

A Guide to the Framework for the NSW Infrastructure Program



Contents

Introduction

Minimum Requirements

Implementation

Further Reading

Appendices

Appendix 1: Templates

Introduction

The Oversight Framework for the NSW infrastructure program was developed in response to observations from Assurance Reviews showing that the clusters responsible for delivering projects, implement a variety of project oversight approaches with mixed results.

The Framework¹ supports the delivery of the NSW infrastructure program by clarifying the expectations on effective oversight for infrastructure projects and programs and applies to all High Profile High Risk (HPHR) projects being developed and / or delivered by General Government agencies and Government Businesses under the Infrastructure Investor Assurance Framework².

The aim of the Framework, approved by Cabinet and published in December 2020, is to improve accountability and transparency in project oversight and decision-making, foster a culture of collaboration and continuous improvement, and establish practices to monitor and evaluate financial and performance reporting, staff performance and decision-making effectiveness.

This Guide to the Oversight Framework provides more detail on the minimum requirements for effective project oversight by addressing five focus areas relating to the selection of the appropriate people for governance groups and project teams, and the processes to support decision making, financial management and performance evaluation.

Infrastructure NSW is updating the Assurance Review Workbooks and Assurance Review templates to incorporate the requirements in the Framework at each Gate as well as developing a new review workbook to undertake reviews at a portfolio level.

¹ [The Oversight Framework](#)

² [Infrastructure Investor Assurance Framework](#)

Minimum Requirements

BACKGROUND

Delivery agencies are expected to demonstrate that the minimum requirements detailed in the Oversight Framework are met through the Gateway assurance processes for all HPHR projects.

While meeting the minimum requirements specified in the Framework is not mandatory for projects that are not HPHR projects, the principles underpinning the Framework apply to effective oversight across all projects.

Assurance reviewers will refer to the Framework during assurance reviews. Specific Deep Dive reviews may also be initiated by Infrastructure NSW to investigate oversight effectiveness.

While the Guide provides more detail for each of the minimum requirements, it is intended as supplementary information and guidance material only. In the event there are any discrepancies between the Framework and this Guide, the Framework shall take precedent.

The Guide also describes recommended best practices and explores the cultural challenges, behaviours and dynamic nature associated with effective oversight, as these relate to the minimum requirements.

The minimum requirements for the five focus areas are discussed in this section. The focus areas are:

- ▶ Governance Groups
- ▶ Project Teams
- ▶ Decision-making
- ▶ Financial Management
- ▶ Performance Evaluation.

GOVERNANCE GROUPS

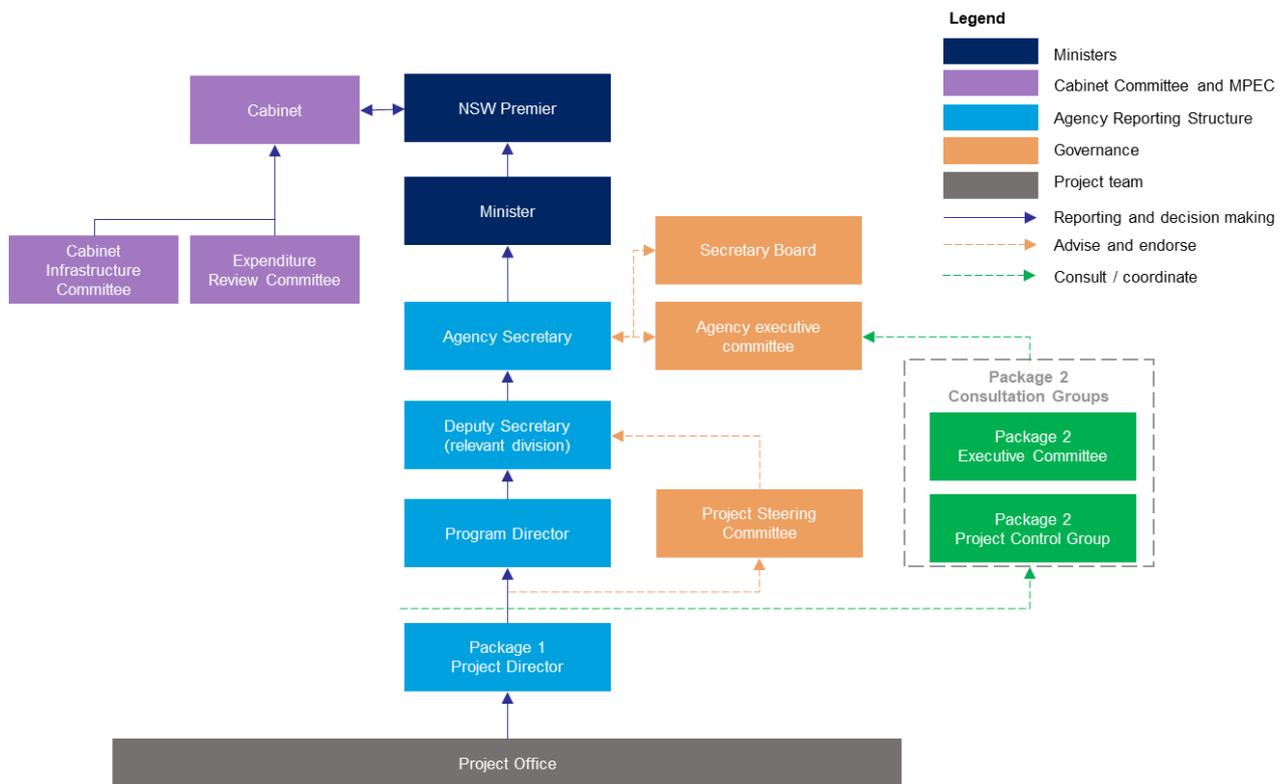
The minimum requirements in the Oversight Framework seek to answer the following questions regarding the role of Governance Groups in establishing effective project oversight:

