

Lessons learned from one of New Zealand's most challenging civil engineering projects: rebuilding the earthquake damaged pipes, roads, bridges and retaining walls in the city of Christchurch 2011 - 2016.

## Memorandum of Understanding to create the Horizontal Infrastructure Governance Group

**Story:** Structure and Governance

**Theme:** Governance and Decision Making

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A document which details the agreement in September 2013 between the Government and the Christchurch City Council over governance of the horizontal infrastructure rebuild.

This document has been provided as an example of a tool that might be useful for other organisations undertaking complex disaster recovery or infrastructure rebuild programmes.

For more information about this document, visit [www.scirtlearninglegacy.org.nz](http://www.scirtlearninglegacy.org.nz)



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# **MEMORANDUM OF UNDERSTANDING**

Between

**The Canterbury Earthquake Recovery Authority**

**The New Zealand Transport Agency**

And

**The Christchurch City Council**

For

**Governance and Management of the  
Horizontal Infrastructure Rebuild within the City of  
Christchurch**

26 September 2013

## **Memorandum of Understanding - Governance and Management of the Horizontal Infrastructure Rebuild within the City of Christchurch**

### **Parties**

The parties to this Memorandum of Understanding are:

**The Chief Executive of the Canterbury Earthquake Recovery Authority (CERA):** a Government Department under Schedule 1 of the State Sector Act 1988;

**The New Zealand Transport Agency (NZTA):** a Crown entity established by section 93 of the Land Transport Management Act 2003; and

**The Christchurch City Council (CCC):** a Territorial Authority under Schedule 2 of the Local Government Act 2002.

### **Background**

1. In June 2013 the Crown and the CCC entered a Cost Sharing Agreement for the rebuild of Christchurch (the Agreement). The Agreement includes cost sharing arrangements for the repair and replacement of the city's essential horizontal infrastructure assets and arrangements for the anchor projects.
2. The Agreement was developed to enable the Crown to rescind the indemnity which was put in place on 2 May 2011 and replace it with an appropriation through Vote CERA for the three waters component of the horizontal infrastructure, and the National Land Transport Fund (NLTF) managed by NZTA for roading purposes.
3. The Agreement provides for a Crown contribution of \$1.8 billion.
4. The Council will contribute \$1.14 billion.
5. The Agreement states that the horizontal infrastructure rebuild work and costs will be reviewed by an independent assessor appointed by the Crown and CCC. The independent assessor will consider the further information available in 2014 about the extent of damage and likely repair costs to the horizontal infrastructure. The independent assessor will ascertain the potential cost of the rebuild work and then work with the Crown and the CCC to test and refine the rebuild work and costs. The independent assessor will provide a report to the Crown and CCC by 1 December 2014 identifying the finalised rebuild work and costs. The report will provide a basis for any final discussions on horizontal infrastructure cost sharing.
6. The final cost sharing split will be based on agreed subsidies of 83% for eligible roading and 60% for eligible three-waters infrastructure. It is acknowledged that as a result of the independent review the Crown contribution of \$1.8 billion could be increased, reduced or stay the same.
7. In accordance with the cooperative approach set out in the Agreement, the parties have developed the attached governance structure to address the specific requirements of the Agreement, while recognising the individual statutory roles and functions of each party.

*Memorandum of Understanding: Governance and Management of the Horizontal Infrastructure Rebuild within  
the City of Christchurch*

