Oversight Framework
for the NSW Infrastructure Program

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Infrastructure
New South Wales

Contents

The Oversight Framework Guideline

To be released in 2021

1.   Introduction

Infrastructure NSW was directed by the Delivery and Performance Committee of Cabinet (DaPCo) to prepare a framework containing minimum requirements and best practice guidance for establishing effective processes and appropriate resourcing to oversee Tier 1 - High Profile High Risk (HPHR) projects (The Framework). This was in response to observations from assurance reviews showing that clusters responsible for delivering projects implement their own project oversight approaches with mixed results.

The Framework enables Cluster Secretaries to improve accountability and transparency in project oversight and decision making, foster a culture of collaboration and continuous improvement and establish effective practices to monitor, learn and evaluate financial reporting and performance, staff performance and decision-making effectiveness. There is no one-size-fits-all approach to effective project oversight and Secretaries should consider the appropriate approach for each project or program.

The Framework is supported by a Guideline which provide more detail on the key success factors, minimum requirements and recommended practices for resourcing project teams and establishing processes. It contains questions that guide and empower project teams to implement effective project oversight or identify areas for improvement. The Framework is consistent with the guide published by the Audit Office of NSW in 2015 on practical advice and resources to implement successful governance in the public sector for State and Local Governments and draws upon experience outside of the public sector to respond to challenges in planning and delivering infrastructure projects. The Guideline will be released shortly after the Oversight Framework is endorsed to provide an opportunity for potential changes to the Oversight Framework to be included in the Guideline.

Infrastructure NSW is in the process of updating the Gateway Review workbooks to account for the requirements in the Framework at each Gate as well as developing a new review workbook to undertake reviews at a portfolio level. This will support Secretaries in identifying potential system wide issues and enable early intervention.

1.1 Oversight in the public-sector context

The complexity and scale of the infrastructure program in NSW results in unique challenges, which the Framework and Guidelines address.

Table 1 - Challenges to getting oversight right

CHALLENGES	IMPACT
Understanding the importance of good oversight	Good oversight promotes public confidence in government and its agencies. It is paramount to service delivery and the economic and efficient use of public money. Apparent lack of oversight can undermine public confidence.
Accountability and reporting requirements	Multiple working groups, committees, stakeholder groups and resultant reporting requirements across government, can lead to confusion as to who or what project team members and leaders are accountable to and for what they are accountable.
Timely information flow through oversight structure	Delays in project teams receiving decisions made at cabinet committee meetings and across project teams, can result in re-work, inefficiencies, confusion or delays in progressing milestones
Distinguishing advice and consultation from decision-making	Steering committees may be used for stakeholder consultation and advisory purposes, rather than decision-making. This can lead to lack of buy-in regarding key decisions or blurring of lines of accountability.
Decision making across competing objectives	It takes a delicate balance to reconcile competing goals, priorities and objectives across stakeholders, customers, operators, and agencies.
Decision makers are often removed from the project team	In some cases, multiple layers between the Senior Responsible Officer (SRO) and project team can impact the timeliness of decision making, which may be made with limited information or understanding of the issues.
The role of Treasury	Some agencies have an expectation that the Treasury representative on decision making bodies is there to approve or endorse decisions on behalf of Treasury or the Treasurer, or at least to represent their views. This is rarely the case, and can lead to surprises in subsequent decision-making.
Scale and number of complex projects delivered by larger clusters	NSW is delivering the largest program in the country, and many individual projects are far larger and more complex than have been delivered previously. This creates risks that are beyond experience.
Changes in Government agency resourcing and structures	Machinery of Government changes (MOG) result in the amalgamation of agencies to form, in some cases, large clusters. This takes up time and effort, and means that project executives can spend long periods in acting roles. These agencies are required to plan and deliver the State's largest infrastructure program to date, whilst there are significant restructures underway, which includes harmonization of approaches to project oversight.

1.2   Culture, people and functions for effective project oversight

Culture is critical to driving the right behaviours at all levels of project planning and delivery. Projects work best where people feel empowered to carry out their functions, ask challenging questions, feel collectively accountable, and have access to the information and support they need to drive project outcomes. The behaviours that contribute to good decision-making in teams are listed in Table 2.

