided in the previous request.

Your request #3 is for a copy of a document which you previously requested of the Treasury and the request for the document was transferred to the Ministry of Business, Innovation and Employment (MBIE) on 15 July 2021 under section 14(b)(ii) of the Official Information Act – the information is more closely connected with the functions of MBIE. The Treasury has therefore fully satisfied your earlier request. If you want to query request #3 further, please contact MBIE.

Please be aware that if you continue to make repetitive requests for the same information, I will consider refusing part or all of your requests under section 18(h) of the Official Information Act – *that the request is frivolous or vexatious or that the information requested is trivial.*

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Shelley Hollingsworth
Manager, Commercial Performance

20210488

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From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 9:53 AM
To: Ian Stewart [TSY]
Subject: FW: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Hi Ian,

I am sending you some emails relating to the rubble foundations FEC questions for the OIA.

Fyi below for the first one.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Monday, 11 June 2018 8:03 AM
To: Anthony Honeybone <Anthony.Honeybone@southernresponse.co.nz>; Casey Hurren <Casey.Hurren@southernresponse.co.nz>
Cc: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Hi Anthony and Casey,

Last week the Secretary to the Treasury presented to the FEC. We have now received some follow-up questions including the below which relate (at least in part) to Southern Response. I wondered if you could provide us some thoughts we could use in compiling a response to FEC.

We need to respond to the Secretary's office by Friday so if you are able to get back to us by COP Thursday 14 June that would be much appreciated.

[Here are the questions](#)

131. The Committee notes the issues caused by rubble foundations used in Christchurch houses, the uncertainty they pose regarding the damage and costs from recent earthquakes, and the continuing risk they pose in future earthquakes. **Comm Ops**

- How significant is the potential, additional financial cost to EQC and Southern Response (and ultimately to the Crown) caused by (known and possibly yet undiscovered) damage to rubble foundations during the Christchurch earthquakes?
- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Cheers

David

David Stanley

Principal Advisor, Commercial Operations

The Treasury

s9(2)(g)(ii), s9(2)(k)

1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 9:57 AM
To: Ian Stewart [TSY]
Subject: FW: Draft answers to supplementary FEC questions re Christchurch

Next one.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Tuesday, 12 June 2018 2:20 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: Shelley Hollingsworth [TSY] <Shelley.Hollingsworth@treasury.govt.nz>; Dan Marshall [TSY] <Dan.Marshall@treasury.govt.nz>; Alex Ng [TSY] <Alex.Ng@treasury.govt.nz>
Subject: Draft answers to supplementary FEC questions re Christchurch

Provided with #14 of this binder

[Draft answers to supplementary FEC questions re Christchurch \(Treasury:3969030v1\)](#) [Add to worklist](#)

Progress to date. Still have the rubble question to answer. Both Lars and I have contacted EQC and SRES (respectively) for assistance.

Regards

David

David Stanley
Principal Advisor, Commercial Operations
The Treasury

s9(2)(g)(ii), s9(2)(k)

1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 10:01 AM
To: Ian Stewart [TSY]
Subject: FW: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Number 3.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Friday, 15 June 2018 5:45 AM
To: Anthony Honeybone <Anthony.Honeybone@southernresponse.co.nz>; Casey Hurren <Casey.Hurren@southernresponse.co.nz>
Cc: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: RE: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Hi there,

I just wondered if you had had a chance to think about how we might respond to these questions re rubble foundations from SEC. Best we have been able to do with what we got back from EQC (but are not that comfortable with) is:

There are a wide variety of perimeter foundations to houses in Canterbury. EQC advises that repair solutions to reinstate the original function of the foundations can be developed for poorer quality foundation walls. This needs to be considered on a case by case basis and requires careful judgment by appropriately qualified and experienced professionals. At this stage it is not possible to identify the total potential cost to remediate all "rubble foundations" that have been damaged by the Canterbury earthquake sequence

Any thoughts would be much appreciated

Cheers

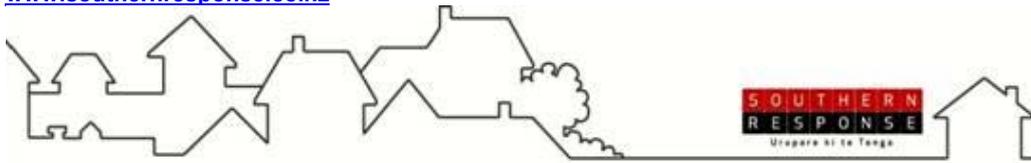
David

From: Anthony Honeybone <Anthony.Honeybone@southernresponse.co.nz>
Sent: Monday, 11 June 2018 8:03 AM
To: David Stanley [TSY] <david.stanley@treasury.govt.nz>; Casey Hurren <Casey.Hurren@southernresponse.co.nz>
Cc: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: RE: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Thanks

