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Canterbury  
Earthquake  
Recovery  
Authority:  
Assessing its  
effectiveness and  
efficiency



Photo acknowledgement: Charles Fitzgerald,  
Office of the Auditor-General.

# Canterbury Earthquake Recovery Authority: Assessing its effectiveness and efficiency

Presented to the House of  
Representatives under section 20 of  
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# Auditor-General's overview

In 2010 and 2011, the Canterbury region suffered New Zealand's worst natural disaster since the Napier earthquake in 1931. The Canterbury earthquakes killed 185 people, injured about 5800 people, damaged more than 100,000 homes, destroyed much of Christchurch's central business district, and badly damaged infrastructure. Since February 2011, the region has experienced thousands of aftershocks. The damage and recovery task is unprecedented in New Zealand.

Recovering from a major natural disaster takes time. International experience has shown that it can take more than 20 years for a region to fully recover from a disaster the size of the Canterbury earthquakes. Good progress has been made in the six years since the earthquakes. Most people's homes have been fixed, infrastructure repairs are almost complete, and the central city is beginning to become a commercial centre once again.

However, many people in the region are still facing challenges to their daily lives. Many households are yet to settle their insurance claims or complete repairs to their homes, and the effects of the earthquakes and their aftermath on mental health, particularly of young people, is becoming increasingly apparent. Much work also remains to be done to complete the rebuild of Christchurch's central city.

In 2012, I made a commitment that my Office would provide assurance that the recovery was being carried out effectively, efficiently, and appropriately. Since then, my Office has completed several reports into different aspects of the recovery, as well as undertaking the annual audits on all public entities involved in the recovery.

For my last report on the Canterbury recovery, I decided that my Office should carry out a performance audit of the Canterbury Earthquake Recovery Authority (CERA) to provide Parliament and the public with an independent account of how effectively and efficiently CERA performed.

CERA was set up as a government department soon after the February 2011 earthquake to lead and co-ordinate the recovery from the earthquakes. Setting up a public entity to lead a recovery effort is common practice internationally. CERA's statutory powers were intended to enable it to direct recovery operations and plan for the longer-term recovery of places, people, and communities. In 2015, CERA became a departmental agency of the Department of the Prime Minister and Cabinet, and finished operating in April 2016. CERA played a significant role throughout the first five years of the recovery from the Canterbury earthquakes. During these five years, CERA was responsible for spending about \$4 billion on a range of recovery programmes.

Recovery from a disaster of this nature is complex, challenging, and ever-changing. It involves a range of organisations from the public, private, and non-government sectors working together. It also involves working effectively with communities, many of which have suffered trauma and are experiencing ongoing psychological and emotional stress.

CERA had to be established quickly as a functioning government department with the necessary policies, systems, and controls required by the Public Finance Act 1989 and the State Sector Act 1988. It had to start this task from scratch since there was no plan in place for establishing a recovery agency in New Zealand.

After CERA's quick establishment, staff were soon involved in the early tasks of recovery, some of which were inherited from the former Canterbury Earthquake Recovery Commission.

However, it took a long time for CERA to set up effective systems and controls, which meant that staff had to work in a challenging environment without the usual back-office support and controls that we expect in a public entity. CERA's management controls and performance information needed improvement right up to the time of its disestablishment.

Forming a view on the effectiveness of CERA has been difficult. CERA's external performance measures were focused on what it was going to do, rather than on what it was trying to achieve. This means that it was not able to provide a good account of its effectiveness or demonstrate its value for money. Having a better performance framework is an important lesson for the future.

Although CERA achieved much, there were areas where improvements could have been made. In the early phases of the recovery, CERA was effective in leading a co-ordinated government response to the earthquakes. It managed the demolition of condemned buildings in the central business district effectively, worked well with stakeholders in establishing the overarching recovery strategy, and gathered the information it needed to provide advice about the future of badly damaged residential areas.

However, it became more challenging for CERA to maintain momentum as the recovery moved into the reconstruction phase. Its role became less clear as it took on responsibility for delivering more projects and programmes. CERA needed to adapt to maintain its earlier momentum. Similarly, CERA's leadership of the Central City Recovery Programme began effectively with the publication of the *Christchurch Central Recovery Plan*, but the actual delivery of the plan was less successful.

Engagement with stakeholders suffered from a lack of clarity about the role of the Christchurch Central Development Unit, and there were delays in nearly all of the CERA-led Anchor Projects. CERA did not have an effective approach to managing its Anchor Projects as a coherent programme of work.

In my 2012 report, *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, I emphasised the importance of effective collaboration. Throughout the recovery CERA needed to manage tensions with residents, and central and local government. Although agencies were able to work effectively at an operational level, these tensions caused delays at a governance level, particularly with Christchurch City Council.

In my view, both CERA and the Christchurch City Council were not as open or transparent with one another as is required for an effective recovery. This caused delays in some programmes.

I acknowledge the challenges for an agency like CERA in communicating with a community that is recovering from a disaster, but CERA could have been more effective and efficient in its communication and engagement with the community. Senior staff devoted considerable time and effort to communicating with the community, and CERA spent a large amount of money in this area.

However, surveys of the community show that the public's trust and confidence in information from CERA declined over time, and many in the community were not satisfied that they had enough opportunities to influence decision-making about the recovery. CERA increased its expenditure on communications, but it did not adapt or change its approach well enough.

CERA was a relatively expensive department to run when compared with other similar-sized public entities. The level of expenditure on administration and support services was large for a small entity, but not unreasonable considering the important, urgent, and complex nature of what CERA was asked to do.

In doing this performance audit, and our annual audits of CERA since it was established, we have identified some important lessons and actions that I consider should be used to prepare for the next time New Zealand needs a recovery agency.

In light of the November 2016 earthquakes in Kaikōura and the surrounding region, these lessons are particularly pertinent. I would like the State Services Commissioner and the Chief Executive of the Department of the Prime Minister and Cabinet to take note of these lessons and carry out the actions we have suggested.

I thank people from the Department of the Prime Minister and Cabinet, community organisations, other agencies, and former CERA staff for their contribution to this report.

A handwritten signature in black ink, appearing to read 'Lyn Provost', written in a cursive style.

Lyn Provost  
Controller and Auditor-General

31 January 2017

## Lessons for the future

One of the purposes of our performance audit was to identify and report the important lessons that have been learned about establishing a recovery agency after a natural disaster. New Zealand is prone to natural disasters such as earthquakes, volcanic eruptions, flooding, and severe weather events. It is possible that another recovery agency will be needed at some time in the future.

Although the Canterbury Earthquake Recovery Authority (CERA) achieved much, there were areas where improvements could have been made. Below we set out the main lessons we have identified from the establishment and management of CERA. We have two specific lessons for the Department of the Prime Minister and Cabinet and the State Services Commission to consider when planning for the response to, and recovery from, natural disasters.

The length of time taken for CERA to establish appropriate systems, functions, and controls led to an increased risk of misuse of public funds and created a difficult environment for staff. In our view:

- The State Services Commission needs to consider the most appropriate organisational type of any future recovery agency, the benefits and costs of each organisational type, the situations in which they should be used, and how long a recovery agency should remain in place.
- The Ministry of Civil Defence and Emergency Management and the State Services Commission need to prepare a response plan that will enable a future recovery agency to be established quickly and effectively. They need to update the plan regularly and include criteria for when an agency would be established. The response plan needs to include service-level agreements to prepare for the quick establishment of core corporate services.

Public entities need to give consideration to the following lessons when responding to or recovering from a natural disaster. In our view, these lessons need to be considered when planning for the recovery from the November 2016 earthquakes in Kaikōura and the surrounding regions. For convenience, we have grouped the lessons into two areas:

- governance, organisational structure, and functions; and
- managing operations and reporting performance.

## Governance, organisational structure, and functions

The governance arrangements for CERA did not change to adapt to its changing functions and the different phases of the recovery. At times, CERA became a catch-all agency, which meant its role became less clear as the recovery progressed into the reconstruction phase. Any recovery agency needs to adapt to changing circumstances. In our view:

- There needs to be clarity about what a recovery agency should achieve by the end of its lifetime. This should be expressed in a performance framework with realistic targets, and be regularly reported on.
- Skills and capabilities need to be regularly assessed during the different phases of the recovery so that the recovery agency has the right skills for the tasks at hand. It is important that a recovery agency has strong programme management and commercial skills, particularly in the reconstruction and regeneration phases of recovery.
- Governance arrangements need to be reviewed for each phase of the recovery and when activities change. This will ensure that the governance arrangements are fit for purpose to deliver the recovery agency's outputs and outcomes in the most effective and efficient way. Particular attention needs to be given to the clarity of role definition between the responsibilities of governance and management at both an organisational and project level.
- To ensure that these decisions are made at the right level, there needs to be an agreed process for making timely decisions about the recovery. For example, strategic decision-making should be separate from operational decision-making.
- During a recovery, central agencies need to regularly assess whether the recovery agency is the right vehicle for delivering particular outputs and outcomes. This would help to keep the recovery agency focused on its role and not be distracted by additional responsibilities.
- Agencies need good communication and engagement with the community. Communication needs to acknowledge delays as well as celebrate progress. This helps manage people's expectations and build trust and confidence in the recovery agency. Mechanisms need to be put in place that give the communities effective opportunities to participate in the recovery.
- Tensions need to be prepared for and managed. Establishing a clear and detailed funding agreement, outlining the roles and responsibilities of all parties, and ensuring open discussion at a governance level, will help to ease inter-agency and intra-governmental tensions to ensure that progress is effective and efficient.

## **Managing operations and reporting performance**

The recovery environment is uncertain, so agencies need to be flexible and able to link their activities to the desired outcome. There is also pressure to get things done, which means there is a risk the agency will not take the necessary time to establish effective systems, staffing, and processes and adapt them to the different phases of recovery. Good performance reporting will help the agency adapt to the different phases of the recovery and will help build and maintain the trust of the community. In our view:

- To manage uncertainty in a disaster recovery, a recovery agency needs to have flexible arrangements for funding and staffing. For example, it might need to use multi-year and category appropriations, and a mixture of fixed-term and short-term staff.
- A recovery agency needs effective financial and management controls from the start. The early stage of the recovery is when there is the greatest risk and opportunity for fraudulent activities and inappropriate spending of public funds.
- A recovery agency needs to think ahead about the future phases of the recovery and plan for them at a strategic level. This will allow the agency to be more proactive in anticipating future issues and identifying its needs for the next phase.
- An effective performance framework needs to link recovery activities to the desired outcomes. Effective performance reporting gives recovery agencies the opportunity to adjust their processes to achieve the desired outcomes. The World Bank has identified that a performance framework (also called a results framework) needs to harmonise and integrate all the strategic pillars and areas of a given reconstruction programme. The framework would establish a streamlined results chain by focusing on key results, and measuring intermediate outcomes (contributions made to an outcome by a specific set of outputs) rather than outputs. Intermediate outcomes need to be carefully designed to capture and to track intended changes as they begin to unfold.

# Introduction

- 1.1 In this Part, we discuss:
- the purpose of our audit;
  - factors leading to the establishment of the Canterbury Earthquake Recovery Authority;
  - the role of the Canterbury Earthquake Recovery Authority;
  - what we audited;
  - what we did not audit;
  - how we carried out our audit; and
  - the structure of the report.

## The purpose of our audit

- 1.2 The Canterbury earthquakes of 2010 and 2011 killed 185 people, injured about 5800 people, damaged more than 100,000 homes, destroyed much of Christchurch's central business district (CBD), and badly damaged infrastructure. There have been thousands of aftershocks since.
- 1.3 Recovery from a disaster as large and significant as the Canterbury earthquakes is a long and complex process. From international experience, we know that it can take more than 20 years for a region to fully recover. In Canterbury, many people are still experiencing ongoing effects of the earthquakes. Many households are still to resolve their insurance claims for damage to their properties. The effect of the disaster on mental health in the community, particularly among young people, is causing concern.
- 1.4 To lead and co-ordinate the complex task of recovery from the Canterbury earthquakes, the Government established the Canterbury Earthquake Recovery Authority (CERA) in March 2011.
- 1.5 In April 2016, CERA was disestablished, and its various roles and responsibilities were transferred to other government departments and agencies. Over five years, CERA spent \$4 billion on a range of recovery programmes.
- 1.6 Disaster recovery authorities are not unique internationally, but with no major natural disasters in New Zealand since the 1931 Napier earthquake, the Government and CERA had no national experience or lessons to draw from.
- 1.7 Since the Canterbury earthquakes, we have published reports on several different aspects of the Canterbury recovery, as well as our annual audits on the public entities that are involved. We decided to review CERA's effectiveness and efficiency to:
- provide an independent and objective account to Parliament and the public; and
  - identify lessons to inform the establishment and management of future recovery arrangements set up in response to major disasters.

## Setting up the Canterbury Earthquake Recovery Authority

- 1.8 After the 4 September 2010 earthquake, the Government established the Canterbury Earthquake Recovery Commission (the Commission) under the Canterbury Earthquake Response and Recovery Act 2010.<sup>1</sup> The purpose of the Commission was to provide advice to Ministers on the Orders in Council that might be required to facilitate the response to the earthquake, and on the use of resources for the response to the earthquake. The Commission was to also provide a contact point between central and local government in the management of the response.
- 1.9 The Government decided after the earthquake on 22 February 2011 that the scale of the recovery effort was beyond the capability of the existing institutions. Drawing from international disaster recovery experience, a decision was made to establish a single authority with specific powers to focus on the recovery from the Canterbury earthquakes.
- 1.10 In March 2011, CERA was set up as a government department under the State Sector Act 1988. Cabinet considered setting up CERA as a Crown agent. However, Cabinet chose to set CERA as a government department since it allowed a high degree of central control, with a leadership structure that is able to act decisively and quickly, and is closely aligned with the Government's priorities. Figure 1 shows the differences between a Crown agent and a government department.

**Figure 1**  
**Summary of the differences between a Crown agent and a government department**

Feature	Government departments	Crown agents
Purpose	To support the Minister and carry out the decisions made by Cabinet.	To carry out functions conferred under an Act as an instrument of executive government.
Relationship with Minister	Have a close relationship with the Minister.	Have an "arm's-length" relationship with Ministers.
Governance	Headed by a chief executive appointed by the State Services Commissioner.	Headed by a board appointed by the Minister. The board appoints a chief executive, who is responsible to the board.
Ministerial powers of influence	Broad and informal powers of direction. A department must carry out all lawful instructions.	Formal powers of direction. Must "give effect" to government policy if directed in writing.
Decision-making	Chief executive is directly responsible to the Minister.	The board is responsible for all of the entity's functions and powers.

1 The Commission consisted of seven commissioners. The commissioners were the mayors of Christchurch City Council, Selwyn District Council, Waimakariri District Council, and four appointed persons, including one of the Environment Canterbury commissioners.

Feature	Government departments	Crown agents
Ease of establishment	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.

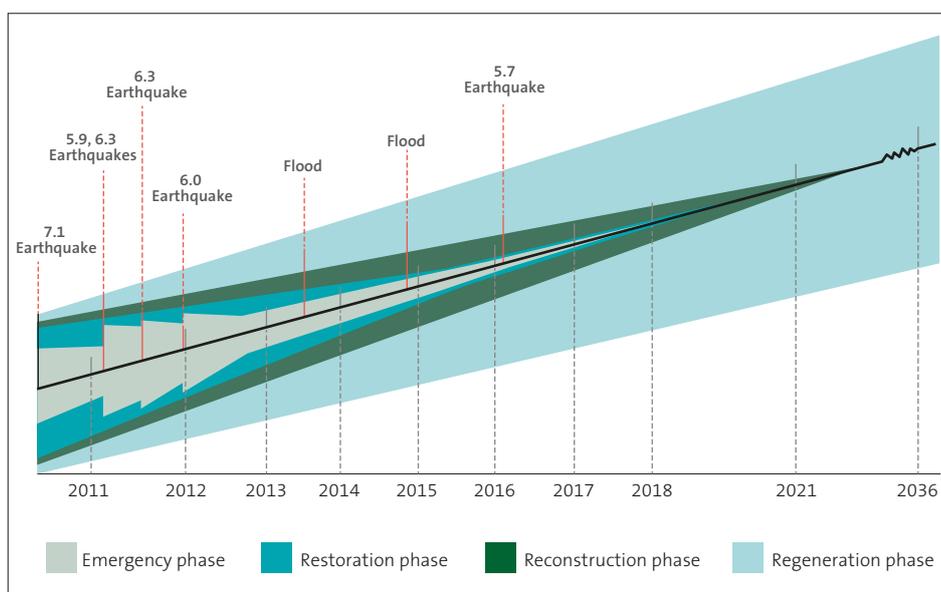
- 1.11 The Commission was disestablished when the Canterbury Earthquake Recovery Act 2011 (the Act) repealed the Canterbury Response and Recovery Act 2010. CERA was the first dedicated recovery agency that New Zealand had established.