8. In reaching the Agreement there is acknowledgement of the need to enhance and strengthen the governance and management of the programme of horizontal infrastructure repair and replacement works and associated expenditure. The Agreement provides for a governance structure which distinguishes between the funders and the suppliers while still recognising the role of the three parties and their statutory independent roles.
9. The parties agree that the new governance structure, known as the Horizontal Infrastructure Governance Group (HIGG), will commence on 1 October 2013 and transition quickly from, and build on, the former Client Governance Group (CGG) governance arrangements and decisions. The CGG resolved a number of issues to enable rebuild progress to be maintained. These decisions relate to the day to day management of the rebuild programme and will remain in effect until HIGG has completed a review and any changes are agreed by the three funders.
10. The CGG's February 2013 recommendations to the parties on the updated rebuild estimate were informed by their decisions on standards (the Infrastructure Rebuild Technical Standards and Guidelines (IRTSG)), desired rate of rebuild, programme, priorities and level of service targets and agreed methodology for allocating all overheads. The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) component of the estimate reflects the Alliance Agreement requirement to repair and reinstate the infrastructure to a standard and level of service comparable with that which existed immediately prior to the September 2010 earthquake. This resulted in a total rebuild estimate of \$3.4 billion.
11. The Agreement provides for a \$1.8 billion contribution from the Crown as its best estimate of its share to fund Council's horizontal infrastructure and emergency response/recovery costs. The CCC's assessment of the Crown's share is \$2.039 billion. However, the Crown has received advice that reductions are possible from \$2.039 billion with reviews of appropriate levels of service, efficiencies within the delivery structures, procurement efficiencies and renewals policies. It is important to recognise that the Agreement notes the role of an independent assessment of the rebuild works and costs by December 2014 which will provide the basis for any final discussions on horizontal infrastructure cost sharing.
12. One of the roles of the Crown, Council and HIGG is to develop a strategy to address this funding gap while the independent assessment is being completed.
13. The \$1.8 billion is a negotiated position as opposed to being specifically referenced to an agreed list of projects and project costs. The \$2.039 billion is derived from a capital works programme and estimate of costs to complete this programme. It is important to note that only 60% of the network had been assessed and actual levels of damage may vary from estimates. It should also be noted that assumptions have been made around the appropriate level of contingencies and escalation that will be required to deliver the programme of works over the next 3.5 years.
14. The \$1.8 billion Crown contribution consists of payments made to date by DIA (for emergency and response costs), NZTA and CERA, and the future obligations through CERA and NZTA.
15. The rebuild works are procured by CCC through the CCC's established Procurement Strategy. The Strategy has been endorsed by the NZTA as meeting its procurement requirements under the Land Transport Management Act 2003. The Strategy provides for both the Alliance Agreement and enables works not yet committed to SCIRT to be either competitively tendered on the open market through a range of

procurement and contract models or to be considered for addition to the scope of the SCIRT agreement.

### **Co-operative Approach**

16. The Agreement states that the Crown and Council will work co-operatively and act in good faith.
17. The parties will strive to reach a decision by consensus but if this is not possible the matter concerned will be escalated first to the Chief Executive of the Council and the Deputy Chief Executive Implementation of CERA whose joint decision shall be complied with.
18. If they cannot agree, the matter concerned will be escalated to the Mayor of the Council and the Minister for Canterbury Earthquake Recovery who shall jointly decide on the matter.
19. The parties recognise and respect that each will, in undertaking their respective role for the HIGG, need to have regard to their specific and collective statutory roles, responsibilities and delegations.
20. The Crown and Council will ensure the necessary delegations are established to allow their HIGG representatives and their support staff to manage and optimise the agreed annual work programme to deliver the rebuild.

### **Intent**

21. The Crown and CCC have agreed to the establishment of the HIGG. The intent of this MOU is to formalise a structure for governance and management and a working relationship between the parties for the horizontal infrastructure rebuild within the city of Christchurch.
22. The Crown and Council will be responsible for confirming the annual programme and providing the required funding.
23. The parties do not intend for this MOU to be a legally enforceable agreement.

## **Horizontal Infrastructure Governance Group (HIGG)**

### **Purpose of HIGG**

24. The HIGG is to provide effective governance of the horizontal infrastructure rebuild programme and the corresponding advice and assurance to the Crown and Council on the matters as set out in the background on-time, on-budget and to specification.

### **Membership**

25. The membership of the HIGG will comprise an independent chair and representatives of the three parties appointed by each of the parties. Each party shall nominate an alternate to the permanent appointee. Neither the appointee or the alternate shall be a member of SCIRT Alliance Leadership Team.