Anthony Honeybone
Chief Executive
Southern Response Earthquake Services Ltd

PO Box 9052
Christchurch
www.southernresponse.co.nz



From: David Stanley [TSY] [<mailto:david.stanley@treasury.govt.nz>]
Sent: Monday, June 11, 2018 8:03 AM
To: Anthony Honeybone; Casey Hurren
Cc: Lars Piepke [TSY]
Subject: Questions Treasury has received from Finance & Expenditure Committee (FEC)

Hi Anthony and Casey,

Last week the Secretary to the Treasury presented to the FEC. We have now received some follow-up questions including the below which relate (at least in part) to Southern Response. I wondered if you could provide us some thoughts we could use in compiling a response to FEC. We need to respond to the Secretary's office by Friday so if you are able to get back to us by COP Thursday 14 June that would be much appreciated.

[Here are the questions](#)

131. The Committee notes the issues caused by rubble foundations used in Christchurch houses, the uncertainty they pose regarding the damage and costs from recent earthquakes, and the continuing risk they pose in future earthquakes. **Comm Ops**

- How significant is the potential, additional financial cost to EQC and Southern Response (and ultimately to the Crown) caused by (known and possibly yet undiscovered) damage to rubble foundations during the Christchurch earthquakes?
- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Cheers

David

David Stanley
Principal Advisor, Commercial Operations
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From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 10:03 AM
To: Ian Stewart [TSY]
Subject: FW: Draft answers to supplementary FEC questions re Christchurch v2

Number 5.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Friday, 15 June 2018 10:14 AM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: Draft answers to supplementary FEC questions re Christchurch v2

Provided with #14 of this binder

[Draft answers to supplementary FEC questions re Christchurch v2 \(Treasury:3969454v1\)](#) [Add to worklist](#)

Updated with my modest attempts re rubble foundations. We will also need to run these past relevant managers once you have made any additions/modifications

Cheers

David

David Stanley
Principal Advisor, Commercial Operations
The Treasury
s9(2)(g)(ii), s9(2)(k)

1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 10:08 AM
To: Ian Stewart [TSY]
Subject: FW: FEC responses

Number 11.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Friday, 15 June 2018 1:10 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: RE: FEC responses

Hi Lars

Have made some adjustments. Keen to get these in front of Shelley again asap. Also think that at some point we need to inform Minister Woods' office of the content of these answers as they relate to companies and or matters that she has portfolio responsibility for. Please ring when you have a chance

Cheers

David

From: Lars Piepke [TSY]
Sent: Friday, 15 June 2018 12:42 PM
To: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Subject: FEC responses

Hi David,

I contacted EQC again and got some information re the financial risk issue. I also summarised some key messages from the MBIE Briefing relating to rubble foundations.

I have inserted this into your document where you wanted these comments.

Please review and make any changes you think will be beneficial.

I will call you shortly to discuss further.

I have also made some calls to MBIE to get any further insights.

Cheers
Lars

Lars Piepke | Senior Analyst, Strategy and Policy | Commercial Operations | **The Treasury**
s9(2)(k) | Lars.Piepke@treasury.govt.nz

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 10:09 AM
To: Ian Stewart [TSY]
Subject: FW: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX
Attachments: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

Number 12.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Friday, 15 June 2018 1:34 PM
To: Anne Shaw [DPMC] <Anne.Shaw@dpmc.govt.nz>
Cc: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>; Pratima Namasivayam [DPMC] <Pratima.Namasivayam@dpmc.govt.nz>
Subject: FW: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

Hi Anne,

We are preparing draft answers to supplementary questions asked by the FEC for Gabs to review ahead of answers being finalised next week. Some questions raised relate to matters which overlap with work being undertaken by the cross-agency task force and others to Ōtākaro for which DPMC has a policy monitoring responsibility; all relate to matters that fall within Minister Woods' portfolio responsibilities. These are still to be reviewed by relevant managers within Treasury this afternoon before going to Gabs at COP today, but I wanted to provide you a 'heads up' re likely content of answers.