### The role of the Canterbury Earthquake Recovery Authority

- 1.12 CERA was set up as a time-limited agency to lead a co-ordinated response to the Canterbury earthquakes. It served the area of “greater Christchurch”, which was defined as the districts of Christchurch City Council, Selwyn District Council, Waimakariri District Council, and the adjoining coastal marine area. CERA’s role included:
- providing leadership and co-ordination for the recovery effort;
  - enabling an effective and timely recovery;
  - monitoring the progress of the recovery; and
  - administering the Act.
- 1.13 As well as a strategic leadership role, CERA was responsible for carrying out projects and programmes. It was directly responsible for delivering programmes of significance to the recovery. This included the demolition of dangerous buildings, managing the Crown’s offer to buy properties in the residential red zones (Red Zones), and deciding the future status of land in areas severely affected by the earthquakes.
- 1.14 CERA also co-funded and co-managed the repair and rebuilding of infrastructure with the local authorities and the New Zealand Transport Agency. CERA’s other roles included establishing recovery strategies, monitoring the recovery, facilitating commercial investment, and working with other agencies to create and support other programmes such as psychosocial recovery initiatives and managing the Residential Advisory Service.
- 1.15 There were four different but overlapping phases of the recovery that CERA worked in. Figure 2 shows the main phases and how they overlapped over time. The four phases were:
- **Emergency response:** the priorities were on saving lives, making buildings safe, and providing shelter. This phase was lengthy in Canterbury because of continuing earthquakes and aftershocks.

- **Restoration:** involves re-establishing basic services and initial repairs to infrastructure and building.
- **Reconstruction:** includes planning and carrying out the recovery and long-term development, and helping the community return to psychosocial well-being.
- **Regeneration:** focuses on long-term strategy and building resilience.

**Figure 2**  
Overlapping recovery phases in Canterbury



Source: Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

- 1.16 CERA's role was made more complex by the ongoing nature of the disaster. Between 4 September 2010 and the establishment of CERA on 29 March 2011, there were about 7500 earthquakes and aftershocks in the Canterbury region. There have been over 17,000 aftershocks to date.
- 1.17 Another complicating factor was the uncertain environment CERA was operating in. The extent and severity of damage caused by the earthquakes and aftershocks was still largely unknown when CERA was established just 35 days after the February 2011 earthquake. To put this in context, there were 21 earthquakes greater than magnitude 5 between 22 February 2011 and CERA's disestablishment in April 2016. All of these had an effect on the flow of the recovery and created delays.
- 1.18 Although CERA was established to provide leadership for the recovery, it was never intended to manage or deliver Canterbury's recovery alone. CERA had to work closely with its strategic partners and other stakeholders. Its strategic partners

were Christchurch City Council, Waimakariri District Council, Selwyn District Council, Environment Canterbury, and Te Rūnanga o Ngāi Tahu.

### Canterbury Earthquake Recovery Act 2011

- 1.19 Parliament passed the Act in April 2011, with an expiry date of April 2016. Although not stated in the Act, it was considered at the time that CERA would cease its role in the Canterbury recovery at the same time the Act expired. The purposes of the Act included:
- providing appropriate measures to ensure that greater Christchurch, the councils, and their communities can respond to, and recover from, the effects of the Canterbury earthquakes;
  - enabling community participation in the planning of the recovery of affected communities without impeding a focused, timely, and expedited recovery;
  - providing for the Minister and CERA to ensure recovery;
  - enabling a focused, timely, and expedited recovery;
  - enabling information to be gathered about any land, structure, or infrastructure affected by the Canterbury earthquakes;
  - facilitating, co-ordinating, and directing the planning, rebuilding, and recovery of affected communities, including the repair and rebuilding of land, infrastructure, and other property; and
  - restoring the social, economic, cultural, and environmental well-being of greater Christchurch communities.
- 1.20 The Act gave the Minister and the Chief Executive of CERA extensive powers to achieve these purposes. The powers included amending or revoking Resource Management Act documents and city plans (the Minister), closing or restricting access to roads and other areas, and demolishing buildings (the Chief Executive). Further powers could be created by an Order in Council. Under the Act, all draft Orders in Council had to be reviewed by a review panel consisting of four appointed people.
- 1.21 The Act required the Chief Executive of CERA to prepare an overarching, long-term recovery strategy for the reconstruction, rebuilding, and recovery of greater Christchurch. In May 2012, CERA published the *Recovery Strategy for Greater Christchurch*. The Act also allowed the Minister to direct entities to establish recovery plans for any aspect of the recovery. These recovery plans had to be consistent with the recovery strategy. Some examples of recovery plans include the *Christchurch Central Recovery Plan* prepared by CERA, published in July 2012, and the *Land Use Recovery Plan* prepared by Environment Canterbury, published in December 2013.

- 1.22 The Act set up a community forum and a cross-party Parliamentary forum. Both forums were established to provide the Minister with information and advice about the operation of the Act. The community forum needed to have at least 20 members and had to meet at least six times a year. The cross-party Parliamentary forum consisted of members of Parliament who lived in or represented a constituency in greater Christchurch.

### **What we audited**

- 1.23 We looked at the effectiveness and efficiency of CERA in leading and co-ordinating the recovery from the Canterbury earthquakes from when it was established in March 2011 until it was disestablished in April 2016. We examined:
- CERA's effectiveness in achieving its intended outputs and outcomes;
  - CERA's efficiency in delivering its intended outputs and outcomes; and
  - how CERA compared with other disaster recovery agencies.
- 1.24 Where relevant, we have drawn on lessons from international recovery agencies. However, we concluded that making direct comparisons between CERA and other disaster recovery agencies was problematic because of the varying nature of the disasters and their recovery, and the different administrative arrangements and functions of other recovery agencies.

### **What we did not audit**

- 1.25 We did not review:
- policy decisions made by the Minister or CERA about the recovery from the Canterbury earthquakes;
  - the performance of other entities involved in the recovery from the Canterbury earthquakes;
  - the whole-of-government response to the Canterbury earthquakes; or
  - the performance of projects or programmes not led by CERA.

### **How we carried out our audit**

- 1.26 To carry out our audit, we:
- interviewed former CERA staff, staff and representatives from CERA's stakeholders, and community groups;
  - reviewed and analysed relevant documents from CERA, including management reports, briefings to Ministers, and its learning and legacy work;
  - reviewed and analysed the reports and information from our annual and performance audits of CERA;

- reviewed and analysed relevant external reports about CERA and other disaster recovery agencies; and
- analysed CERA's financial data and other relevant data.

1.27 We carried out our fieldwork and analysis in mid- to late 2016.

### **Structure of this report**

1.28 In Part 2, we assess how CERA was established and how efficiently it was run.

1.29 In Part 3, we discuss the effectiveness of CERA in its leadership and co-ordination role.

1.30 In Part 4, we discuss how effectively CERA delivered some of the main projects and programmes it was responsible for.

1.31 In Part 5, we discuss what can be learned about the effectiveness of CERA from its performance reporting over five years.

# 2

## Establishing and managing the Canterbury Earthquake Recovery Authority

- 2.1 In this Part, we examine:
- the setting up of CERA during the emergency response phase;
  - CERA's spending on administrative and support services; and
  - the winding down of CERA and the transfer of roles and responsibilities to other agencies.

### Summary of our findings

- 2.2 CERA had to be established from scratch. There was no pre-existing plan for setting up a disaster recovery agency in New Zealand. This meant that the management team of CERA had to design and deliver financial and management systems, controls, and policies while co-ordinating and leading the emergency phase of the recovery.
- 2.3 CERA was set up quickly and its staff were able to begin working on key recovery tasks soon after it was established. However, it took CERA a long time to set up the systems and controls we expect to see in public entities. Although financial controls improved by the time of CERA's disestablishment, management controls and performance information systems still needed improvement after five years.
- 2.4 As an indicator of efficiency, we compared CERA's expenditure on administrative and support services with other public entities of a similar size. This showed that CERA's overall level of expenditure on administration and support services was high compared to mainstream public entities. In our view, this was not unreasonable given CERA's wide-ranging role and complex and challenging operating environment.
- 2.5 CERA was responsible for significant breaches of appropriation in the five years it was responsible for expenditure in Vote Canterbury Earthquake Recovery.

### Setting up during the emergency response phase

- 2.6 CERA was established during the emergency phase of the recovery, within weeks of the 22 February 2011 earthquake. There was no pre-existing plan for a disaster recovery agency.
- 2.7 In our 2012 report, *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, we described the challenge of setting up a government department immediately after a national emergency. CERA had to set up effective policies, controls, and systems expected of a public entity under the Public Finance Act 1989 and at the same time address urgent tasks, such as demolishing buildings in the CBD and providing policy advice to Cabinet to enable major decisions about future land use.

- 2.8 CERA was established quickly and staff were able to begin with the key tasks of the early stages of recovery. These included the continued demolition of dangerous buildings in the CBD (begun by the Canterbury Earthquake Recovery Commission), gathering information on land damage, and starting work with stakeholders on creating the overarching recovery strategy.
- 2.9 However, it took time for CERA to set up an adequate corporate services function, and management and financial controls were slow to be put in place. A service-level agreement was established with the Ministry of Social Development, which provided financial systems and infrastructure for information communications technology.
- 2.10 Our annual audits of CERA identified a wide range of areas where CERA needed to strengthen its management controls. For example:
- CERA took time to put programme management in place for the Anchor Projects;
  - there were challenges in securing enough staff with the right skills to support programmes;
  - there were opportunities to improve how contracts were managed; and
  - improvements were needed to information systems, including the need to adopt appropriate policies.
- 2.11 The time it took to establish robust controls and policies created a risky environment, particularly in the emergency phase of the recovery. This meant that CERA's staff were engaged in challenging tasks, many of which involved transactions of significant value, without being able to refer to signed-off policies and procedures. CERA was slow in establishing delegation policies, which meant that some financial decisions took longer than necessary.
- 2.12 CERA worked to improve its systems and controls over time. Reporting to management on organisational performance was comprehensive. Although CERA's financial management systems and some management controls improved, overall its management and performance information controls needed improvements right up to the time of its disestablishment.

### **Spending on administrative and support services**

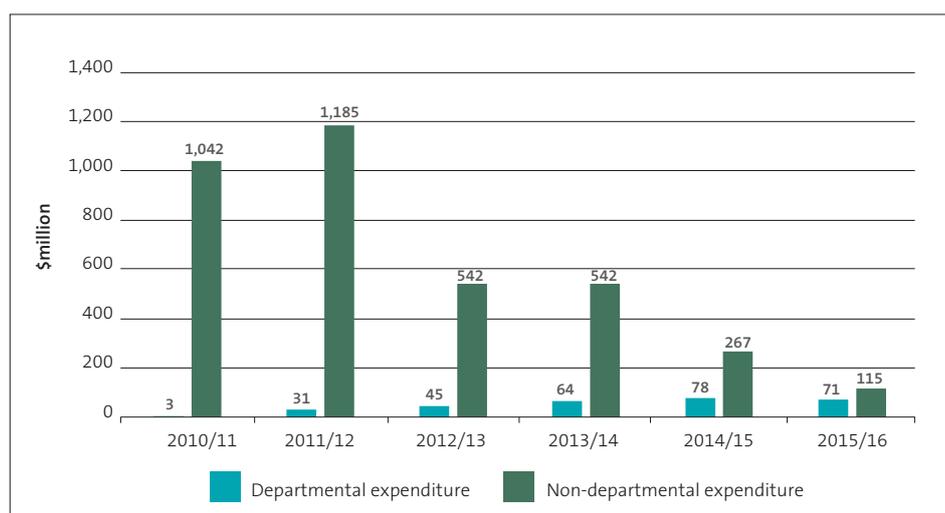
- 2.13 We found that it was not possible to compare the costs of running CERA with other recovery agencies because of the widely varying nature of roles, responsibilities, and operating environments. Instead, we compared the costs of running some of CERA's administrative and support services (sometimes referred

to as “back-office” functions) with other public entities in New Zealand, to gauge whether CERA’s expenditure in these areas was reasonable.<sup>2</sup>

2.14 We used data in the Treasury’s Benchmarking Administrative and Support Services (BASS) reports to compare CERA’s expenditure with other similar-sized entities.<sup>3</sup> The BASS reports benchmark back-office expenditure by government departments. This provides an indication of efficiency because it measures how much departments spend on their back-office functions.

2.15 During its five-year term, CERA was responsible for spending about \$4 billion. Figure 3 shows the split between departmental expenditure (money spent on CERA’s staff and operations) and non-departmental expenditure (money spent directly on recovery projects and programmes) for each financial year. In total, CERA’s departmental spending was \$291 million, which represents about 7% of overall expenditure. From the time of CERA’s establishment, departmental expenditure increased in both absolute terms and proportionally, except for 2015/16. The figure for 2015/16 is from July 2015 to CERA’s disestablishment in April 2016.

**Figure 3**  
Annual departmental and non-departmental spending, 2010/11 to 2015/16



Source: Our analysis of the Canterbury Earthquake Recovery Authority’s financial information.

2.16 From March 2011 to June 2015, CERA spent about \$3.8 billion. From this, a little over \$81 million was spent on administrative and support services, including

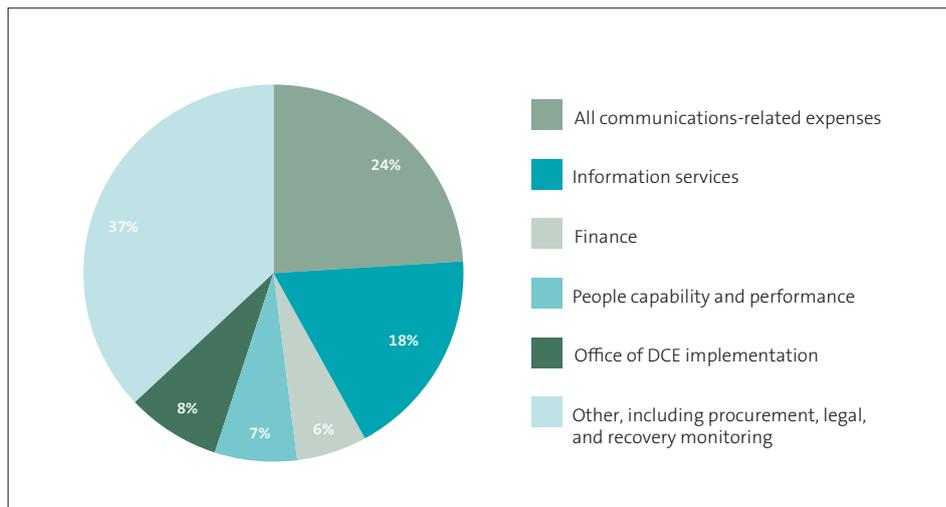
2 Administrative and support service functions include human resources, finance, and communications.

3 CERA is considered a small agency, which is described in the BASS 2014/15 report as an agency with fewer than 500 full-time equivalent staff, organisational running costs of less than \$100 million, and mainly a “policy, regulatory or compliance focus” and/or mainly centralised services.

human resources, finance, information and communications technology, procurement, communications, and corporate and executive services. In the same period, the Treasury, a similar-sized organisation but working in a business-as-usual environment, spent about \$63 million on administrative and support services.