## **Term of the HIGG**

26. The HIGG shall remain in existence until 19 April 2016 or at a date to be agreed between the Crown and the Council

## **Key Roles for HIGG**

27. Seeking to resolve differing points of view resulting from the natural cross party tension that exists between funders in order to achieve a 'best for recovery/programme' outcome.
28. Identify opportunities (or areas of concern) to see value for money achieved
29. Addressing matters necessary to ensure effective governance of the infrastructure rebuild programme
30. Developing and recommending to the Crown and Council options to achieve alignment between the rebuild programme and available funding which ensures achievement of the purpose statement.
31. Developing and recommending to the Crown and Council an annual work programme and budget which ensure achievement of the purpose statement.
32. Maintaining oversight of progress against the approved annual programme and budgets; including a rolling quarterly approval of the work programme and expenditure for approval by CERA.
33. Ensuring that sufficient timely information is available to inform the Crown and Council reporting requirements and report any significant changes. (If the appropriations or Level of Service materially change then these changes will be put to the clients for agreement).
34. Approving all projects and expenditure.
35. Approving and implementing a Monitoring and Reporting Framework incorporating monthly progress and value-for-money reporting.
36. Implementing a Risk and Assurance Framework for reporting on a monthly basis
37. Agreeing the following:
  - Amendments to the IRTSG and prioritisation methodology.
  - The forward work programme and /or adjustments to the annual programme on a quarterly basis consistent with delegations (and where programme adjustments are not within HIGG delegations recommend adjustments to the Crown / Council).
  - The coordination of horizontal infrastructure across the programme and with other parts of the rebuild and recovery programmes.

*Memorandum of Understanding: Governance and Management of the Horizontal Infrastructure Rebuild within the City of Christchurch*

- The structure and delegations for the Horizontal Infrastructure Management Team (HIMT) and for other supporting groups.
  - Recommendations to the Crown and Council on amendments to the Council procurement strategy for the rebuild programme
  - Directives / decisions that are required from time to time to SCIRT and other delivery agents to deliver the programme
  - A joint communications strategy for horizontal infrastructure matters
38. Commissioning, if requested by the Crown and the Council, an independent assessment of the scope, cost, Level of Service and timing of the infrastructure rebuild. HIGG would review that assessment and develop advice to the Crown and Council in parallel to the assessment
39. Approving and implementing the transition of recovery works back to asset owners at the appropriate time.
40. Contribute to the assessment of the performance of the Manager of the HIMT

### **Role of the Independent chair**

41. The Independent Chair shall:

- Chair the meetings of the HIGG and facilitate the HIGG members to reach a decision by consensus.
- Provide regular joint reporting to the Crown and Council on the rebuild programme
- Provide support and advice to the Minister and Mayor for public communications and be the spokesperson for the HIGG
- Liaise with community representatives, business, other Ministers, councillors and MPs
- Liaise with delivery agents

### **Role of members**

42. All members shall:

- Work co-operatively and in good faith for the benefit of the rebuild programme.
- Ensure their respective organisations are committed to providing the support to the role of HIGG and implementing the programme and directions as agreed by HIGG.
- Ensure advice they provide to their organisation is consistent with the decisions / position of HIGG.

*Memorandum of Understanding: Governance and Management of the Horizontal Infrastructure Rebuild within  
the City of Christchurch*

- Contribute to HIGG in accordance with delegations from their respective organisations but accepting the decisions of HIGG.

**Meeting Frequency**

43. The Independent Chair and HIGG will determine the meeting frequency.

Memorandum of Understanding: Governance and Management of the Horizontal Infrastructure Rebuild within  
the City of Christchurch

**Signed by the parties:**

Signed on behalf of the Christchurch City Council by the Acting Chief Executive:

Signature: Jane R. Parfitt

Name: JANE PARFITT

Date: 26/9/13

Signed on behalf of the Canterbury Earthquake Recovery Authority by the Chief Executive:

Signature: Roger Sutton

Name: Roger Sutton

Date: 30/9/13

Signed on behalf of the New Zealand Transport Agency by the Chief Executive:

Signature: Cecott Dargatzis

Name: Cecott Dargatzis

Date: 27/9/13