Please let me know if you have any specific concerns or suggestions.

Regards

David

David Stanley
Principal Advisor, Commercial Operations
The Treasury
s9(2)(g)(ii), s9(2)(k)
1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

DRAFT ANSWERS TO SUPPLEMENTARY FEC QUESTIONS

131. The Committee notes the issues caused by rubble foundations used in Christchurch houses, the uncertainty they pose regarding the damage and costs from recent earthquakes, and the continuing risk they pose in future earthquakes.

- How significant is the potential, additional financial cost to EQC and Southern Response (and ultimately to the Crown) caused by (known and possibly yet undiscovered) damage to rubble foundations during the Christchurch earthquakes?

Draft answer: There are a wide variety of perimeter foundations to houses in Canterbury. Southern Response advises that generally damage to poor quality foundations manifests itself as visible damage. EQC advises that repair solutions to reinstate the original function of the foundations can be developed for poorer quality foundation walls. This needs to be considered on a case by case basis and requires careful judgment by appropriately qualified and experienced professionals.

Southern Response advises that it is unaware of a body of evidence that indicates there is hidden damage within poorer quality foundations that would manifest itself as additional financial costs. Thus Southern Response advises that the known cost of damage to poor quality foundations based on the knowledge gained from repairs the company has completed are already accounted for in its actuarial estimates. However, at this stage it is not possible to identify the total potential cost to remediate all “rubble foundations” that have been damaged by the Canterbury earthquake sequence from a Crown-wide perspective (i.e. EQC and Southern Response combined).

- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Draft answer: We understand from the Ministry of Business, Innovation and Employment (MBIE) that the prevalence of unreinforced concrete perimeter foundations (“rubble foundations”) is not known in Christchurch and from Southern Response that the vast majority of the “flawed” poor quality foundations it is aware of have performed better than expected given the magnitude and number of earthquake events. It notes that even modern foundations built to today’s standards are likely to sustain some level of damage in future earthquakes. Therefore the assumption that a ‘flawed’ foundation should be replaced to ensure it does not sustain damage in future earthquakes may be fundamentally incorrect.

Southern Response has advised that every damaged foundation that it has repaired (rather than replaced) has been repaired to the insurance policy standard. The company expects that in future earthquakes, repaired foundations will perform similarly to the way they did in the Canterbury earthquake sequence. Any foundation that has been replaced will perform better than the previous foundation it replaced, but even a new foundation is likely to sustain some damage (depending on the size of the event). As a result of foundation replacement and rebuilds, the housing stock as a whole in Canterbury would be expected to perform better across the whole than it did during the Canterbury earthquake sequence.

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 10:10 AM
To: Ian Stewart [TSY]
Subject: FW: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

Number 14.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Friday, 15 June 2018 2:12 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: FW: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

FYI is ok with SRES

From: Anthony Honeybone <Anthony.Honeybone@southernresponse.co.nz>
Sent: Friday, 15 June 2018 2:05 PM
To: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Subject: RE: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

Thanks David - noted

Anthony Honeybone
Chief Executive
Southern Response Earthquake Services Ltd

PO Box 9052
Christchurch
www.southernresponse.co.nz



From: David Stanley [TSY] [<mailto:david.stanley@treasury.govt.nz>]
Sent: Friday, June 15, 2018 1:20 PM
To: Anthony Honeybone
Subject: 3969454_Draft answers to supplementary FEC questions re Christchurch v2.DOCX

Hi Anthony

Thanks for your help earlier. Please find attached our updated draft answers for the FEC which we intend providing the Secretary to the Treasury at close of play today for him (and the Minister of Finance) to review

Regards

David

David Stanley

Principal Advisor, Commercial Operations

The Treasury

s9(2)(g)(ii), s9(2)(k)

1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

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MBIE has advised that there have been no changes in the Building Code performance requirements as a result of the Canterbury earthquakes and that MBIE's Guidance "Repairing and rebuilding houses affected by the Canterbury earthquakes" has always applied to a wide range of foundation types for timber framed houses of all ages. MBIE also stressed that the Guidance does not negate the need to meet the performance requirements of the Building code, that repair solutions will be case-specific and that engineering judgements should be made by appropriately qualified and experienced professionals.

EQC has indicated that it does not make any specific actuarial valuation adjustments for so called "rubble foundations" and has not specifically adjusted its estimate of financial risk for this issue.