- 2.17 We compared CERA's expenditure on administrative and support services as a proportion of its total organisational running costs (departmental expenditure). In the 2014/15 BASS report, administrative and support costs for small organisations, as a proportion of organisational running costs, ranged from about 5% to about 25%. In 2014/15, CERA's administrative and support services expenditure represented about 39% of departmental expenses.
- 2.18 Figure 4 shows the different areas of expenditure on administrative and support services. It shows that a significant proportion of the \$81 million CERA spent on administrative and support services was on communications (24%) and information services (18%). Communications was an important role for CERA, but, as we describe in Part 3, despite this high level of expenditure, CERA was not as effective in communicating with the community as it intended.

**Figure 4**  
Spending by administrative and support area, 2010/11 to 2014/15

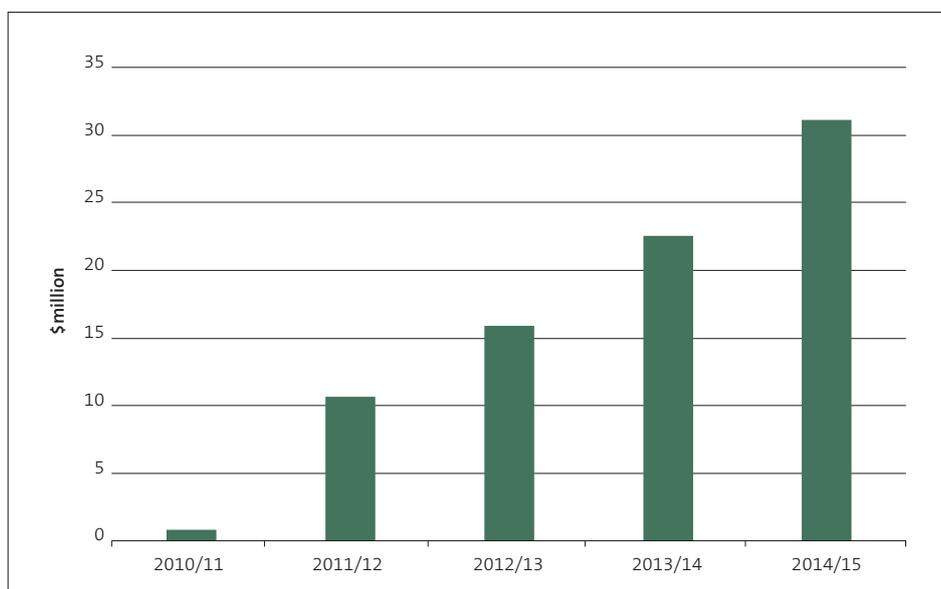


Source: Our analysis of the Canterbury Earthquake Recovery Authority's financial information.

- 2.19 Figure 5 shows that from 2010/11 to 2014/15 there was a clear pattern of increasing spending in administration and support services, as CERA took on more responsibilities than originally intended. This was driven by an increasing

number of full-time equivalent staff (FTEs) in the administrative and support services groups, as CERA grew in size and took on more responsibility for projects and programmes. When CERA was established in March 2011, it was forecast to require 55 FTEs in total, including administrative and support services staff. In June 2013, CERA had 233 FTEs, and by June 2015 there were 331 FTEs.

**Figure 5**  
Annual spending on administrative and support services, 2010/11 to 2014/15

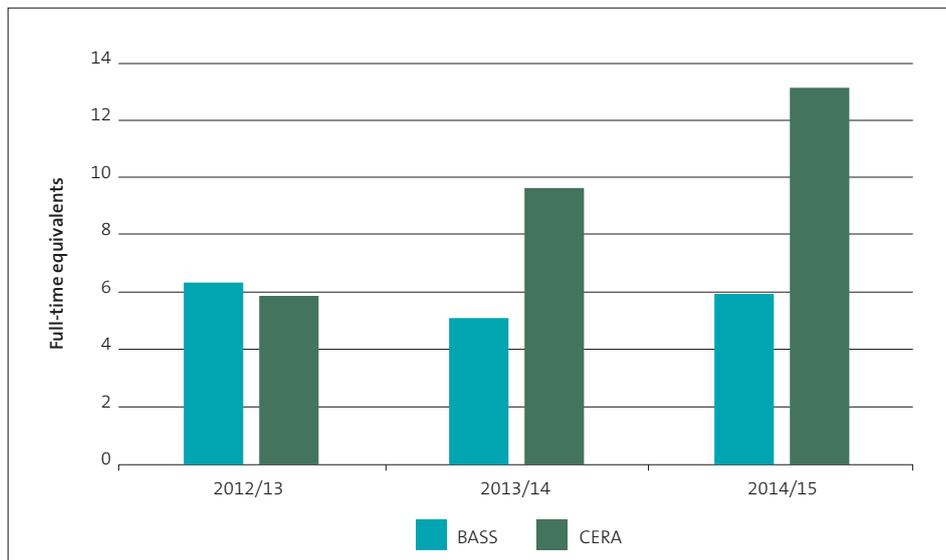


Source: Our analysis of the Canterbury Earthquake Recovery Authority's financial information.

- 2.20 We compared CERA's spending on managing its finance function and its human resources service with other similar-sized public entities. This was at the upper end of the range of comparable entities, and was above the median for most years. We also compared CERA's spending on communication.
- 2.21 Communication was an important part of the leadership and co-ordination function of CERA. According to the BASS reports, in 2015 typical communication expenses for a small entity were between \$1,500 and \$5,500 per employee. CERA's spending on communications greatly exceeded this each financial year, never being less than \$20,000 per employee. At its peak in 2014/15, CERA employed 36 staff in the communications function. This function included teams responsible for producing publications, media engagement, and creating and updating the website. The number of communications staff in other small entities ranged from two to eight in 2013/14 and 2014/15.

- 2.22 CERA’s spending on human resources and finance was high when compared with similar-sized entities working in a business-as-usual environment. This is understandable given the operating environment of CERA. As well as departmental spending, the finance team was responsible for overseeing non-departmental expenditure of about \$3.7 billion, which involved many complex transactions (including co-funding arrangements) and overseeing multiple projects and programmes. The temporary nature of CERA’s role also meant that attracting and retaining staff with the required skills was challenging and required more work by the human resources staff.
- 2.23 Figure 6 compares the number of finance staff in CERA with the BASS median for similar-sized entities. It shows that CERA’s finance function was similar to the range for small entities in BASS. For example, in 2010/11, the highest figure reported by a small entity in the BASS report was 14.25 FTEs. In 2014/15, the highest figure reported was 9.23 FTEs.

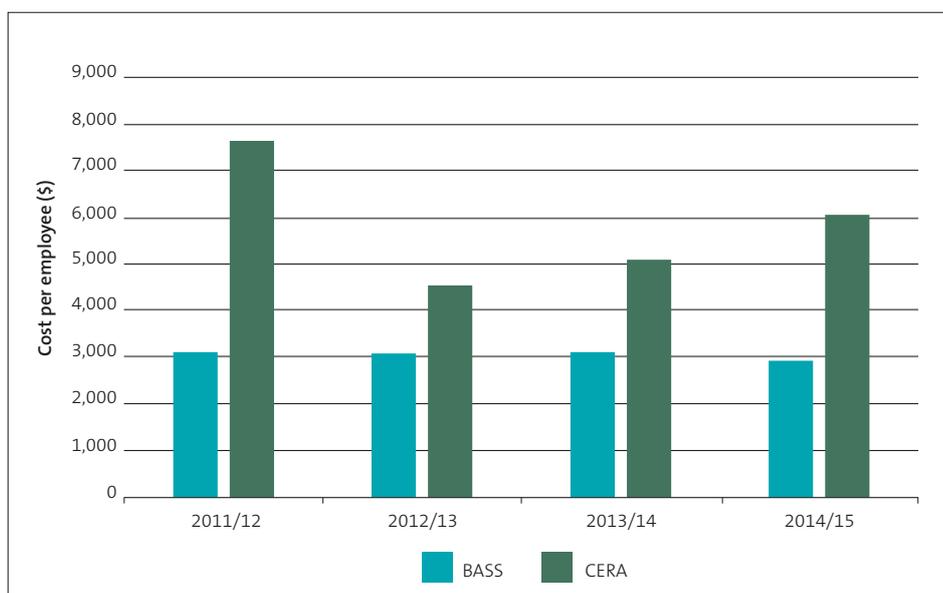
**Figure 6**  
Number of staff in the finance function, compared with the BASS median for small entities



Source: Our analysis of the Canterbury Earthquake Recovery Authority’s financial information.

- 2.24 Figure 7 shows the costs of CERA’s finance function per employee were higher than the BASS median for small entities. However, the costs were in the range of expenditure on finance by the entities included in the BASS report. For example, in 2011/12, the highest figure for a small entity was about \$7,000 per employee. In 2014/15, the highest figure was about \$8,500 per employee.

**Figure 7**  
Cost of the finance function per employee, compared with the BASS median for small entities



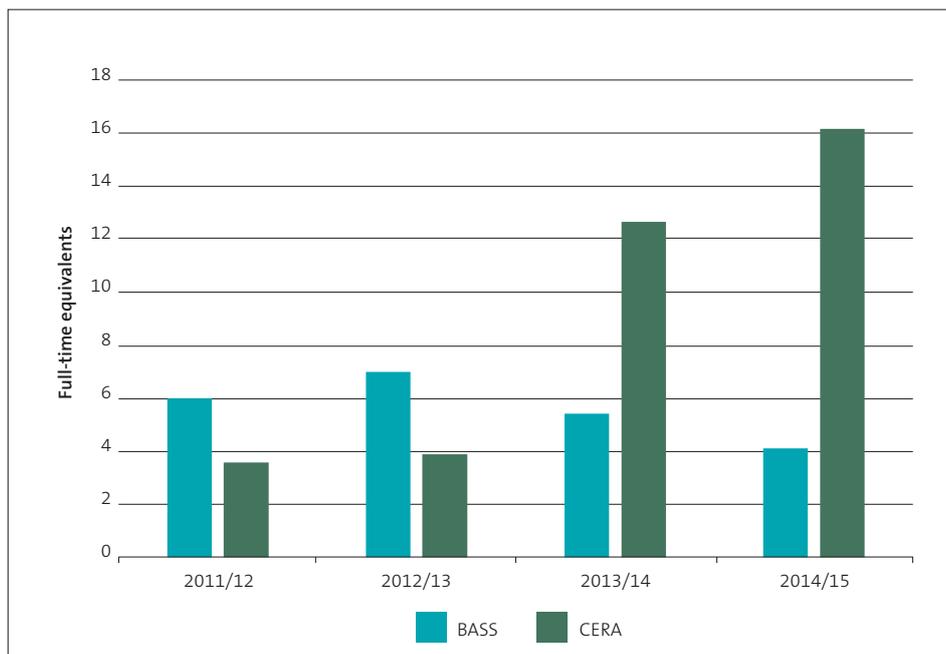
Source: Our analysis of the Canterbury Earthquake Recovery Authority's financial information.

- 2.25 The spending on CERA's finance function was relatively high. In our view, this was not unreasonable because the finance team had to deal with many complex accounting issues, particularly about land acquisition, funding, and uncertainty about future ownership of assets.
- 2.26 The quality and effectiveness of CERA's finance function improved over time. In 2011/12, our annual audit identified that CERA needed to improve its financial systems and controls. By the end of 2012/13, these controls were much improved. CERA's financial information systems and controls were rated as "good" by our auditors until CERA became a departmental agency and its finances were consolidated into the Department of the Prime Minister and Cabinet (DPMC). However, CERA incurred unappropriated expenditure in most years, and could have done more to better understand the accounting treatment of transactions.

### CERA had more human resources staff than the median for entities of a similar size

2.27 CERA had more staff in human resources compared with the median in the BASS reports (see Figure 8). The figures are much greater for CERA than the entities in the BASS reports in 2013/14 and 2014/15. For example, in 2010/11 the highest figure reported by a small entity through the BASS report was 9.0 FTEs, and in 2014/15 the highest figure reported was 9.3 FTEs.

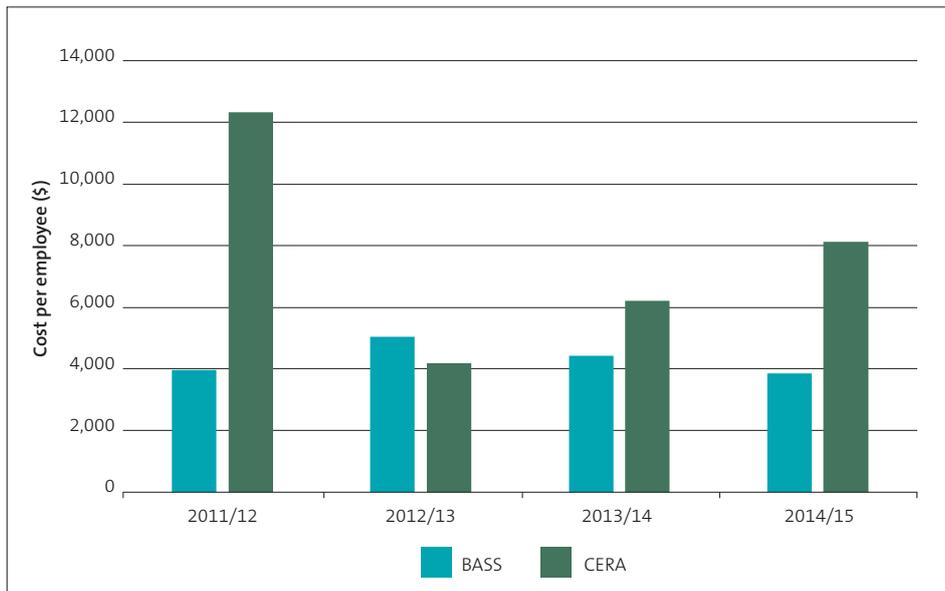
**Figure 8**  
Number of staff in the human resources function, compared with the BASS median for small entities



Source: Our analysis of the Canterbury Earthquake Recovery Authority's financial information.

2.28 The costs of the human resources function per employee were higher than the BASS median for small entities (see Figure 9). However, for most years these estimates are on par with the high end of the BASS benchmarks for small entities. For example, in 2011/12, the highest figure for a small entity was about \$8,100 per employee. In 2014/15, the highest figure was about \$8,300.

**Figure 9**  
**Cost of the human resources function per employee, compared with the BASS median for small entities**



Source: Our analysis of the Canterbury Earthquake Recovery Authority's financial information.

- 2.29 It is understandable that CERA's spending on human resources was higher compared with entities of a similar size. CERA was operating for a limited time, so recruitment and retention were a constant challenge. The number of human resources staff was influenced by CERA's need for fixed-term and contract staff to meet its changing and diverse functions.
- 2.30 Many CERA staff faced personal challenges because they had been affected by the earthquakes and were working in a high-pressured environment. CERA took many steps to help ensure staff well-being, and invested time and resources in supporting staff as it planned to wind down and transfer its responsibilities to other agencies. The results of annual staff surveys indicate that this investment was effective, but we note that staff engagement results declined over time. In 2015, 77% of staff were considered engaged compared with 85% in 2014 and 89% in 2013. This pattern is consistent with the recognised phases of recovery. Staff were particularly positive about the support CERA provided for their health and well-being, with 80% of staff in 2015 feeling that the organisation provided sufficient resources and help to assist with their well-being.
- 2.31 Our analysis of CERA's spending on two of its back-office functions – finance and human resources – shows that CERA's operational spending was higher

than the median of other similar-sized public entities. In our view, this was not unreasonable, since CERA was operating in a unique and challenging situation and was responsible for about \$3.7 billion of non-departmental expenditure. The spending was not outside of the range of entities included in the BASS reports.