Table 2 - Behaviours that contribute to good decision-making in teams

Embracing scepticism

Seek out and embrace contrary views, and be open to feedback that challenges processes, results and decisions. Avoid 'group-think' and empower an environment where individuals can challenge approaches. Be receptive to bad news.

Common vision and purpose

Align outcomes and objectives within the project team, agency and across government – ensure that delivery approach and decision-making processes support achievement of a consistent vision.

Accountability

Clarity of the responsibility of each person, group or body, and owning project outcomes.

Transparency

Visibility of decision and sharing information routinely, early and truthfully with stakeholders – across the project team, governance groups and key stakeholders.

Recording of information used to support decision making and justifications.

Collaboration

Sharing of information and interacting between decision makers, project teams, and stakeholders with relevant experience or insights – working beyond the bounds of individual subprojects, projects or agencies.

Continuous improvement

Open to new ways of working, actively seek feedback and better methods for achieving project outcomes.

Openness

Promote open communication between project team members at various levels, supporting efficient flow of information. Encourage all team members to identify and challenge issues as they arise.

Self-awareness

Understand project team experience, and awareness of blind spots in project team skillsets and capability

1.3   Project oversight is dynamic

Project oversight is dynamic and requires ongoing review and refresh to ensure it remains effective. It requires enforcement of due process, ensuring project issues are carefully considered and decisions are robust and evidence based. On the other hand, if it is just a process it loses its purpose, or being too rigorous can hinder project planning and delivery, cause delays or detract from the ability of projects to deliver their target outcomes and blur the lines of accountability. Effective project oversight is about senior executives creating a team culture that balances these competing objectives and are focused on continuous improvement.

Figure 1: Oversight is a balancing act

Finding the Balance

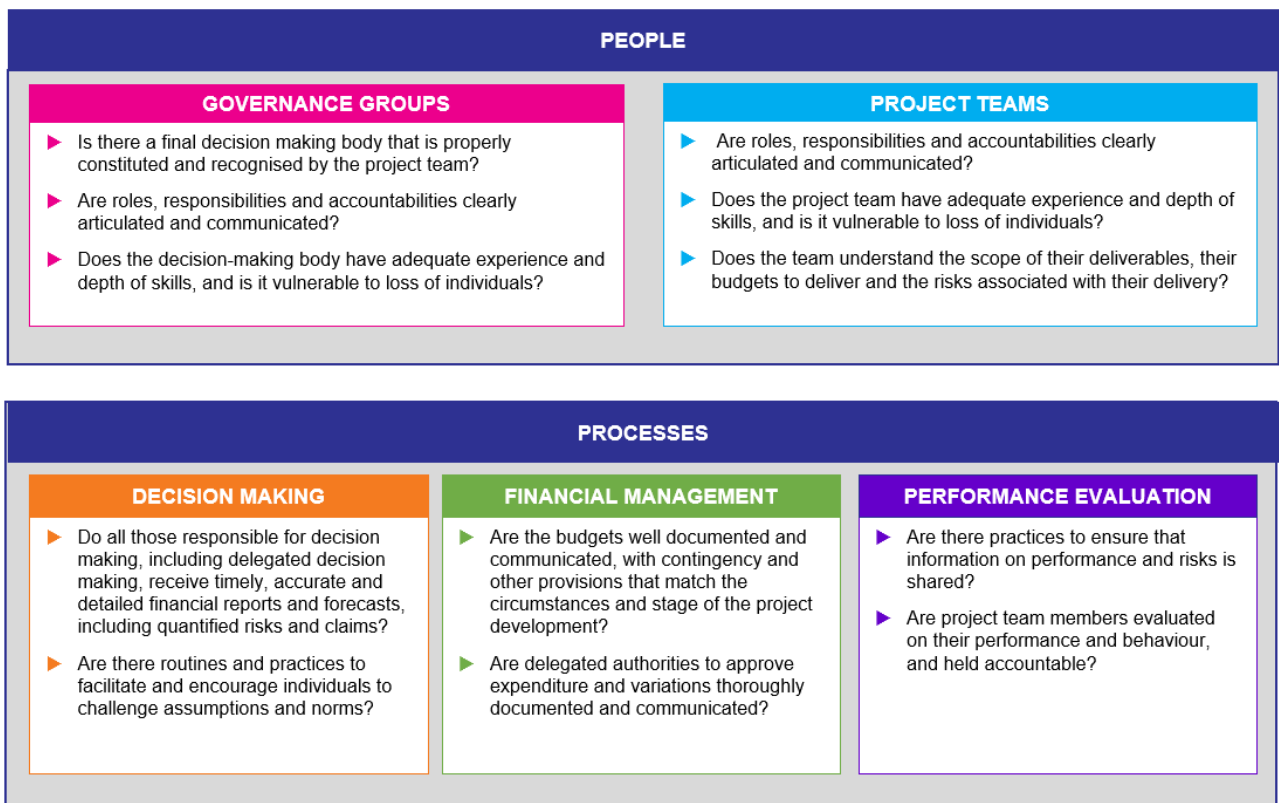| Autonomy | & | Control |
Transparency & Inclusivity	&	Accountability
Outcomes	&	Cost
Timeliness	&	Thoroughness
Strategy	&	Specialist Expertise
Flexibility	&	Rigour