132. The Committee notes the Christchurch Regeneration Acceleration Facility and its intention to accelerate progress with the residential red zone and multi-use arena.

- Please provide an overview of what the Facility is, its organisational structure, and how it will work.

Draft answer: The Crown will contribute towards development initiatives for the Residential Red Zone and/or a Multi-Use Arena (stadium), and may also assist with gaps in the horizontal infrastructure programme. Funding may occur in conjunction with or through partnership arrangements between the Crown or Crown-owned entities and the Christchurch City Council.

A set of criteria are being established to assess investment proposals for specific prioritised projects. The actual release of funding will require completion of satisfactory investment cases and set prioritisation criteria being met. Officials from the Treasury and the Department of the Prime Minister and Cabinet are working with the Minister responsible for this appropriation to finalise the proposed framework for considering investment proposals and cases ahead of presentation to Cabinet colleagues.

- What does the Government expect the Facility to achieve in 2018/19?

Draft answer: The design and establishment process for drawing upon the funds of the Christchurch Regeneration Acceleration Facility is expected to be completed early in the 2018/19 year. It is expected that most or all of the funds available will be earmarked for specific priority projects during 2018/19 with actual drawdown of funds being subject to completion of satisfactory investment cases.

133. The Committee notes the increase in funding in 2018/19 to Ōtākaro Limited for capital expenditure on the Greater Christchurch Anchor Projects.

- What project milestones does the Minister expect Ōtākaro Limited to meet during 2018/19?

Draft answer: The two major projects which Ōtākaro is leading are for the Convention Centre and the Metro Sports Facility. In the 2018/19 financial year, the company expects to:

- significantly progress construction of the Convention Centre, with spending during the year of \$197 million (up from \$49 million in the 2017/18 financial year),

- appoint a main works contractor for the Metro Sports Facility (around the middle of the financial year), and
- complete the Avon River Precinct and An Accessible City projects.

134. The Committee notes the pending departure of Ōtākaro Limited's Chief Executive and the recent departure of its Chief Financial Officer.

- How concerned is the Minister about the loss of experience and potential loss of institutional knowledge from the company, and how will the company ensure it meets its performance objectives in 2018/19 in the wake of these departures?

Draft answer: Ōtākaro has a sound organisational structure which is intended to cope with personnel changes including those of very senior executives. The board has conducted a robust process for the replacement Chief Executive and has made an offer to the lead candidate. Subject to the completion of final validation and checks, the board expects the new Chief Executive to be in place by the end of July. Albert Brantley has agreed to stay on until that time to ensure a smooth transition. The search for a new Chief Financial Officer is well advanced. Ōtākaro's board advises that it is comfortable with its current and foreseeable leadership and resourcing and that these will enable the company to achieve outcomes expected of it.

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 11:56 AM
To: Ian Stewart [TSY]
Subject: FW: Draft revised answer re rubble foundations
Attachments: 3972512_FEC Q131 dot point 2 - revised answer.DOCX

Next one.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Thursday, 21 June 2018 12:47 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: Shelley Hollingsworth [TSY] <Shelley.Hollingsworth@treasury.govt.nz>
Subject: Draft revised answer re rubble foundations

Regards

David

David Stanley
Principal Advisor, Commercial Operations
The Treasury
s9(2)(g)(ii), s9(2)(k)
1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Draft answer:

The assumption that 'rubble' foundations are flawed and should be replaced to ensure it does not sustain damage in future earthquakes may be fundamentally incorrect.

We understand from Southern Response that the vast majority of "rubble" foundations it is aware of have performed better than expected given the magnitude and number of earthquake events. Southern Response has advised that every damaged foundation that it has repaired (rather than replaced) has been repaired to the insurance policy standard. We understand that in future earthquakes, repaired foundations should perform similarly to the way they did in the Canterbury earthquake sequence. Any foundation that has been replaced will perform better than the previous foundation it replaced, but even a new foundation is likely to sustain some damage (depending on the size of the event). We note that all repair and replacement work must meet the requirements of the Building Code and we understand that there have been no relevant changes in the building Code performance requirements as a result of the Canterbury earthquakes.