### CERA had unappropriated expenditure in most years

- 2.32 CERA was responsible for managing the appropriations in Vote Canterbury Earthquake Recovery. In most years, there were breaches of appropriation. Some of these breaches were technical in nature and hard to predict or plan for. However, other instances of unappropriated expenditure could have been avoided with greater planning and awareness of the financial consequences of policy decisions.
- 2.33 Under New Zealand’s constitutional and legal system, the Government needs Parliament’s approval to:
- make laws;
  - impose taxes on people to raise public funds; and
  - spend public money.
- 2.34 As a public entity, CERA was responsible for administering public money approved by Parliament to be spent on the recovery from the Canterbury earthquakes. This meant CERA had to ensure that it:
- did not spend more than what was approved by Parliament; and
  - spent public money only on activities approved by Parliament.
- 2.35 CERA incurred unappropriated expenditure every year, except for 2015/16. The amounts of unappropriated expenditure are set out in Figure 10. The unappropriated expenditure related to the horizontal infrastructure (pipes and roads), the Anchor Projects, and the Red Zones.

**Figure 10**  
Number and value of instances of unappropriated expenditure, 2011/12 to 2015/16

Financial year	Number of instances	Value
2010/11	1	\$1,038,958,000
2011/12	4	\$184,293,000
2012/13	3	\$10,141,000
2013/14	7	\$139,670,000
2014/15	5	\$37,049,000
2015/16	0	\$0

- 2.36 CERA worked in a changing and uncertain environment. Some of the decisions made by Cabinet resulted in high levels of spending that had to be undertaken before there was time to seek Parliament's approval. For example, the Government's decision in 2011 to purchase properties in the Red Zones was announced when there was no appropriation available for the spending. CERA incurred this expenditure under the authority of an Imprest Supply Act, which provided the authorisation to incur the expense in advance of Parliamentary authority. In 2015, we reviewed the use of imprest supply for the Red Zones and concluded that it was appropriate and lawful.
- 2.37 At other times, complex accounting issues, such as the valuation of land that the Crown had purchased in the CBD and the decision to vest ownership of the Bus Interchange to CERA, were hard to predict and led to unappropriated expenditure. However, other instances of unappropriated expenditure by CERA could have been avoided by more timely evaluation of the accounting and appropriation impacts of proposed decisions. Flexible arrangements in funding, such as multi-category appropriations, could help manage the uncertainty in a recovery environment.

### Winding down and transferring roles and responsibilities

- 2.38 In 2012, we reported that the establishment of CERA was linked to the Act. The Act would expire in April 2016 and, at the time, it was intended for CERA to stop operating in April 2016. We noted that it was important for CERA to prepare an effective "exit strategy" to ensure that recovery efforts remained effective after it was disestablished.<sup>4</sup>
- 2.39 CERA did not clearly state what it would achieve by the end of its five years. This meant that there was not enough focus on the enduring legacy and consequences of decisions and commitments that CERA was making. In 2014, CERA worked with recovery partners to create a transition plan that sharpened the focus on CERA's legacy and the projects and programmes it was responsible for.
- 2.40 In 2015, Cabinet announced that CERA would be disestablished in April 2016, and its functions and powers would be transferred to a range of public entities. These included two new entities, Ōtākaro Limited (a Crown-owned company responsible for the Crown's investment in the CBD) and Regenerate Christchurch (a public entity governed by a board made up of appointees from the Crown and Christchurch City Council). CERA's responsibilities have now been successfully transferred to the other entities. Information, knowledge, and skills have been effectively handed over.

4 Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, pages 19 and 23.

- 2.41 In February 2015, about a year before the formal expiry of the Canterbury Earthquake Recovery Act 2011, CERA became a departmental agency of DPMC. Departmental agencies are a new organisational form in the New Zealand public sector. They are intended to provide for operational functions to be carried out autonomously, while remaining part of a host government department for the purposes of Ministerial and Parliamentary accountability. The objective was to maintain the pace and momentum of recovery activities while smoothly moving responsibilities from CERA to other agencies on the expiry of the Act.
- 2.42 We were told by former CERA staff and staff from central agencies that establishing CERA as a departmental agency of DMPC helped CERA influence the work of other government departments, and prepare for the transfer of CERA's responsibilities to other agencies. However, integrating CERA into DPMC was challenging and came at a cost. It involved consolidating CERA's financial and performance information with DPMC's in the middle of the financial year. The complexities in consolidating the accounts of CERA into DPMC's annual report meant that DPMC breached its statutory reporting deadline under section 45D of the Public Finance Act 1989.
- 2.43 In a unique situation, DPMC was consolidating CERA into the host department while working on CERA's disestablishment and transfer of functions. The work stretched the capacity and capability of DPMC, CERA, and staff from the Central Agencies Shared Services, with the latter completing annual report work for the two other central agencies as well as carrying out business as usual.
- 2.44 The State Services Commission conducted a review of the CERA experience as a departmental agency against the formal legislated framework and relevant policy advice. The State Services Commission is using the findings of this work to update the relevant parts of its machinery of government guidance and advice. In our view, it is important that the results are published so that lessons can be learned and applied to the establishment of departmental agencies in the future.
- 2.45 After the announcement of its disestablishment, CERA established a change management office to prepare for and manage the handover of responsibilities to other agencies. The change management office also worked with CERA staff to help them prepare for the transition, providing counselling, training, and support for finding employment after CERA was disestablished. Former CERA staff told us that this process was managed well. To date, the transfer of functions to other agencies appears to have been successful. Evidence from our annual audits of inheriting agencies in 2016 has not shown any significant issues with the transfer of roles and responsibilities to other public sector organisations.

- 2.46 CERA carried out an extensive learning and legacy exercise to identify the main lessons from its five years, and has made an effective contribution to the wider learning and legacy programme that was being managed by DPMC. CERA's learning and legacy work is available on a new website hosted by DPMC (see [eqrecoverylearning.org](http://eqrecoverylearning.org)).

### **Lessons for the future**

- 2.47 In our view:
- The State Services Commission needs to consider the most appropriate organisational type of any future recovery agency, the benefits and costs of each organisational type, the situations in which they should be used, and how long a recovery agency should remain in place.
  - The Ministry of Civil Defence and Emergency Management and the State Services Commission need to prepare a response plan that will enable a future recovery agency to be established quickly and effectively. They need to update the plan regularly and include criteria for when an agency would be established. The response plan needs to include service-level agreements to prepare for the quick establishment of core corporate services.
  - There needs to be clarity about what a recovery agency should achieve by the end of its lifetime. This should be expressed in a performance framework with realistic targets, and be regularly reported on.
  - To manage uncertainty in a disaster recovery, a recovery agency needs to have flexible arrangements for funding and staffing. For example, it might need to use multi-year and category appropriations, and a mixture of fixed-term and short-term staff.
  - A recovery agency needs effective financial and management controls from the start. The early stage of the recovery is when there is the greatest risk and opportunity for fraudulent activities and inappropriate spending of public funds.

# Leading and co-ordinating the recovery

3.1 In this Part, we look at how effective CERA was in leading and co-ordinating the recovery. We discuss:

- CERA's leadership and co-ordination role;
- how CERA measured and reported its performance in leading the recovery;
- how effective CERA was in providing leadership in the different phases of the recovery; and
- how effectively CERA communicated and engaged with its stakeholders and the community.

## Summary of our findings

3.2 CERA's leadership and co-ordination role involved working with a wide range of organisations in the public, private, and non-government sectors, as well as with members of the community.

3.3 CERA was effective in bringing many of the stakeholders together to address immediate tasks during the emergency and restoration phases of the recovery. It worked well with stakeholders to manage the cordon around the CBD, gather information on land damage, and prepare the overarching recovery strategy.

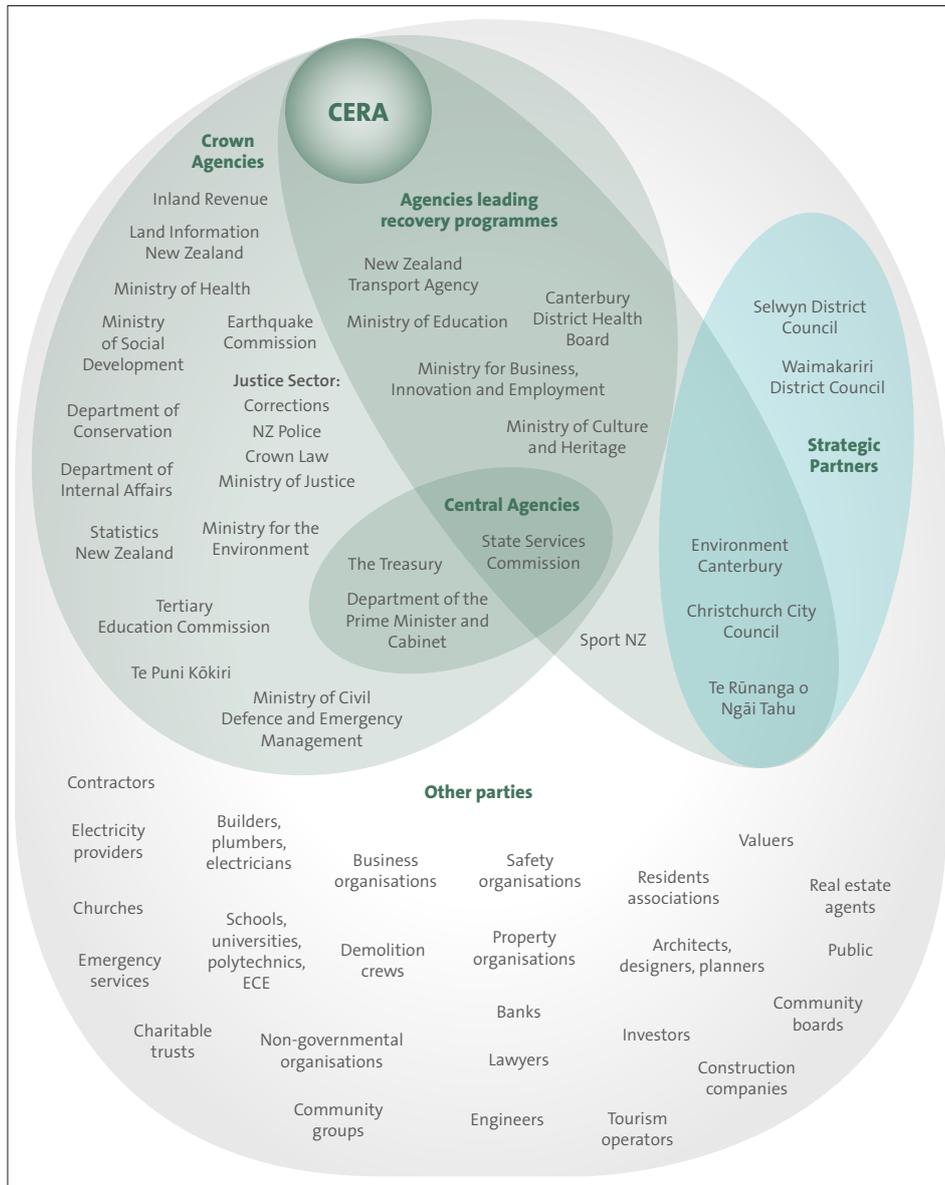
3.4 As the recovery moved from the emergency and restoration phases into the reconstruction phase, CERA found it challenging to maintain its influence and leadership of the recovery.

3.5 Despite investing significant resources in communications, including initiatives to engage the community, CERA was not as effective or efficient in communicating with the community as it intended or needed to be. Results from surveys indicate that CERA became less effective in communicating and engaging with stakeholders and the community over time. However, this needs to be read in the context of the different ways in which a community responds to a recovery over time.

## The leadership and co-ordination role

3.6 CERA was responsible for leading and co-ordinating the public sector's response to the recovery, which it was required to do with its strategic partners. CERA was also responsible for creating an overarching recovery strategy: a statutory document that created a platform for a range of policies, programmes, and recovery plans. As the lead recovery agency, its role involved influencing and supporting the work of a wide range of organisations, including policy departments, agencies with focused delivery roles, local authorities, and communities. Figure 11 shows the range of agencies CERA had to work with in its leadership and co-ordination role.

**Figure 11**  
Canterbury Earthquake Recovery Authority’s “sphere of influence”



Source: Adapted from Canterbury Earthquake Recovery Authority (2014) *Briefing for the incoming Minister*.

3.7 In 2012, we reviewed the roles, responsibilities, and funding arrangements for public entities in the recovery from the Canterbury earthquakes.<sup>5</sup> Because of the complex nature of the recovery, we said that CERA needed to use its influence and

<sup>5</sup> Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*.

provide strategic direction to other public entities so that, through their normal day-to-day work, they would make an effective contribution to the recovery.

- 3.8 We also described how CERA needed to effectively bring together agencies and ensure that their work was mutually supportive and in line with the *Recovery Strategy for Greater Christchurch* (the Recovery Strategy). We noted that international experience from other natural disasters has shown how important it is to properly co-ordinate and govern how the public sector responds to recovery. If collaboration fails, recovery efforts can be hampered, causing delays and – in the end – poor outcomes for affected communities.<sup>6</sup>
- 3.9 The Recovery Strategy identified a number of plans and programmes to be carried out to achieve recovery. Some plans and programmes were led by CERA, and some were led by other public entities and non-government agencies. This meant that CERA was heavily involved in supporting programmes led by other organisations, such as the Natural Environment Recovery Programme. In its supporting capacity, CERA provided co-ordination, facilitated information sharing between entities, and provided assistance where needed.

### Measuring effectiveness in leading the recovery

- 3.10 In 2013, CERA surveyed the strategic partners as a measure of its effectiveness in a leadership role. CERA's target was that 100% of chief executives would be satisfied or more than satisfied with its contribution to the economic recovery.
- 3.11 This standard was not met. Of the respondents, 69% of representatives of the strategic partners reported being either satisfied or more than satisfied, 24% were unsure of CERA's contribution, 3% were unsatisfied, and 3% did not respond.<sup>7</sup> In 2014, CERA changed the target from 100% satisfaction to the majority of strategic partners being satisfied with the governance and co-ordination of CERA. CERA reported that this target was met but it did not report the size of the majority.<sup>8</sup> CERA did not report on this measure in 2015 or 2016.
- 3.12 Although the survey provided a useful indicator of the strategic partners' perception of CERA's leadership effectiveness, it was not a strong measure of how effective CERA was in leading and co-ordinating the recovery. Below, we assess how CERA performed in this role based on our audits of CERA, reports by other agencies, and the findings from our interviews with former CERA staff, stakeholders, and community groups.

6 Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, page 9.

7 Canterbury Earthquake Recovery Authority (2013), *Canterbury Earthquake Recovery Authority Annual Report 2013*, page 18.

8 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 23.

## Leading and co-ordinating the recovery

### In the emergency and restoration phases

- 3.13 During the emergency phase, CERA was effective in using its powers to co-ordinate and lead the work to make the CBD safe. CERA worked effectively with organisations such as the New Zealand Defence Force to maintain the cordon around the CBD and set about effectively demolishing dangerous buildings. CERA also established arrangements for temporary housing for families whose homes had been destroyed in the earthquakes, and began to prepare an overarching recovery strategy involving its strategic partners.
- 3.14 CERA was effective in gathering and analysing information about land damage in residential areas in Christchurch, Kaiapoi, and the Port Hills. It used this information to give important and timely advice to the Minister and Cabinet on policy options for these areas.
- 3.15 In the restoration phase, CERA was effective in providing leadership to kick-start and co-ordinate some early programmes and initiatives that were important in helping the community to recover and to support its well-being. These included the development of the temporary stadium in Addington and the Re:START Mall, which provided a space for retail outlets in the central city. These “early wins” are aligned with internationally recognised good practice for disaster recovery.<sup>9</sup>
- 3.16 CERA worked effectively with its strategic partners to write the recovery strategy. The draft recovery strategy was released for public consultation on CERA’s website on 10 September 2011 (about six months after CERA was set up) and published in May 2012.