2.   Establishing effective project oversight

Effective project oversight requires the selection of appropriate people and processes to support decision making, financial management and performance evaluation.

- There are two primary focus areas when considering people:
    - the capability requirement for decision-making bodies, commonly referred to as project steering committees or advisory boards (Governance Groups)
    - the structure, roles, delegations and culture of the project team (Project Team)
- There are three primary focus areas when considering processes:
    - functions that provide transparency, clarify accountability, embrace diverse views and be open to challenge and scepticism, identifying key criteria for analysis and document options, proposals and decisions (Decision Making practices)
    - budget estimation and ongoing forecasting, approaches to contingency management, financial reporting, contract administration and claims management (Financial Management)
    - evaluation of regular routines and decision-making effectiveness (Performance Evaluation).

Figure 2: Establishing Effective Project Oversight - people and processes

PEOPLE

GOVERNANCE GROUPS
- ▶ Is there a final decision making body that is properly constituted and recognised by the project team?
- ▶ Are roles, responsibilities and accountabilities clearly articulated and communicated?
- ▶ Does the decision-making body have adequate experience and depth of skills, and is it vulnerable to loss of individuals?

PROJECT TEAMS
- ▶ Are roles, responsibilities and accountabilities clearly articulated and communicated?
- ▶ Does the project team have adequate experience and depth of skills, and is it vulnerable to loss of individuals?
- ▶ Does the team understand the scope of their deliverables, their budgets to deliver and the risks associated with their delivery?

PROCESSES

DECISION MAKING
- ▶ Do all those responsible for decision making, including delegated decision making, receive timely, accurate and detailed financial reports and forecasts, including quantified risks and claims?
- ▶ Are there routines and practices to facilitate and encourage individuals to challenge assumptions and norms?

FINANCIAL MANAGEMENT
- ▶ Are the budgets well documented and communicated, with contingency and other provisions that match the circumstances and stage of the project development?
- ▶ Are delegated authorities to approve expenditure and variations thoroughly documented and communicated?

PERFORMANCE EVALUATION
- ▶ Are there practices to ensure that information on performance and risks is shared?
- ▶ Are project team members evaluated on their performance and behaviour, and held accountable?

3.   Framework Arrangements

This section sets out the minimum requirements in establishing effective project oversight for HPHR projects. The Assurance Review Workbooks have been updated to incorporate references to resourcing and processes where appropriate.

3.1   People

The minimum requirements outlined in this section is based on the behaviours and culture outlined in section 1.2 where project team members, governance groups and decision makers feel empowered to ask challenging questions, feel collectively accountable, and have access to the information and support they need to drive project outcomes.

3.1.1   Governance groups

Governance groups should reflect how project members, leaders and executives outside of the project organise themselves to enable decision-making and project delivery. The minimum requirements for governance groups are:

- **MR A1:**[1] Document the governance structure, including the identification of reporting lines, relationships and accountability and the decision-making hierarchy, and identify the key positions.

- **MR A2:** Develop terms of references for each governance group with consideration of the group's remit, objectives, accountability, relationships with other bodies, membership requirements, meeting functions, communication practices and behaviours and expectations. Further detail of the requirements for the terms of reference for each group is available in the Guideline.