The Crown recognises the expected liability for outstanding claims based on independent actuarial valuations and through notes stating that there are additional quantifiable and unquantifiable fiscal risks relating to the Canterbury earthquakes and, in the case of EQC, any deficiency in EQC's assets to cover its financial liabilities on such terms and conditions that the Minister of Finance determines. In the case of rubble foundations, the periodic valuations by independent actuaries take into account accumulated information about repair and rebuild experience with properties, including foundations. The unquantifiable component is, by definition, unquantifiable.

EQC has indicated that it has not specifically adjusted its estimate of financial risk for this issue. Southern Response is only responsible for settling the claims of AMI residential policyholders relating to the Canterbury earthquake events up to 5 April 2012. Therefore the question of future coverage does not arise.

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 11:57 AM
To: Ian Stewart [TSY]
Subject: FW: NEW VERSION OF DRAFT ANSWERS
Attachments: 3972512_FEC Q131 dot point 2 - revised answer.DOCX

Next one.

Cheers
Lars

Lars Piepke | Principal Advisor, Commercial Performance | **The Treasury**
s9(2)(g)(ii), s9(2)(k) Lars.Piepke@treasury.govt.nz

From: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Sent: Thursday, 21 June 2018 2:03 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: NEW VERSION OF DRAFT ANSWERS

Regards

David

David Stanley
Principal Advisor, Commercial Operations
The Treasury
s9(2)(g)(ii), s9(2)(k)
1 The Terrace, PO Box 3724 Wellington 6140 New Zealand

- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Draft answer:

The assumption that 'rubble' foundations are flawed and should be replaced to ensure it does not sustain damage in future earthquakes may be fundamentally incorrect.

We understand from Southern Response that the vast majority of "rubble" foundations it is aware of have performed better than expected given the magnitude and number of earthquake events. Southern Response has advised that every damaged foundation that it has repaired (rather than replaced) has been repaired to the insurance policy standard. We understand that in future earthquakes, repaired foundations should perform similarly to the way they did in the Canterbury earthquake sequence. Any foundation that has been replaced will perform better than the previous foundation it replaced, but even a new foundation is likely to sustain some damage (depending on the size of the event). We note that all repair and replacement work must meet the requirements of the Building Code and we understand that there have been no relevant changes in the building Code performance requirements as a result of the Canterbury earthquakes.

The Crown recognises the expected liability for outstanding claims based on independent actuarial valuations and through notes stating that there are additional quantifiable and unquantifiable fiscal risks relating to the Canterbury earthquakes and, in the case of EQC, any deficiency in EQC's assets to cover its financial liabilities on such terms and conditions that the Minister of Finance determines.

The periodic valuations by independent actuaries and incorporated through EQC and Southern Response into the Crown accounts factor in accumulated information about repair and rebuild experience with properties. However, there has been no specific adjustment to the estimates overall for the rubble foundations issue.

The Crown recognises that there remain significant uncertainties in relation to EQC and Southern Response's liabilities for a variety of reasons, and there is a risk that the actual cost could vary from current estimates which are sensitive to the underlying assumptions. As and when new information arises, the independent actuaries and the Crown revise their estimates and provisions accordingly. The unquantifiable component reported in notes to the Crown accounts is, by definition, unquantifiable.

From: Lars Piepke [TSY]
Sent: Friday, 13 September 2019 11:59 AM
To: Ian Stewart [TSY]
Subject: FW: Comments on FEC response

Next one.

Cheers
Lars

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From: Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>
Sent: Thursday, 21 June 2018 3:07 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: David Stanley [TSY] <david.stanley@treasury.govt.nz>
Subject: RE: Comments on FEC response

Hi Lars (and David)

Thank you for providing these. Looks good to me.

Cheers
Caroline

Caroline Wahid | Office of the Executive | **The Treasury, Kaitohutohu Kaupapa Rawa**
s9(2)(k) | Caroline.Wahid@treasury.govt.nz

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From: Lars Piepke [TSY]
Sent: Thursday, 21 June 2018 3:01 PM
To: Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>; Megan Taylor [TSY] <Megan.Taylor@treasury.govt.nz>; Talei Pasikale [TSY] <Talei.Pasikale@treasury.govt.nz>; Huong Nguyen [TSY] <Huong.Nguyen@treasury.govt.nz>; David Stanley [TSY] <david.stanley@treasury.govt.nz>; Shelley Hollingsworth [TSY] <Shelley.Hollingsworth@treasury.govt.nz>; Tony Burton [TSY] <tony.burton@treasury.govt.nz>; Phoebe Sparrow [TSY] <Phoebe.Sparrow@treasury.govt.nz>; Sam King [TSY] <Sam.King@treasury.govt.nz>; Cara Palmer-Oldcorn [TSY] <Cara.Palmer-Oldcorn@treasury.govt.nz>
Cc: Glenn McStay [CASS] <Glenn.Mcstay@cass.govt.nz>; Nicky Lynch [TSY] <Nicky.Lynch@treasury.govt.nz>
Subject: RE: Comments on FEC response

Hi Caroline,

Please find attached the word document with our draft answers to the FEC questions 131 to 134. We have made amendments (in red) to the answers to Q131 dot point 2 and Q132 as requested.