### Moving into the reconstruction phase

- 3.17 In 2012, we noted that there was a risk of confusion about the roles and responsibilities among public entities involved in the recovery, especially given the complex nature of the public sector’s response. We emphasised the importance of CERA being clear about its role in the recovery and how it would work with other public entities.<sup>10</sup>
- 3.18 Over time, CERA’s ability to influence the work of other government departments became more challenging as government departments focused on business as usual. By early 2013, the recovery was moving from the emergency response and restoration phases and into the reconstruction phase. This required greater effort

9 Cheatham, B, Healy, A, and O’Brien Kuusinen, B (2015), *Improving disaster recovery: Lessons learned in the United States*, McKinsey & Company.

10 Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, page 21.

in planning and strategy, and a shift from focusing on immediate tasks towards a longer-term view.

- 3.19 CERA's leadership experienced some difficulty in sustaining a co-ordinated whole-of-government response to the reconstruction phase of recovery, and towards the regeneration phase. At the same time, CERA began to take on more roles and responsibilities, such as overseeing whole-of-government procurement policy in the recovery.
- 3.20 These difficulties were identified during a Performance Improvement Framework (PIF) review of CERA in 2013 and annual reviews of the Act.<sup>11</sup> They were also echoed in our interviews with many of CERA's stakeholders and former staff.
- 3.21 In 2013, the lead reviewers of the PIF review identified the need for CERA to be "smarter in its ability to engage with, obtain the active support of, and lead and co-ordinate the efforts of Crown agencies as they participate in the recovery". They concluded that CERA needed to strengthen how it provided leadership to the rest of government, to turn "existing fora and engagements from briefing and information exchange exercises to activities where issues are identified and the way forward agreed upon".<sup>12</sup> They recommended that:
- CERA be clearer about what was expected to be achieved, and by whom, by April 2016;
  - the CERA senior leadership team do more to oversee the development of systems and processes;
  - CERA create more space for staff to "stand back and take time";
  - CERA clarify organisational priorities; and
  - the CERA senior leadership team focus more on leadership and less on day-to-day management.
- 3.22 Our 2013 report, *Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch*, also stated that CERA's leadership role needed to improve. CERA was one of three public entities in the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) alliance to repair pipes and roads, and as such had an important leadership role. We found that the effectiveness of SCIRT's programme of repairs was being hindered by limited involvement from CERA in strategy, governance, and decision-making.
- 3.23 After our 2013 report, CERA strengthened its leadership role with SCIRT and its monitoring of the Crown's expenditure on the horizontal infrastructure rebuild

11 Each year a review of the operation and effectiveness of the Act was done by Simon Murdoch, former Secretary of Foreign Affairs and Trade, High Commissioner to Canberra, and Chief Executive of DPMC.

12 State Services Commission Memorandum (2014), *Performance Improvement Framework Review of the Canterbury Earthquake Recovery Authority*, page 5.

through its Horizontal Infrastructure team.<sup>13</sup> This helped reduce the cost to the Crown of the horizontal infrastructure rebuild. However, its earlier lack of leadership meant that levels of service and funding arrangements were not effectively agreed between the Crown and Christchurch City Council. This caused tensions between the Council and the Crown, and led to significant delays in some projects later in the programme.

- 3.24 By 2013, CERA's role had changed from what had been originally envisioned. When established, CERA was largely seen by its leadership team as a leader and co-ordinator of the recovery, rather than being responsible for delivering a number of projects and programmes. Over time, CERA took on more delivery roles. By the time of disestablishment, it was responsible for 24 major programmes and more than 130 projects.<sup>14</sup>
- 3.25 CERA struggled to prioritise and balance its strategic leadership role with delivering the expanding portfolio of programmes and projects. As a result, its role became less clear, which confused staff, stakeholders, and the community.<sup>15</sup> At times, CERA failed to prioritise its relationship and leadership role with Wellington-based government agencies.<sup>16</sup> The lack of clarity in its role made it more challenging for CERA to influence and co-ordinate the work of the wider public sector.
- 3.26 In response to the difficulties CERA was experiencing in influencing other government departments and agencies, DPMC and the State Services Commission provided stronger support to CERA's leadership team through weekly engagement meetings between the chief executives of the central agencies and the Chief Executive of CERA. In 2013, CERA also increased the size and role of its Wellington office, which helped to improve interactions with other government departments, Cabinet, and Ministers.
- 3.27 However, CERA's 2014 *Briefing for the incoming Minister* described the challenges it was still experiencing in providing strategic direction as the recovery moved into the reconstruction phase. CERA noted that there was an over-emphasis on "issues-based decision making", at the cost of a "more holistic view of costs, benefits and implications across the whole recovery".<sup>17</sup>

13 Office of the Auditor-General (2016), *Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch – follow-up audit*.

14 Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, page 26, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

15 Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, page 26, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

16 Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, page 34, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

17 Canterbury Earthquake Recovery Authority (2014), *Briefing for the incoming Minister – October 2014*, page 13.

- 3.28 In 2015, CERA became a departmental agency of DPMC. In the context of CERA's role in influencing the work of other government departments and agencies, we were told by senior CERA staff and staff from central agencies that this transition helped improve CERA's influence with Wellington-based departments and agencies (see paragraphs 2.41-2.44).
- 3.29 In our view, there needed to be an ongoing assessment and more consideration of the balance between CERA's role in delivering projects with that of providing leadership to the whole-of-government recovery. There should also have been more analysis of whether CERA was the right vehicle for delivering the programmes and projects it was taking on.

### **Giving policy advice to Ministers and Cabinet**

- 3.30 CERA was effective in giving Ministers a substantial amount of policy advice relating to a wide range of issues in the recovery. The policy advice provided by CERA to Ministers and Cabinet was a significant part of its leadership role. CERA met its targets for Ministerial satisfaction with policy advice. CERA reported in its 2012, 2013, and 2014 annual reports that the Minister was satisfied with the quality of its policy advice. In 2016, the Minister reported the advice as exceeding expectations (ministerial satisfaction was not measured in 2015).<sup>18</sup>
- 3.31 CERA had an important role in providing advice on recovery matters to the Minister and to Cabinet. The amount of policy advice required of CERA was substantial. For example:
- In 2011, the Ad Hoc Cabinet Committee on Canterbury Earthquake Recovery met 22 times and considered 69 papers submitted under various portfolios, of which 17 were directly generated by CERA.
  - In 2012, Cabinet received 31 submissions from the portfolio Minister and eight on CERA-related issues from other portfolios. The Cabinet Committee on Canterbury Earthquake Recovery met 13 times and considered 36 departmental papers, of which CERA initiated 25.
  - In 2013, Cabinet or its Committees received 35 papers related to the Canterbury recovery, the bulk of them initiated by CERA, but six other portfolios also initiated papers. The special Cabinet Committee on Canterbury Earthquake Recovery met seven times but other Committees, principally the Cabinet Committee on Economic Growth and Infrastructure, were also involved.
- 3.32 The issues that CERA provided advice on were wide ranging. They included arrangements for the repair and rebuild of horizontal infrastructure, the Red Zones, arrangements for supporting psychosocial recovery, cost-sharing with

18 Department of the Prime Minister and Cabinet (2016), *Annual Report for the year ended 30 June 2016*, page 68.

Christchurch City Council, and a large volume of advice on the development of the CBD and the various Anchor Projects.

### Working with local groups and agencies

- 3.33 The Act required that CERA work with Christchurch City Council, Environment Canterbury, Selwyn District Council, Waimakariri District Council, and Te Rūnanga o Ngāi Tahu in preparing the recovery strategy. CERA's work with local authorities included addressing policy issues for cost sharing, housing (including land zoning), repairing infrastructure, and preparing for the transition of longer-term recovery responsibility back to local ownership. CERA worked closely with Ngāi Tahu in planning the design of Anchor Projects, the social recovery, and the overall recovery strategy.
- 3.34 We found that there were good operational relationships between CERA, local authorities, and Ngāi Tahu. However, tensions and disagreements between CERA and Christchurch City Council were apparent throughout CERA's term. There were disagreements about roles and responsibilities, the funding for infrastructure repairs, and decisions about the redevelopment of the CBD.
- 3.35 Communication between CERA and Christchurch City Council was not as open and transparent as is required for an effective recovery, which damaged the trust between the leadership of both organisations. This caused delays, such as to the repair of pipes and roads, as we reported in 2016.<sup>19</sup>
- 3.36 As the recovery progressed, the strategic relationship between Christchurch City Council and CERA improved. This is evident by the successful transition of responsibilities after CERA was disestablished.

### Engaging with the community

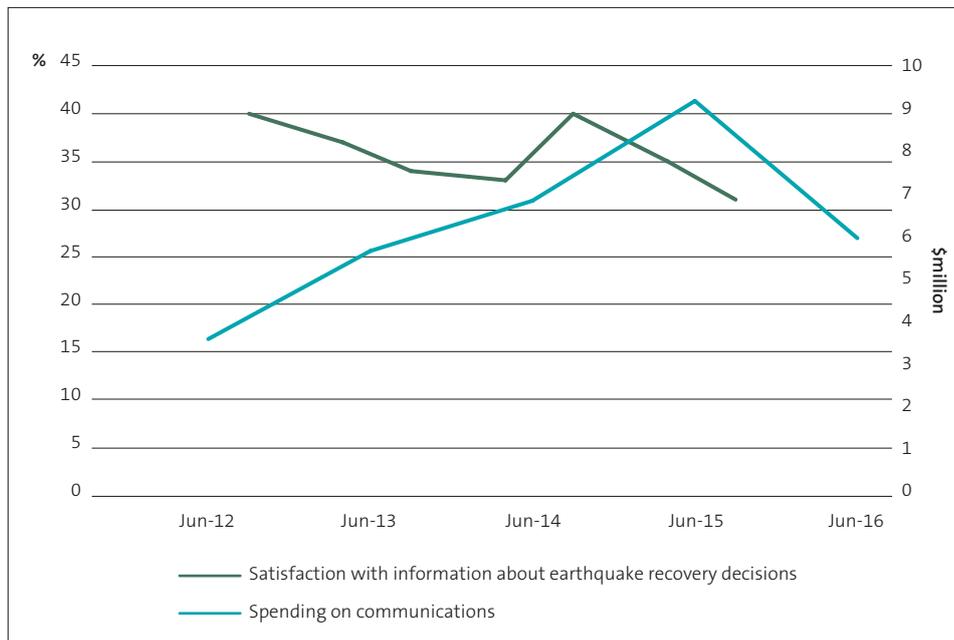
- 3.37 Good practice, identified through international experience in recovering from natural disasters, is for communities to be placed at the centre of the recovery.<sup>20</sup> This means effectively communicating decisions and progress to communities, as well as finding ways to involve communities in decision-making and planning during the different phases of recovery.
- 3.38 Evidence from external surveys, reviews of CERA and the Act, and our interviews with stakeholders indicates that, despite its considerable efforts, CERA could have been more effective and efficient in communicating and engaging with the community.

19 Office of the Auditor-General (2016), *Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch – follow-up audit*.

20 See, for example, World Bank (2010), *Safer Homes, Stronger Communities: A Handbook for Reconstructing after Natural Disasters*, Washington, Chapter 12. See also Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, page 23.

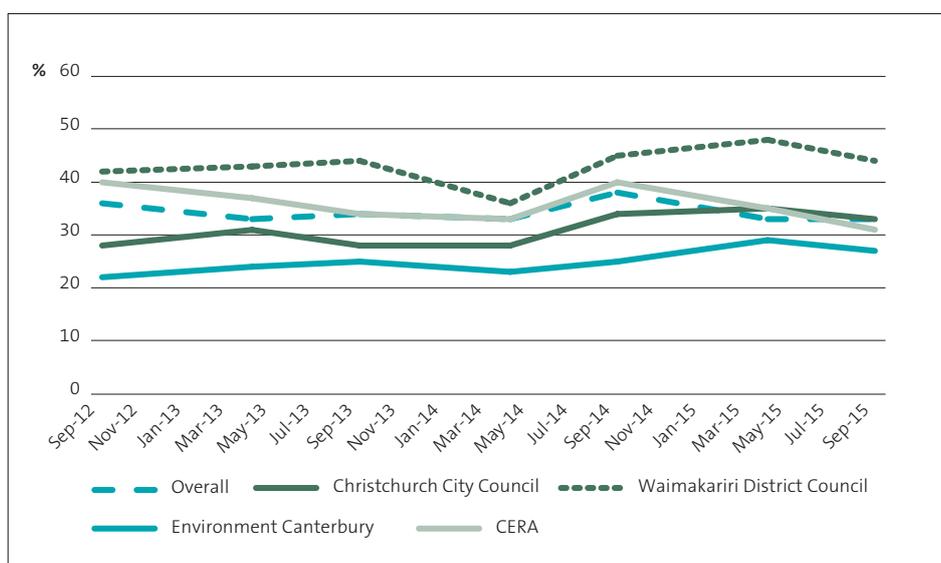
- 3.39 CERA prepared and carried out a community engagement strategy and framework to guide staff in their engagement with the community. The aim of these documents was to enable communities to participate in decision-making about the recovery. CERA sought the advice of specialists in psychosocial disaster recovery when it prepared the strategy and framework.
- 3.40 Senior leaders of CERA were visible in the community. They attended community meetings to communicate decisions about land zoning in the residential areas that had been badly affected by liquefaction, lateral spread, and flooding. CERA published regular updates on the progress of the recovery. For example, it issued a monthly publication, *Greater Christchurch Recovery Update*, which was distributed to 150,000 households. CERA staff also worked with community organisations and non-governmental organisations to create *Community in Mind*, a community response to the psychosocial recovery efforts.
- 3.41 We found that CERA listened and responded to feedback about its communication with the public. Some early decisions about the future of residential areas, such as the red zoning of areas, were announced through the media before all property owners had been contacted and informed about the decisions. This caused distress to some homeowners. CERA adjusted its approach and held a series of community meetings to communicate and discuss its approach and arrangements for the Red Zones.
- 3.42 Communications were an important part of the leadership and co-ordination function of CERA. It invested considerable time and resources in communicating and engaging with the community. The cost of CERA's communication function was therefore high when compared with other public entities of a similar size.
- 3.43 Results from the bi-annual *Wellbeing Survey* indicated that CERA was not as effective or as efficient as it could have been in engaging with the community during the recovery (see Figure 12). Between June 2012 and June 2015, CERA significantly increased its spending on communications. Despite this, the community's satisfaction with the information about earthquake recovery decisions from CERA declined. However, a community responds to a recovery in different ways over time and this may explain some of the decline in satisfaction (see paragraphs 3.47-3.48).

**Figure 12**  
Respondents' overall satisfaction with information from CERA compared with CERA's annual spending on communications, June 2012 to June 2016



3.44 Figure 13 shows the public's satisfaction with information from various agencies between September 2012 and September 2015. The people of Canterbury were more satisfied with CERA earlier on, and this satisfaction decreased over time. In comparison, Christchurch City Council's results were lower at the beginning but increased over time, eventually overtaking CERA's satisfaction results. Environment Canterbury's satisfaction results also improved over time but did not reach the levels achieved by the other agencies. Waimakariri District Council recorded the highest satisfaction levels throughout the years.

**Figure 13**  
Community satisfaction with the information from public entities in Canterbury, September 2012 to September 2015



- 3.45 CERA also used the *Wellbeing Survey* to get a view on how the community felt about the opportunities it had to influence earthquake recovery decisions. The survey found that about 30% of respondents were satisfied that they had good opportunities to influence decisions.
- 3.46 In 2013, the PIF reviewers reported that there was “a consistent message from stakeholders about the desire for a stronger sense of community engagement and empowerment in the rebuild and recovery”. The PIF reviewers suggested that responding to these perceptions would require CERA to adapt its style of community engagement, from informing and advising to engaging and empowering.<sup>21</sup> CERA’s Audit and Risk Committee also raised concerns with management about the need for CERA to improve its communications with the community.
- 3.47 A community responds to a recovery in different ways over time. Research has shown that there are different phases of psychosocial recovery.<sup>22</sup> The 2014 review of the Act described, for example, “a mood of scepticism combined with weariness of the grind” in the community. The review noted that many people had a long wait for the recovery to reach them.<sup>23</sup> The feelings of the community at the time would have affected the results of the engagement survey.