- **MR A3:** Diverse and complementary experience, capability, and capacity in key governance groups (i.e. project steering committee / board, project control group and change management group). This includes, collectively across the group:
  o experience in similar projects; public and private sector; and operations
  o financial, technical, project management, commercial, leadership
  o capacity to meet requirements and actively participate in governance meetings
  o capability requirements contained in the Public-Sector Capability Framework for Infrastructure and Construction Leadership.

- **MR A4:** Broader representation on key governance groups (project steering committee / project board, project control group, change management group), which includes:
  o a chair and a secretariat
  o the deliverer
  o the sponsor
  o the asset manager and operator
  o an independent member

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[1] Numbering of the Minimum Requirements aligns with the numbers in the Guideline.

- **MR A5:** Timely and quality meeting materials, including preparation, distribution and storage, as set out in the Guideline.

- **MR A6:** Forward planning of agendas for at least the next six months, identifying the key inputs and decisions / endorsements to be made over the period.

3.1.2 Project Teams

Project teams that are agile and dynamic and made up of highly skilled individuals are better able to deliver comprehensive project analysis and respond to changing project needs. There are three minimum requirements for HPHR projects:

- **MR B1:** Develop a Recruitment and Resourcing Plan that sets out:

  o team structure, position descriptions, capability and experience requirements, cultural expectations, recruitment processes and professional development opportunities.

  o processes in place to enable team leaders, team members and contractors to be engaged within required timeframes and approaches to manage changes to the team, including acting positions, extended leave or departures.

- **MR B2:** Define the team capability and experience requirements both at a collective level across the team and for individual positions – including project leaders.

- **MR B3:** Define roles and responsibilities across the project team and organisation for the whole project life, including the agency Senior Responsible Officer (SRO) and project leadership. At a minimum, this includes clearly defining:

  o Expectations of each role, including time commitment, team participation, training etc

  o Performance expectations of each role, including KPIs

  o Communication protocols and interactions between team members

  o Reporting relationships.

3.2 Processes

3.2.1 Decision Making

Robust decision-making relies on broad information gathering and analysis and considers the potential impacts of the decision from various perspectives. Decision-making for large, complex projects requires proper consideration and due process, ensuring that options are identified and well understood, impacts are considered, and the decisions are consistent, widely communicated and documented. There are seven minimum requirements for HPHR projects:

- **MR C1:** Develop a decision schedule, documenting expected decisions across the project life cycle that are tied to the project schedule, allocating responsibility for making each decision and defining delegation permissions and escalation pathways

- **MR C2:** Develop a delegation manual that provides the SRO and project leaders delegations that reflect their responsibilities and accountabilities.

- **MR C3:** Develop a library of decisions, recording project information, supporting information, decisions made, including their rationale and trade-offs and implementation details. The library must be easily accessible by the project team, decision makers and governance groups

- **MR C4:** Develop an options identification and evaluation framework, linked to the project objectives and benefits, that is transferrable across the project life cycle.

- **MR C5:** Establish a Change Management process, identifying how to evaluate and challenge proposed changes to scope, costs, contingency, schedule, agreed outcomes or benefits, including delegation and escalation processes.

  This must include a group (Change Control Group) to which all day-to-day change requests to scope, costs, contingency, schedule or agreed outcomes are referred for decision.

- **MR C6:** Implement a standardised decision template, updated for each project and completed by decision makers, documenting the need for each decision, key considerations and justification for decisions made, and assessment of implications such as cost, risk, program or market acceptability, using consistent criteria.

  The template should specify criteria to support decision-making for each decision, including establishing criteria that will be consistent across the project life and reflect the project objectives.

- **MR C7:** Document library to incorporate all decisions made in the project life to date, including justification for each decision and assessment of the trade-offs

3.2.2   Financial Management

Financial management incorporates the estimation process, reporting and forecasting, contingency management, and contract administration that provide oversight of the expenditure of public funds for infrastructure projects.

There are ten minimum requirements for HPHR projects:

- **MR D1**: Document and define delegated authorities for any financial management practices and escalation process, with delegations reflecting the complexity of the project. This includes delegation for:
  o approving financial reports
  o approving budget, cost, and contingency estimates
  o accessing contingency
  o any changes to budget and contingency envelopes.