Please contact David or me if you have any queries.

Cheers
Lars

From: Caroline Wahid [TSY]
Sent: Wednesday, 20 June 2018 4:32 PM
To: Megan Taylor [TSY] <Megan.Taylor@treasury.govt.nz>; Talei Pasikale [TSY] <Talei.Pasikale@treasury.govt.nz>;
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Cc: Glenn McStay [CASS] <Glenn.Mcstay@cass.govt.nz>; Nicky Lynch [TSY] <Nicky.Lynch@treasury.govt.nz>
Subject: FW: Comments on FEC response

Hi everyone,

Please see below comments back from MoF's office about the answers we drafted for FEC. Can you please consider the comments and respond to me with either amended wording or an explanation by **3pm tomorrow (Thursday)**.

For your reference, here is the document with all the questions and responses: [REDACTED]

Publicly available at https://www.parliament.nz/en/pb/sc/reports/document/SCR_78686/201819-estimates-for-vote-finance [REDACTED]

Thanks,
Caroline

Caroline Wahid | Office of the Executive | **The Treasury, Kaitohutohu Kaupapa Rawa**
 s9(2)(k) [REDACTED] | Caroline.Wahid@treasury.govt.nz

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From: Tamsin Royson <Tamsin.Royson@parliament.govt.nz>
Sent: Wednesday, 20 June 2018 4:15 PM
To: Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>; Glenn McStay [CASS] <Glenn.Mcstay@cass.govt.nz>
Cc: Nicky Lynch [TSY] <Nicky.Lynch@treasury.govt.nz>; ^EXT: Alastair Cameron <Alastair.cameron@parliament.govt.nz>; ^Parliament: Keiran Kennedy <Keiran.Kennedy@parliament.govt.nz>
Subject: FW: Comments on FEC response

Hi Caroline,

Thanks for the timely draft response to the FEC additional questions. A couple of comments/clarifications from us before we pass this through to the MoF:

- The response to Q.126 notes that work programmes for 18/19 are yet to be agreed. Given the questions are due to FEC a matter of days before year-end, this reply seems a little weak. Can we offer even an indicative response on likely priority areas (similar to the response to Q.128, second bullet)?

- Pgs 1-2, “National Balance Sheet” – several of the answers refer to a National Balance Sheet, but this is not a concept we’ve heard discussed in the context of the wellbeing work generally, or with MOF specifically. Where did this come from, what is its purpose and function, and what’s Treasury’s intention with it? Is it useful to keep referring to it?
- Pg 2, second question from the top – this says the LS Dashboard will show the current state of the indicators, but I think we mean current state of NZers wellbeing based on the indicators. Suggest clarifying.
- Pg 2, third bullet point of last question – this refers to Treasury exploring multi-year Budgeting and in-depth baseline reviews. This thinking is early days; is it something we should be making explicit at this point (including in light of many answers referring to the work plan still developing)?
- Pg 3, second question – the answer is fairly vague and could be a bit clearer about the specific benefits of the relevant work (as requested in the question). For example, what kind of compliance are we reducing – all compliance, or just the unnecessary compliance? Also, presumably we want to “improve” strategic financial management rather than just “focus” on it.
- Q.130, last para – should this refer to what performance is being purchased, *and monitored*?
- Q.131, second bullet – this is a very involved response to what is essentially a short question (has the Government adjusted its estimates of financial risk in relation to this issue?). Is all of this detail (especially where we are reporting advice/opinion of MBIE and Southern response) required?
- Q.132 should the response be more explicit about the fact part of the ChCh Acceleration Facility funding is held in tagged contingency (it is implicit in the answer)/

Could please clarify by COP Thursday, if possible?

Thanks,
Tamsin

Tamsin Royson, Economic Advisor
Office of Hon Grant Robertson, Minister of Finance

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