<sup>21</sup> State Services Commission Memorandum (2014), *Performance Improvement Framework Review of the Canterbury Earthquake Recovery Authority*, pages 6-7.

<sup>22</sup> Gluckman, P (2011), “The Psychosocial Consequences of the Canterbury Earthquakes”, *Office of the Prime Minister’s Science Advisory Committee*.

<sup>23</sup> Murdoch, S (2014), *Annual Review of the Canterbury Earthquake Recovery Act 2011* (August 2014), page 13.

- 3.48 In its 2014 *Briefing for the incoming Minister*, CERA described a sense of frustration and disappointment among the community, which was consistent with international experience of recovery. CERA concluded that improved community engagement was needed to “increase a sense of buy-in to decisions and their outcomes, and a sense of local ownership of the future of greater Christchurch. It will also help people along their psychosocial recovery journey”.<sup>24</sup>
- 3.49 From our interviews with external stakeholders, we noted that much of the communication from CERA about the progress of the recovery was positive in its tone. This contrasted with the experience and feelings of people in Christchurch, who were facing many challenges to their lives, including the psychological effects of the earthquakes, managing insurance claims, and the disruption to their daily lives from the repair and rebuilding throughout the city.
- 3.50 CERA did not effectively adapt its approach to communicating and engaging with the community, but did continue to increase its communications spending. In its own learning and legacy reports, CERA acknowledged that it failed to meet community expectations. It had noted that some communities did not trust CERA and that “some consider that the public has not had input into some of the big decisions made”. CERA concluded that it had:
- been good at communication but not engagement – communities felt like they were being talked at, rather than listened to;
  - tended to wait until solutions were found before sharing information, which meant that communities did not see the “behind-the-scenes work” of CERA and its partners in planning the recovery; and
  - communicated unrealistic time frames, which meant that communities’ confidence dropped when these time frames were not met.<sup>25</sup>

### Value of the community forum

- 3.51 The Act required that a community forum (the forum) be established and to consist of at least 20 members and to meet at least six times a year.
- 3.52 CERA reported the number of times the forum met as a measure of the effectiveness of social recovery. The forum met more than 17 times a year, which was more than required by the Act.
- 3.53 The forum provided Ministers with information and advice about the operation of the Act. Ministers and CERA officials considered the forum to be an effective sounding board for them. However, it did not function as a mechanism for engaging the wider community.

<sup>24</sup> Canterbury Earthquake Recovery Authority (2014), *Briefing for the incoming Minister – October 2014*, page 13.

<sup>25</sup> Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, page 40, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

- 3.54 CERA was responsible for supporting the forum by providing a secretariat and facilitating meetings between the forum, Ministers, and other recovery stakeholders. Members of the forum felt that CERA was effective in supporting and enabling the forum.
- 3.55 Ministers also found the support CERA provided to the forum to be effective in establishing a safe place to consult leaders from the community. The forum became a trusted source of advice to Ministers and CERA officials, and was provided with confidential information about future policy options to offer advice about. The 2013 annual review of the Act concluded that the forum was timely and professional about delivering its views, both through its written opinions and its meeting minutes, which were made public.<sup>26</sup>
- 3.56 Although the forum was valued by Ministers and CERA officials, its role was not clear to the wider community. The forum was not a means for engaging the wider community in making decisions about the recovery. Some stakeholders, particularly community groups, felt that the forum was too focused on Ministers and not enough on the community. They also felt that, because of the confidential nature of the information provided to the forum, members of the forum were limited in their ability to consult with their communities on policy options.

## Lessons for the future

- 3.57 In our view:
- During a recovery, central agencies need to regularly assess whether the recovery agency is the right vehicle for delivering particular outputs and outcomes. This would help to keep the recovery agency focused on its role and not be distracted by additional responsibilities.
  - A recovery agency needs to think ahead about the future phases of the recovery and plan for them at a strategic level. This will allow the agency to be more proactive in anticipating future issues and identifying its needs for the next phase.
  - Tensions need to be prepared for and managed. Establishing a clear and detailed funding agreement, outlining the roles and responsibilities of all parties and ensuring open discussion at a governance level, will help to ease inter-agency and intra-governmental tensions to ensure that progress is effective and efficient.
  - Agencies need good communication and engagement with the community. Communication needs to acknowledge delays as well as celebrate progress. This helps manage people's expectations and build trust and confidence in the recovery agency. Mechanisms need to be put in place that give communities effective opportunities to participate in the recovery.

26 Murdoch, S (2013), *Annual Review of the Canterbury Earthquake Recovery Act 2011* (August 2013), page 14.

# 4

## Effectiveness in carrying out projects and programmes

- 4.1 As well as its co-ordination and leadership role, CERA was responsible for carrying out projects and programmes.
- 4.2 In this Part, we assess how effectively CERA carried out three of the main programmes it was responsible for. These were:
- the demolition of buildings in the CBD;
  - the Crown's offer to purchase residential properties in the Red Zones (and management of cleared Red Zones); and
  - the 13 Anchor Projects that were part of the *Christchurch Central Recovery Plan*.

### Summary of our findings

- 4.3 CERA managed the demolition programme in the CBD effectively. It made good use of its powers, and established processes early on that enabled the recovery of costs for demolitions from the building owners. CERA also managed the implementation of the policies for the Red Zones mostly effectively. However, there were loose management controls for the procurement of services for clearing and managing some of the Red Zones, which created the potential for fraudulent activities.
- 4.4 CERA's work on Anchor Projects in the CBD was carried out by a separate business unit called the Christchurch Central Development Unit (CCDU). CCDU began its work well by commissioning the central city blueprint and getting projects under way. Some of the Anchor Projects progressed well but most suffered from delays. CCDU would have benefited from stronger commercial expertise. It did not take an effective programme approach to delivering the Anchor Projects it was responsible for.
- 4.5 Stakeholders and external reports of CCDU found that its role was not clear. Although part of CERA, CCDU operated independently. In 2012, we noted that CCDU staff reported separately to the Minister. This caused confusion among stakeholders (in government, the private sector, and the community) about leadership, governance, and accountability.

### Demolition programme for the central business district

- 4.6 CERA led the programme of demolitions in the CBD effectively. It began this programme during the emergency phase of the recovery, when CERA was still being set up as a public entity. Staff worked effectively to establish systems and processes to enable the demolitions to take place quickly, and then to recover costs from property owners. Once the emergency phase was over, CERA did not revise or adapt its procurement processes or its systems to find opportunities to realise better value for money.

- 4.7 The September 2010 earthquake damaged many buildings in the CBD, but the damage from the February 2011 earthquake was considerably worse. A number of factors contributed to this, including the type of buildings, the geology of the Christchurch area, and the nature of the earthquakes. By December 2011, more than 1200 central city buildings had been identified as requiring demolition.<sup>27</sup>
- 4.8 Demolitions were initiated by the Ministry of Civil Defence, and then taken over by CERA.<sup>28</sup> Making the CBD safe for rebuilding and recovery was a priority for CERA because it was about the re-establishment of conditions for investment, business activity, and employment.<sup>29</sup>
- 4.9 A cordon surrounding most of the CBD was established soon after the February 2011 earthquake. The use of a cordon was a significant decision that would have important effects on the progress of the demolitions and of the recovery process in central Christchurch:
- The cordon displaced 50,000 central city jobs, raised questions about (and provided new opportunities for) the long-term viability of downtown, influenced the number and practice of building demolitions, and affected debris management; despite being associated with substantial losses, the cordon was commonly viewed as necessary, and provided some benefits in facilitating recovery.*<sup>30</sup>
- 4.10 The Act authorised CERA to carry out demolition work on dangerous buildings and to then invoice the owners for the cost of demolition.<sup>31</sup> CERA could decide which buildings would be demolished and was enabled to act as a contractor. Building owners could decide whether to make their own arrangements or to allow CERA to conduct the demolition. This arrangement benefited owners who did not have the means, know-how, or negotiating power to make their own arrangements.<sup>32</sup> CERA managed about 40% of building demolitions, and also monitored

27 Canterbury Earthquake Recovery Authority (2011), *Briefing for the incoming Minister – December 2011*, page 9.

28 Canterbury Earthquake Recovery Authority (2011), *Draft recovery strategy for greater Christchurch – Mahere Haumanutanga o Waitaha*, page 10.

29 Canterbury Earthquake Recovery Authority (2011), *Draft recovery strategy for greater Christchurch – Mahere Haumanutanga o Waitaha*, page 4, and Canterbury Earthquake Recovery Authority (2012), *Recovery strategy for greater Christchurch*, page 9.

30 Chang, S E, Taylor, J E, Elwood, K J, Seville, E, Brunson, D, and Gartner, M (2014), "Urban Disaster Recovery in Christchurch: The Central Business District Cordon and Other Critical Decisions", *Earthquake Spectra*, Vol. 30, No. 1, page 1.

31 Buddle Findlay (2011), *Summary and Analysis of the Canterbury Earthquake Recovery Act*.

32 Chang, S E, Taylor, J E, Elwood, K J, Seville, E, Brunson, D, and Gartner, M (2014), "Urban Disaster Recovery in Christchurch: The Central Business District Cordon and Other Critical Decisions", *Earthquake Spectra*, Vol. 30, No. 1, page 13.

demolitions that were being managed by property owners.<sup>33</sup> In total, CERA spent \$117 million on building demolitions.

- 4.11 In the emergency phase, CERA was effective in expediting the central city demolitions and creating an effective process to recover costs from building owners. The demolitions team established a procurement process that managed probity but also allowed for the necessary pace of activity.
- 4.12 The demolitions team had to balance the need to act quickly with the need to plan ahead. The team worked out a waste recovery strategy, established a block-by-block approach to work efficiently, and had good construction planning. By 30 June 2014, all properties in the CBD had been demolished or made safe.<sup>34</sup>
- 4.13 CERA recovered the costs of demolitions from building owners or their insurance companies. By 30 June 2014, CERA had recovered about 88% of these costs.<sup>35</sup> CERA did not report on the percentage of costs recovered from demolitions in 2015 or 2016.

### Managing central city demolitions as the emergency phase ended

- 4.14 Because of the need to take down dangerous buildings, CERA acted quickly. Some of its procurement for demolitions was at a higher cost than would be the case in normal, business-as-usual circumstances.
- 4.15 The demolitions team was not well integrated with the rest of CERA. It worked separately from the rest of the organisation and had many of its own systems, processes, and controls. This was appropriate during the emergency phase of the recovery because the priority was to make the CBD safe. However, as the recovery moved out of the emergency phase, the arrangements for demolitions needed to be better integrated with CERA's policies and procedures.
- 4.16 In 2012, an internal audit concluded that by September 2012, CERA needed to evolve its tendering and procurement for demolitions into more business-as-usual processes. The audit report stated that many of the processes to administer the demolitions programme, including procurement processes, needed improvement. The audit report stated:

*CERA's tendering and contracting processes still show examples of Civil Defence days where outcomes were needed to be achieved quickly. Pace is still an important aspect that CERA needs to continue to deliver on. There are processes*

33 Canterbury Earthquake Recovery Authority (2016), *Demolitions and Operations: An overview of the CERA Operations Team*, page 3, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

34 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 59.

35 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 58.

*that could be improved that will not impact on pace, but will strengthen the control environment and manage reputation risk.*

- 4.17 CERA's Audit and Risk Committee found that CERA's back office struggled to keep up with the pace of the demolitions team. This meant that some of the procurement was not as well controlled as it needed to be after the emergency phase, and that delegations became unclear.

### **Performance against measures and targets for the central city demolitions**

- 4.18 By 2014, CERA had completed all of the 1544 demolitions it had planned to do by that date.<sup>36</sup> In 2015, CERA reported against two new measures in demolition. These were the demolition of all necessary central city buildings in Anchor Project precincts so that construction could go ahead as scheduled, and the demolition of all remaining central city buildings in Anchor Project precincts. Neither of these targets were met, although CERA reported that the demolition of the remaining buildings on designated land in the central city was progressing well.<sup>37</sup>

### **Purchasing and managing properties in the Red Zones**

- 4.19 The earthquakes caused severe damage to land and homes in many residential areas of Christchurch, Waimakariri, and the Port Hills. There was extensive liquefaction, land slips, and other severe land damage. This destroyed thousands of homes, and left many other homes badly damaged. Underground infrastructure, such as water, storm water, and sewerage systems, was extensively damaged.
- 4.20 People living in these badly affected areas faced an uncertain future. The damage to infrastructure meant that the health and well-being of some communities were at risk, and the area-wide damage had profound psychological and emotional effects on many people.
- 4.21 In June 2011, Cabinet agreed that the Crown would offer to purchase insured properties in areas that had been zoned as "Red". The Red Zones were areas where there was such extensive land damage that it was unlikely that it could be rebuilt on for a prolonged period. The Crown offer was intended to provide certainty to people living in badly damaged areas, and also with a way to move forward with their lives. In September 2012, further offers for owners of uninsured properties, vacant land, and insured commercial properties were made.

<sup>36</sup> Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 59.

<sup>37</sup> Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended June 2015*, page 22.

- 4.22 CERA was responsible for carrying out the Crown's offer to buy properties in the Red Zones. This involved communicating the offer to residents in the Red Zones, purchasing nearly 8000 properties, clearing those properties, managing the cleared land, and recovering insurance from the land and properties in Crown ownership. In total, CERA spent about \$1.7 billion on acquiring and managing the Red Zones.
- 4.23 The policy for the Crown to offer to purchase properties in the Red Zones in Christchurch, the Port Hills, and Kaiapoi was unprecedented. Our observations of CERA's role concerns its implementation of the Crown's offer to purchase properties, and its management of the Red Zones.
- 4.24 CERA was mostly effective in managing the policy. It ran the sale and purchase process well, cleared properties as effectively as it could have done, given the complexities arising from insurance claims, and took an effective approach to working with insurance companies to recover insurance from the Crown-owned properties. In a 2015 survey of property owners in the Red Zones, a majority found that the Crown's offer had provided them with certainty of outcome and the confidence to move forward. They also found the process simple and clear.<sup>38</sup>
- 4.25 CERA made considerable efforts to communicate with the affected communities. It adapted its approach to communicating the Crown's offer to communities, but we note that the same survey found that a significant minority (22%) felt that they were not given the best available information to inform their decisions (see paragraph 4.42).
- 4.26 The clearance and management of Crown-acquired properties in the Red Zones in the flat lands of Christchurch did not have adequate management and financial controls for a time, particularly for the procurement and contract management of services to clear and manage the Red Zones. These weaknesses were later addressed after a report from CERA's Audit and Risk Committee to the senior leadership team.
- 4.27 The Crown's offer for uninsured, vacant, and insured commercial properties in the Red Zone was challenged in the courts. The Supreme Court, by a majority, ruled that a Statutory Recovery Plan should have been instituted, which would have included a process for public consultation about the Crown's offer to individual property owners. The Court ruled that "the offer to the 'uninsured and uninsurable' owners of red zone properties was not lawful because the purposes of [the Act] had not been considered when making this decision".<sup>39</sup>

38 Nielsen (2016), *Residential Red Zone Survey (of those who accepted the Crown Offer) 2015*, pages 10-11.

39 Canterbury Earthquake Recovery Authority (2016), *Land Zoning Policy and the Residential Red Zone: Responding to land damage and risk to life*, page 11, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

- 4.28 In response to the Supreme Court ruling, a Recovery Plan was created and approved. This led to new offers being made to owners of uninsured residential properties, vacant land, and insured commercial properties in the Red Zones. The new offers were challenged in the courts in mid-2016, but were found to be lawfully made.
- 4.29 The Human Rights Commission has recently reported on the consequences and human rights implications of the Crown's offer for those who have chosen to remain living in the Red Zones.<sup>40</sup>

#### **Providing Cabinet with policy advice about area-wide land damage**

- 4.30 CERA effectively gathered and analysed information to inform decisions about future land use in badly damaged residential areas in the greater Christchurch area.
- 4.31 The land damage was more severe in some residential areas than others. Extensive lateral spreading and liquefaction on the Canterbury flat lands badly damaged the local infrastructure, including roads and water networks. Residents of some properties on the Port Hills were at risk of collapsing cliffs, land slips, and falling rocks.<sup>41</sup>
- 4.32 CERA gathered extensive information on land damage, which it used as the basis for advice to the Minister and Cabinet on policy options for the future of badly damaged residential areas. Based on CERA's policy advice, the Government announced a package in 2011 to offer to buy insured residential properties in the Red Zones. In September 2012, further offers for owners of uninsured properties, vacant land, and insured commercial properties were announced. This was intended to provide certainty to homeowners in these areas.
- 4.33 Under the Government's package announced in 2011, residents in the Red Zones who owned insured residential property had two options:
- Option 1: CERA, acting for the Government, buys the property at a price based on the most recent rating valuation for the land and improvements. The Crown takes over any insurance claims for the property.
  - Option 2: CERA, acting for the Government, buys the land portion of the property at a price based on the most recent rating valuation for the land. The Crown takes over the Earthquake Commission (EQC) claim for land damage only. These claims are managed by CERA. The owner retains the benefit of all insurance claims for damage to the house.<sup>42</sup>

40 Human Rights Commission (2016), *Staying in the red zones: Monitoring human rights in the Canterbury earthquake recovery*.