- **MR D2:** A Final Business Case with sufficient design and scope definition to allow estimation of cost, schedule, and contingency. This must include, where relevant:
  o geotechnical investigation
  o identification of utilities and engagement with utility service providers
  o constructability and deliverability assessment
  o assessment of market capacity

- o commercial principles for procurement (risk allocation, form of procurement, early engagement with industry)

  - o interface design and management

  - o a detailed risk assessment, documented in a risk register, that informs the contingency estimates – and approved by the relevant governance authority.

- **MR D3:** Third party peer review of cost estimates, taking into account the underlying risk register. This promotes accuracy and transparency, and invites challenge into the estimation process, including investigation of differences in estimates. The third-party reviewer must be independent to the cost estimator, project team and organisation, and have experience in cost estimation or review for similar projects and a relevant skillset.

- **MR D4:** Monthly reviews of key financial data, as outlined in the Guideline:

  - o Risks, updating for current circumstances, new risks, risks that have eventuated and new information

  - o Actual costs and contingency against budget, funding envelope and contingency, including identifying root causes for any discrepancies

  - o Forecast cost and contingency to completion, considering new information and changing factors, and identifying root causes for any discrepancies.

- **MR D5:** Financial, contingency and schedule reporting through the NSW Assurance Portal.

- **MR D6:** Project teams to have access to at least one qualified financial analyst, and undertake regular consultation with the agency's finance team, to review, advise or assist financial estimates, reports and forecasts. The financial analyst must have experience in similar large, complex projects.

- **MR D7:** Probabilistic contingency estimation, commencing from the Final Business Case or earlier, and updated throughout the project life and supported by a detailed risk register.

- **MR D8:** Define an approval process and delegations for accessing contingency and restricted to defined risks eventuating. Delegations should reflect the value and risk type, include escalation pathways, and define the procedures for seeking approval to access contingency.

- **MR D9**: Establish a claims management protocol that enables claims to be addressed in a fair and transparent way, ensuring claims are addressed quickly and focus on best-for-project outcomes.

  This protocol should identify processes for addressing claims, including communications processes, identify delegated authorities for approving claims and establish processes for reviewing claims using transparent criterion that focus on best-for-project outcomes.

- **MR D10:** Document commercial principles in the Final Business Case, including identification and allocation of risks to an owner, with consideration of fairness and establishing a positive culture and relationship between the project team and contractor.

3.2.3 Performance Evaluation

Performance evaluation considers the routines, systems, and processes for determining the success of a project against intended outcomes. Effective performance evaluation enables the identification and sharing of best practice and creates a feedback loop for all involved in the project. There are four minimum requirements for HPHR projects:

- **MR E1:** Establish systems and routines for ongoing monitoring, evaluation and internal reviews of projects across each agency, considering performance across projects within the agencies responsibility.

- **MR E2:** Establish systems and routines for ongoing project team and governance group internal performance reviews, considering project performance and key financial and qualitative measures.

- **MR E3:** Performance reviews for team members and executives to be linked to appropriate project outcomes, undertaken at least twice a year, and to consider:
  - schedule, cost, budget, safety, quality
  - delivery against approved scope
  - culture and behaviours
  - whole-of-life outcomes.

  Where possible, performance in past projects should be accounted for in future evaluation for roles within the NSW public sector.

- **MR E4:** Establish database of contractor performance within each agency, incorporating contractor performance against cost, schedule, management of risks, delivery of scope and project benefits, capability and experience, and culture and behaviours. Each agency to share this information through the Construction Leadership Group.

3.3 Guideline for Establishing Effective Project Oversight

The Framework is supported by a more detailed guide which provides additional guidance and clarity in respect of:

- Key success factors and best practice: identifying the qualities of oversight common in successful projects.

- Minimum requirements: details minimum requirements applicable to all HPHR projects under this Framework.

- Recommended practices: details recommendations that will support the achievement of best practice oversight, driving enhanced project outcomes.

- Guidance materials and further reading: provides recommended reading for project teams and delivery agencies to achieve best practice oversight.

A checklist is provided in the Guideline for the five focus areas identified in the Framework to guide reviewers, senior responsible officers, project directors and project teams on responsibilities and expectations across the Framework.

The Guideline will be issued in 2021.