41 Canterbury Earthquake Recovery Authority (2016), *Land Zoning Policy and the Residential Red Zone: Responding to land damage and risk to life*, page 3, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

42 Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, page 65.

- 4.34 Eventually, there were 8060 Red Zone properties in greater Christchurch. By December 2015, the owners of 7720 of these properties had accepted the Crown's offer.<sup>43</sup> Of the settled properties, about two-thirds were under Option 2 and a third under Option 1. The Crown expects to recover about \$335 million in insurance recoveries with land claims from EQC.<sup>44</sup>
- 4.35 By April 2016, CERA reported that 98% of homeowners had accepted the Crown's offer.<sup>45</sup> In 2015, about 80% of the affected households felt that the offer had provided the certainty they needed. In hindsight, 66% of those who had accepted the offer felt confident they had made the right decision about the option they had taken.<sup>46</sup>

### Responding to feedback about communicating the Crown's offer

- 4.36 People living in Red Zones had difficult decisions to make. They needed to have a good understanding of their insurance policy and they needed to weigh up the different financial implications for each option, or whether to take an offer at all.
- 4.37 CERA had an important role in helping people to make decisions about the Crown's offer. They had to explain the offer in communities that were coming to terms with the effect of the earthquakes on their lives. The damage to people's homes and neighbourhoods meant that many of them were in very difficult circumstances.
- 4.38 Soon after the land zoning decisions, CERA's senior staff, including the Chief Executive, attended community meetings to provide information and answer questions about the Crown's offer. CERA also used mail drops, knocked on doors, and made telephone calls to affected property owners to explain the Crown's offer and zoning decisions.
- 4.39 CERA responded to feedback from the community about the way the meetings were run. We were told that the early meetings were not well organised and the community was not effectively engaged in managing the meetings or designing a communication strategy for affected communities. After feedback, CERA adapted its approach to ensure that the affected communities received information before the media and worked with Canterbury Communities' Earthquake Recovery Network (CanCERN) to refine their communication approach with affected communities.

43 Nielsen (2016), *Residential Red Zone Survey (of those who accepted the Crown Offer) 2015*, page 6.

44 Land Information New Zealand (2016), *Annual Report 2015/16*, page 98.

45 Canterbury Earthquake Recovery Authority (2016), *Land Zoning Policy and the Residential Red Zone: Responding to land damage and risk to life*, page 8, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

46 Nielsen (2016), *Residential Red Zone Survey (of those who accepted the Crown Offer) 2015*, page 10.

- 4.40 CERA set up a contact centre to provide support to property owners and to help them understand the offer, their options, and the consequences of their decisions. The contact centre advised homeowners to seek legal advice on the options and undertake their own due diligence. The contact centre managed calls and information requests from property owners who had received the Crown's offer and led initiatives to proactively call everyone, and to ensure that particular groups, such as older people or others considered to be vulnerable, received the support they needed.<sup>47</sup>
- 4.41 Two earthquake assistance centres were also established near the Red Zones. These centres, were staffed by CERA, insurers, local authorities, legal experts, earthquake support co-ordinators, and Canterbury Earthquake Temporary Accommodation Service staff. The centres were designed to be a "one-stop shop" of information and help for affected homeowners.<sup>48</sup> Although CERA did not measure the satisfaction of people who used these centres, we received positive comments about them in our interviews with stakeholders.
- 4.42 Evidence from the 2015 survey shows that most people were positive about the information they received about the Crown's offer. In that survey, 61% believed that they were provided with the best possible information at the time to help them make decisions about the Crown's offer. However, a significant minority (22%) disagreed with this statement. This shows that some people's experience of the Crown's offer was difficult, and despite the considerable efforts and resources CERA put in communicating with residents, more could have been done to support residents of the Red Zones.<sup>49</sup>

### Clearing and managing the Red Zones

- 4.43 Considering the challenging and unprecedented nature of the programme, CERA's management of the land that the Crown had acquired in the Red Zones was mostly effective. However, there were some weak controls in procurement and contract management.
- 4.44 CERA was responsible for the demolition and clearance of Crown-owned properties in the Red Zones. Demolition could start only after homeowners had accepted and land purchases were finalised. This led to sporadic demolitions and delays. In an effort to make demolition more efficient, CERA made arrangements for private insurers to be responsible for demolishing some of the properties. If a homeowner chose to take the Government's Option 1 offer, CERA would be

47 Canterbury Earthquake Recovery Authority (2016), *Land Zoning Policy and the Residential Red Zone: Responding to land damage and risk to life*, page 14, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

48 Canterbury Earthquake Recovery Authority (2016), *Land Zoning Policy and the Residential Red Zone: Responding to land damage and risk to life*, page 15, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

49 Nielsen (2016), *Residential Red Zone Survey (of those who accepted the Crown Offer) 2015*, page 11.

responsible for the demolition of the property. If they chose Option 2, the private insurer would be responsible.

- 4.45 Consultants were contracted by CERA to produce a report outlining the potential interim land clearance treatment options for Crown-owned properties in the Red Zones.<sup>50</sup> This report outlined different treatment options for different areas, depending on what was appropriate. The preference was to turn cleared properties into grassland. Where this was not possible, alternative treatment options were considered, based on factors such as specific soil condition, location, drainage, and standing water.<sup>51</sup>

#### Performance measures about managing the Red Zone programme

- 4.46 Demolishing and clearing properties in the Red Zones was slower than expected, which made it difficult for CERA to meet its targets. The reasons for this varied but included slower rates of settlement, especially in the Port Hills Red Zone, the capacity of the demolitions industry, the discovery of archaeological sites, weather events, and the presence of asbestos. The state of the roads in the Port Hills in 2012/13 made it difficult, and in some instances impossible, to move large demolition machinery, which resulted in delays. Because of negotiations with insurers, demolishing and clearing properties was done individually rather than in blocks, which slowed progress,<sup>52</sup> and a larger number of properties than expected were relocated rather than demolished.<sup>53</sup>
- 4.47 CERA measured its performance in carrying out the policy for Red Zones according to the rate at which Crown-owned properties were cleared on the flat lands Red Zones and the Port Hills Red Zone. CERA aimed to clear all Crown-owned dwellings on the flat lands by 31 December 2014.<sup>54</sup> CERA did not meet this target, but by 30 June 2016, 99% of Crown-owned dwellings in the flat lands Red Zones were cleared.<sup>55</sup>
- 4.48 CERA also aimed to clear 50% of Crown-owned dwellings in the Port Hills Red Zone by 30 June 2016. At 30 June 2015, CERA reported that it was on track to meet this target, with 30% of these properties cleared.<sup>56</sup> In December 2015, Land

50 Land Information New Zealand (2012), *Residential red zone: Interim land clearance treatment methodology*, page 4.

51 Land Information New Zealand (2012), *Residential red zone: interim land clearance treatment methodology*, page 26.

52 Canterbury Earthquake Recovery Authority (2013), *Canterbury Earthquake Recovery Authority Annual Report 2013*, page 64.

53 Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended 30 June 2015*, page 96.

54 Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended 30 June 2015*, page 24.

55 Department of the Prime Minister and Cabinet (2016), *Annual Report for the year ended 30 June 2016*, page 70.

56 Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended 30 June 2015*, page 24.

Information New Zealand (LINZ) inherited responsibility for the demolition and clearance of properties in the Port Hills Red Zone. In its 2016 annual report, LINZ reported that CERA's target of clearing at least 50% of Crown-owned dwellings had been achieved, with 313 properties cleared.<sup>57</sup>

- 4.49 An independent quality review of the management of the Red Zones in the flat lands around the Avon River and the Eastern suburbs found weak procurement and contract management controls. These weak controls meant that there was the potential for fraudulent activities to occur. CERA strengthened its policies and controls for managing procurement in the Red Zones in response to the quality review.

### **Insurance recoveries from Crown-owned properties in the Red Zones**

- 4.50 Under the insured options scheme, CERA had to deal with insurance recoveries in two ways. Under both options, CERA purchased the property owner's land. With Option 1, CERA purchased the land and improvements (such as buildings) at a cost based on the most recent rates valuation. CERA then took on the full claim for the property, which consisted of the house claim with the insurer and the land claim through EQC. This option was made more complex because many insurance policies were different. Under Option 2, CERA purchased the land only and homeowners dealt with their own house insurance policy with their insurer. These made up about two-thirds of settlements. Settlements have been further complicated by properties that were cross-lease and shared land.
- 4.51 In 2014, we reviewed CERA's systems and processes for recovering insurance on Crown-owned properties. We found that these were appropriate, but noted some risks because of a dependency on one member of staff with the necessary knowledge and expertise to work with insurance companies.
- 4.52 By June 2015, 77% of CERA's property insurance recoveries were complete.<sup>58</sup> The land recoveries were yet to start because EQC had prioritised settling the claims of private owners of properties outside of the Red Zones.

57 Land Information New Zealand (2016), *Annual Report 2015/16*, page 45.

58 Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended 30 June 2015*, page 95.

## Effectiveness in project and programme management of the *Christchurch Central Recovery Plan*

- 4.53 In April 2012, the Minister announced the establishment of a new unit in CERA, the Christchurch Central Development Unit (CCDU). CCDU was responsible for delivering the *Christchurch Central Recovery Plan* and leading the work of public entities to co-ordinate rebuilding the CBD, including working with private investors.
- 4.54 CCDU was responsible for planning the recovery of the CBD, and for managing 13 Anchor Projects. CERA spent about \$914 million on the Anchor Projects, which included acquiring the necessary land in the central city. CCDU was effective in leading the work to create the blueprint for the central city. It managed some projects effectively, but most projects fell behind schedule and CCDU was slow to take an overall programme approach to managing its central city projects.
- 4.55 When deciding on the structure and purpose of CCDU, officials provided advice to Cabinet that included drawing on the lessons from development initiatives and programmes overseas, including:
- Solidere – the Lebanese Company for the Development and Reconstruction of Beirut Central District;
  - London Docklands Development Corporation; and
  - Lower Manhattan Development Corporation.
- 4.56 Cabinet considered four options for a development agency:
- a delivery agency in CERA;
  - a separate Crown-owned company, with an independent governance and management structure;
  - a private company, commissioned by the Crown; and
  - giving responsibility to Canterbury local authorities and council-controlled organisations.
- 4.57 Cabinet decided to give CERA responsibility for leading the recovery of the CBD because it had existing statutory powers under the Act to gather and collate information, amend consenting processes, and to acquire and dispose of land.
- 4.58 After Christchurch City Council’s “Share an Idea” initiative<sup>59</sup> and a draft recovery plan that the Council produced, CCDU took the lead role in drafting a detailed plan for the recovery of the CBD.
- 4.59 CERA commissioned design consultants to produce a blueprint for the future of the CBD in 90 days. The blueprint was approved by Cabinet in July 2012. The blueprint was used to create the *Christchurch Central Recovery Plan*, a statutory

59 We discuss Christchurch City Council’s “Share an Idea” initiative in our report: Office of the Auditor-General (2013), *Learning from public entities’ use of social media*.

planning document that sets out the spatial master plan for the new central city. This included the concepts for 16 redevelopment projects (Anchor Projects), located in several “precincts” including Health, Innovation, Retail, and Justice and Emergency.

4.60 CERA’s role in the implementation of the *Christchurch Central Recovery Plan* was to monitor the overall rebuild, encourage capital investment, and be responsible for the delivery of 13 Anchor Projects. The Anchor Projects that CERA was responsible for included:

- the Stadium;
- the Convention Centre;
- the Metro Sports Facility;
- the Bus Interchange;
- Te Papa Ōtākaro/Avon River Precinct;
- the Canterbury Earthquake Memorial; and
- the City Frame (including the East, North, and South Frames).

### Performance in delivering CERA-led Anchor Projects

4.61 Progress in delivering the CERA-led Anchor Projects varied. In 2015, the Bus Interchange was opened, to (a revised) time and to budget. Good progress had been made with the Te Papa Ōtākaro/Avon River Precinct. Major national retailers and government departments have made commitments to move back into the CBD. However, most of the original milestones for the Anchor Projects have slipped, and some Anchor Projects have been delayed or postponed.

4.62 The strategic acquisition of land in the CBD for the blueprint was considered by CERA’s Audit and Risk Committee. It found that the blueprint had been prepared methodically, and that the land was mapped thoroughly and appropriately valued. In 2014, CERA met its target to have settled at least 60% of land acquisitions (61.8%).<sup>60</sup> In 2015, CERA reported that acquisition of land for Anchor Projects in the central city was substantially complete. Some acquisition was outstanding and CERA waited for confirmation of the timing for delivery for the stadium project.<sup>61</sup> In April 2016, the land originally identified as required for the projects had been acquired. Additional land requirements were later identified and are now being sought for the Stadium Project and the South Frame Area.<sup>62</sup>

4.63 Project and programme milestones were published in the blueprint for each of the Anchor Projects. These were updated annually and reported in the annual Budget

60 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 72.

61 Department of the Prime Minister and Cabinet (2015), *Annual Report for the year ended 30 June 2015*, page 98.

62 Department of the Prime Minister and Cabinet (2016), *Annual Report for the year ended 30 June 2016*, page 81.

documents, in CERA's annual reports, and on the CCDU website. In May 2015, revised completion dates were published.

- 4.64 Figure 14 compares the original completion dates under the Cost-Sharing Agreement for each Anchor Project with the revised completion dates (as at May 2015) as well as the project status at the time CERA was disestablished and the projects were transferred to Ōtākaro Limited.<sup>63</sup> It shows that most of the early milestones planned in 2013 were not achieved.

63 Ōtākaro Limited is a new Crown company established to deliver key Anchor Projects and precincts in Christchurch.

**Figure 14**  
**Delivery of Anchor Project milestones against forecast**

	Cost Sharing Agreement completion date	Estimated completion date as at May 2015	Project status when CERA was disestablished (April 2016)
Bus Interchange	Quarter 3, 2014	Quarter 3, 2015	The Bus Interchange was fully operational.
Te Papa Ōtākaro/Avon River Precinct	Quarter 4, 2015	Quarter 4, 2016	A significant quantity of work had been completed, or was under construction. This included the delivery of the Margaret Mahy Playground. This project has suffered from delays because of contractual issues.
City Frame (East and South)	Quarter 1, 2015	Quarter 2, 2016	This project is divided into the South Frame and East Frame. The South Frame is largely on time and in budget. The East Frame, which is made up of the public realm and the residential precinct, was progressing according to the contract with Fletcher Residential.
Stadium	Quarter 2, 2017	Quarter 3, 2021	The Stadium project was put on hold.
Convention Centre	Quarter 1, 2017	Quarter 4, 2018	Negotiations about design and cost were still taking place with Plenary Conventions New Zealand. The Convention Centre was at this time planned to be operational by late 2019. Soon after CERA's disestablishment, it was mutually agreed that Plenary Conventions will no longer be part of the project.
Metro Sports Facility	Quarter 1, 2016	Quarter 1, 2020	CERA had completed the procurement of two contractors for early contractor involvement in late March 2016. The design phase was advancing.
Earthquake Memorial	Quarter 1, 2016	Quarter 1, 2017	The project was in the execution phase. Despite some deadlines having been missed, the project was on track to be delivered by the revised completion date.

4.65 In its 2014 annual report, CERA reported that final decisions on funding for Anchor Projects were yet to be made, resulting in delays in letting construction contracts.<sup>64</sup> This was the first year that CERA reported on the progress of the Anchor Projects it was responsible for. CERA met its performance standards for land acquisition, the construction of the Te Papa Ōtākaro/Avon River Precinct, and the construction of the Bus Interchange. The performance standards for starting

64 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 21.

construction of the Convention Centre, Metro Sports Facility, and the East Frame were not met.<sup>65</sup>

- 4.66 The Treasury’s monitoring of major projects consistently indicated that achieving the central city programme to time and budget was unlikely. The Treasury rated the programme as red, which indicated that the programme was high risk and had a “low delivery confidence rating”.
- 4.67 In our interviews with former CCDU staff and stakeholders in the rebuild of the CBD, we repeatedly heard that the original milestones were overly ambitious and some targets were unrealistic. In learning and legacy reports, CERA staff have also acknowledged that some timelines were overly optimistic.<sup>66</sup>
- 4.68 We acknowledge that communicating the central city blueprint, and the associated ambitious milestones, helped to signal the Crown’s commitment to the rebuild of the CBD to investors. However, failing to meet its milestones and targets ultimately damaged stakeholder and community confidence in CERA’s ability to deliver the *Christchurch Central Recovery Plan*.

### Timeliness of arrangements for project and programme management

- 4.69 Independent quality assurance reviews of CERA’s Anchor Projects, reviews by the Treasury’s Major Projects Monitoring Unit, and our own reports show that at the individual project level, most of the Anchor Projects were appropriately governed and managed. For example, in 2015, we examined and reported on the governance arrangements for the Central Bus Interchange development. In our view, this project was effectively governed.<sup>67</sup>
- 4.70 In response to recommendations from CERA’s Audit and Risk Committee, a steering committee with an independent chairperson was established for each Anchor Project. This strengthened the governance of projects. Probity reviews of the Anchor Projects found that procurement processes were mostly in line with expectations, with no major issues identified in most projects.

### Managing Anchor Projects as a coherent programme

- 4.71 Until 2014, CCDU managed the CERA-led Anchor Projects as a group of separate projects rather than a single programme. Good programme management of the projects is necessary for recognising interdependencies between the different

65 Canterbury Earthquake Recovery Authority (2014), *Canterbury Earthquake Recovery Authority Annual Report 2014*, page 25.

66 Canterbury Earthquake Recovery Authority (2016), *Walking the Recovery Tightrope: Learning and insights from CERA*, page 40, available at [eqrecoverylearning.org](http://eqrecoverylearning.org).

67 Office of the Auditor-General (2015), *Governance and accountability for three Christchurch rebuild projects*.

projects and maximising efficiencies. Programme management is also important in situations such as the Canterbury recovery because of the need to manage limitations in the supply of labour and materials in the domestic construction market.

- 4.72 The Treasury's expectations for a programme business case are that it should provide unambiguous detail on what is to be delivered by whom, the resources required, when milestones will be reached, and at what cost.
- 4.73 CCDU did not begin the Anchor Projects with an adequate business case. A review in 2013 found that the existing draft programme business case required significant improvement. The business case was not clear enough about the structure and governance for delivering the plan, the boundaries between CERA and CCDU needed to be better defined, and more analysis was needed on the resources that would be required to deliver the programme.
- 4.74 A later review in October 2015 reported that there was still no approved programme business case for the *Christchurch Central Recovery Plan* and the Programme Support Office was just being established. We were told that this led to the draft business case being amended, and formally approved.
- 4.75 CERA's Audit and Risk Committee and the Treasury both raised concerns about the lack of adequate programme management of the *Christchurch Central Recovery Plan*. In 2014, CCDU began setting up a Programme Support Office, which became operational in early 2015. A Programme Steering Committee was also set up, with an independent chairperson. By the time CERA transferred responsibility for the *Christchurch Central Recovery Plan* to Ōtākaro, CERA's programme management had improved considerably.
- 4.76 The delays in establishing the Programme Support Office had a range of consequences for the effectiveness of CCDU. It meant that opportunities to sequence and prioritise construction in ways that could maximise efficiency and share labour were not well judged, and scarce skills (such as commercial skills) were not shared between projects as well as they might have been. It also meant that funding approvals and other decisions for Anchor Projects were made without due consideration of the effect on the scope and benefits of the overall programme.
- 4.77 In July 2015, the Transition Advisory Board, chaired by Dame Jenny Shipley, reported to the Minister that there needed to be a "step-change" to regain momentum in the central city that would "build confidence, deliver a real change in sentiment, attract potential investment and deliver streamlined compliance processes".<sup>68</sup>

68 Advisory Board on Transition to Long Term Recovery Arrangements (2015), *First report to the Minister for Canterbury Earthquake Authority*, page 10.

- 4.78 Stakeholders noted that CCDU would have benefited from stronger commercial capability. The Transition Advisory Board also noted that there was a need for more focus on commercial credibility, certainty, and discipline to deliver Anchor Projects and to enhance private sector confidence and development opportunities.

### **Effects of the governance model for the Christchurch Central Development Unit**

- 4.79 CCDU had both a delivery and policy role. From our interviews with stakeholders and former senior staff of CERA, we found that this created a lack of clarity about the roles of CERA and CCDU. In 2012, we noted that the head of CCDU had reported directly to the Minister.<sup>69</sup> DPMC told us that this changed so that the head of CCDU reported to the head of CERA.
- 4.80 Reviews of CCDU by the Treasury, reports by external stakeholders such as the New Zealand Council for Infrastructure Development, and our interviews identified that many stakeholders had concerns about the governance model for the recovery and redevelopment of the CBD.
- 4.81 The 2013 annual review of the Act noted that interviewees had indicated a preference for an alternative governance model that would have a more commercial operation and be “arm’s-length from CERA”.<sup>70</sup> In 2014, the New Zealand Council for Infrastructure Development conducted a survey to gauge market sentiment about the progress of the recovery. The research showed a strong sentiment for a more commercial and independent organisation for the development of the CBD. Many of those involved in CERA, CCDU, and the wider recovery said that establishing CCDU as a separate entity with an independent board may have helped it to be more effective, in particular by separating policy advice from delivery.
- 4.82 In our view, the feedback from stakeholders about the problems with the governance of CCDU should have been responded to earlier, with a reconsideration of its role and governance structure. This would have enabled stronger engagement with developers, the community, and a strengthened focus on delivery.

69 Office of the Auditor-General (2012), *Roles, responsibilities, and funding of public entities after the Canterbury earthquakes*, page 18.

70 Murdoch, S (2013), *Annual review of the Canterbury Earthquake Recovery Act 2011* (August 2013), page 8.

## Lessons for the future

4.83

In our view:

- Governance arrangements need to be reviewed for each phase of the recovery and when activities change. This will ensure that governance arrangements are fit for purpose to deliver the recovery agency's outputs and outcomes in the most effective and efficient way.<sup>71</sup> Particular attention needs to be given to the clarity of role definition between the responsibilities of governance and management at both an organisational and project level.<sup>72</sup>
- To ensure that decisions are made at the right level, there needs to be an agreed process for making timely decisions about the recovery. For example, strategic decision-making should be separate from operational decision-making.
- Skills and capabilities need to be regularly assessed during the different phases of the recovery so that the recovery agency has the right skills for the tasks at hand. It is important that a recovery agency has strong programme management and commercial skills, particularly in the reconstruction and regeneration phases of recovery.

71 We discuss adapting governance to support changing needs in our report: Office of the Auditor-General (2016), *Reflections from our audits: Governance and accountability*, page 38.

72 Office of the Auditor-General (2016), *Reflections from our audits: Governance and accountability*.

# 5

## How performance was measured and reported

- 5.1 In this Part, we consider:
- how CERA measured its performance; and
  - what we can learn about the effectiveness and efficiency of CERA from its performance reporting.

### Summary of our findings

- 5.2 International experience has shown the importance of transparency and accountability for an effective recovery. A clear and well-articulated performance management framework is one of the most effective means for a public entity to be transparent and accountable for its performance.
- 5.3 CERA did not measure and externally report on its performance effectively. This has made it difficult to assess how effective and efficient CERA was based on its publicly available performance information. It also meant that CERA could not demonstrate its value for money to Parliament and the public.
- 5.4 CERA's annual performance reporting forms part of monitoring and evaluating the progress of the recovery. However, it was the primary way that CERA could publicly show how its activities had helped achieve the outcomes of the recovery.

### Measures to provide a public account of performance

- 5.5 Under the Public Finance Act 1989, CERA was required to externally report on its performance in its annual reports, as well as provide performance information in Budget documents (the Estimates) and in its Statement of Intent.
- 5.6 In our annual audits of CERA, we found that CERA needed to improve the way it measured and reported on its performance. Many of CERA's measures for reporting on the effect of its work were measures of activity (such as reporting the number of meetings) rather than the effect on community well-being or the rebuild of the central city.
- 5.7 Our recommendations to CERA on improving performance information were to:
- establish measures for what CERA intended to achieve from its activity;
  - have more specific targets;
  - have more consistency in performance measures so performance could be tracked over time; and
  - improve the links and consistency of performance information between accountability documents (between measures reported in the Annual Report, Statement of Intent, and Budget documents).

- 5.8 CERA's Audit and Risk Committee also reported to management that CERA needed more reliable and stable performance measures.
- 5.9 CERA did not have a clear view of what it would achieve by the end of its five-year term. It reported annually on the progress of the recovery, with outcome measures for community well-being, economic environment, and the built environment. However, it did not link its own activity with these outcome measures, so it is hard to tell how effective CERA was in influencing them.
- 5.10 This meant that CERA was not able to clearly demonstrate its value for money during its term, and some of its key achievements, such as the implementation of the policies for the Red Zones and the demolition programme, were not well communicated to the public.

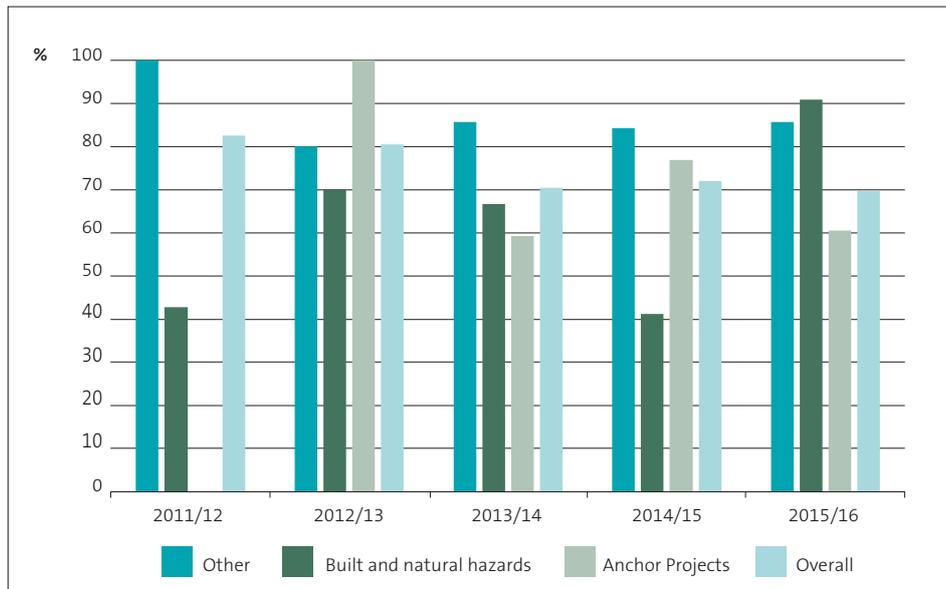
### Assessing effectiveness from the publicly reported information

- 5.11 Despite the shortcomings in CERA's reported performance information, we have analysed CERA's performance against the performance measures set out in CERA's statement of intent and Budget documents (in the annual estimates of appropriations). Because most of the performance measures changed every year, we have put them into three different groups and analysed CERA's performance in achieving them. The three groups are:
- **Built and natural hazards:** consisting of measures that we determined relate to the Red Zones, demolitions, Port Hills, land zoning, and insurance recoveries. For example, complete clearance of all Crown-owned dwellings on the flat lands Red Zones by 31 December 2014.
  - **Anchor Projects:** consisting of measures that we determined relate to the Anchor Projects. For example, the preparation of business cases to support the development of the Anchor Projects.
  - **Other:** consisting of measures that did not fit into the two categories above. These related to a range of CERA's work, including monitoring the recovery, psychosocial recovery, and the Minister's satisfaction with policy advice from CERA.
- 5.12 CERA met about 80% of its performance targets in 2011/12 and 2012/13. However, its performance declined in 2013/14, 2014/15, and 2015/16 when it met about 70% of its performance targets.
- 5.13 Figure 15 shows CERA's performance in each year according to its own performance measures. In 2011/12, CERA met about 40% of its built and natural hazards performance targets. Achievement of these targets then increased to

about 70% in 2012/13 and 2013/14, before declining to about 40% again in 2014/15, and increasing to just over 90% in 2015/16.

- 5.14 After targets were introduced for the Anchor Projects in 2012/13, CERA met 100% of them. Achievement of these targets then declined to about 60% in 2013/14, before increasing to about 80% in 2014/15, and then declining to 60% in 2015/16.

**Figure 15**  
Achievement of performance targets, by group and year, 2011/12 to 2015/16



- 5.15 This analysis does not tell the full story of how effective CERA was in supporting the recovery from the Canterbury earthquakes. Each year, we reported that there were limitations in CERA's performance framework, including that the performance measures tended to focus on activities rather than what CERA was trying to achieve from those activities.
- 5.16 In other instances, some measures reported on how the recovery was progressing (such as community well-being and economic performance of the region). However, the role that CERA had played in influencing these outcomes was not clearly stated.
- 5.17 CERA regularly changed its performance measures, and did not have a consistent performance framework. It changed its measures in response to its changing role, and the different roles and responsibilities it was taking on. However, CERA was

not consistent in how it reported on some of its performance measures, which made it difficult to assess trends in its performance.

- 5.18 Because of the deficiencies in how CERA measured and reported on its performance, it was not possible to determine how effective it was based on its performance reporting. Our assessment needed to be based on evidence from external reviews of CERA, our audit and performance audit work, and interviews with former CERA staff and stakeholders.
- 5.19 CERA could have learned from other disaster recovery agencies about how to effectively report on its performance and its value for money. For example, the World Bank reported favourably about how the Queensland Recovery Authority (established to co-ordinate the recovery from the Queensland floods in 2010 and 2011) measured its performance. The Queensland Recovery Authority's performance framework focused on a value-for-money framework that included regular reporting on project and programme objectives, costs, scale, and complexity, as well as progress.<sup>73</sup>

### Lessons for the future

- 5.20 Good performance reporting would not only have helped with CERA's accountability to the public, it also would have helped CERA to adapt to the different phases of recovery and build and maintain the trust of the community. In our view:
- An effective performance framework needs to link recovery activities to the desired outcomes. Effective performance reporting gives recovery agencies the opportunity to adjust their processes to achieve the desired outcomes. The World Bank has identified that a performance framework (also called a results framework) needs to harmonise and integrate all the strategic pillars and areas of a given reconstruction programme. The framework would establish a streamlined results chain by focusing on key results, and measuring intermediate outcomes (contributions made to an outcome by a specific set of outputs) rather than outputs. Intermediate outcomes need be carefully designed to capture and to track intended changes as they begin to unfold.

<sup>73</sup> World Bank (2011), *Queensland: Recovery and Reconstruction in the Aftermath of the 2010/11 Flood Events and Cyclone Yasi*, Washington.

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