- ▶ 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 the adequate experience and depth of skills, and is it vulnerable to loss of individuals?

Governance Groups are the bodies and representatives involved in the formal oversight of projects and include but are not limited to project steering committees / board, project control groups and change control / management groups.

Effective projects have a well understood governance structure, with the reporting lines and responsibilities clearly defined and recognised across the project. This includes an easy to understand presentation of the structure articulating the interfaces, key accountabilities and reporting lines, such as the diagram in the example below.

Figure 1: Example project governance structure for agency-led project delivery model



There are six minimum requirements for HPHR projects to address the following:

- ▶ Structure design and responsibilities: MR A1 and MR A2
- ▶ Right people and behaviours: MR A3 and MR A4
- ▶ Information management: MR A5 and MR A6.

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

The governance structure that oversees each project must be clearly documented in a form that provides clarity of the reporting lines and accountability across the whole project.

Minimum Requirements

It is expected that the following be identified in the documentation of the governance structure:

- a) The purpose and remit of each governance group

- b) Each position or group within the decision-making hierarchy, including any advisory/endorsing bodies and consultation bodies
- c) The accountabilities and responsibilities for each body / position
- d) Reporting lines and relationships between each body / position.

The structure must be approved by the Senior Responsible Officer **prior to a Gate 1 review**.

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, behaviours and expectations.

Minimum Requirements

It is expected that each governance group have a documented Terms of Reference, addressing each of the following considerations:

- a) **Remit:** What is the scope of the body? What is it established to do?
- b) **Objectives:** What are the objectives of the body? What outcomes is it seeking to enable? Is it an approving body or does it make recommendations and endorsement?
- c) **Accountability:** Who is the body accountable to? What is the body accountable for?
- d) **Relationship to other bodies:** How does the body relate to other governance bodies, the project team or individuals? Is there any reporting requirements or consultation requirements?
- e) **Chairperson:** What is the role of the chairperson? What skillsets is the chairperson required to have? What are the chairperson's responsibilities?
- f) **Secretariat:** What is the role of the secretariat? What skillsets is the secretariat required to have? What are the secretariat's responsibilities?
- g) **Membership:**
 - Appointment of members: How are members appointed? Who approves appointment of new members?
 - Membership criteria: What are requirements for each member of the body? What experience and skillsets are required of members? Are there any membership positions that have specific experience and capability requirements? How do these requirements change over time?

For the project steering committee or board, membership criteria must include the capability and representation requirements in MR A3 and MR A4.

 - Alternate member: Are members permitted to appoint an alternate member to act as their proxy? Are there any specific circumstances in which alternate members are not permitted? What are the experience and capability requirements of alternate members?
 - Obligations of members: What is the time commitment and attendance requirement of members? Are there any specific compliance requirements of members?
 - Removal of members: Are there any circumstances where a member may be removed? Who has the authority to remove a member?

- Term of appointment: Is there a specific term of appointment for members? Does the term of appointment differ for any individual members?
- Transition planning: How will changes to membership be managed? How will new members be inducted to ensure adequate understanding of the project, justifications for past decisions, priorities, risks and objectives? How will exiting members be engaged to ensure transfer of knowledge?

h) **Meetings:**

- Frequency and form of meetings: What is the minimum frequency that the body must meet in any period? Who convenes and schedules the meeting? What communication is required prior to a meeting?
- Decision-making at meetings: What practices are used to determine a decision at meetings – i.e. voting by majority, unanimous, threshold, etc? Who is entitled to vote?
- Escalation pathways: When the body is unable to agree on a decision, what are the escalation pathways? How are matters resolved?
- Quorum: What are the minimum attendance requirements for a meeting to proceed?
- Invitees: When are invitees (stakeholders that are not members) permitted to attend? What is the limit to the number of invitees for each meeting?

i) **Communication and information sharing:** How do members communicate outside of meetings? How is access to information provided to members? What other information sharing protocols are the members required to comply with?

For project steering committees (or equivalent), the information sharing protocols must include the information management requirements set out in MR A5 below

j) **Behaviours and expectations:** What are the behavioural expectations of each member? Is there any prohibited conduct?

k) **Performance evaluation:** What are the performance expectations of the group? How will performance be evaluated? How frequently will performance be evaluated? This may include performance of the group against metrics such as the frequency of meetings, attendance and active participation of members, compliance with documentation requirements and the Terms of Reference, timeliness of decision-making, etc.

l) **Duration of the governance group:** Will the governance group be operational on an ongoing basis or a fixed term?

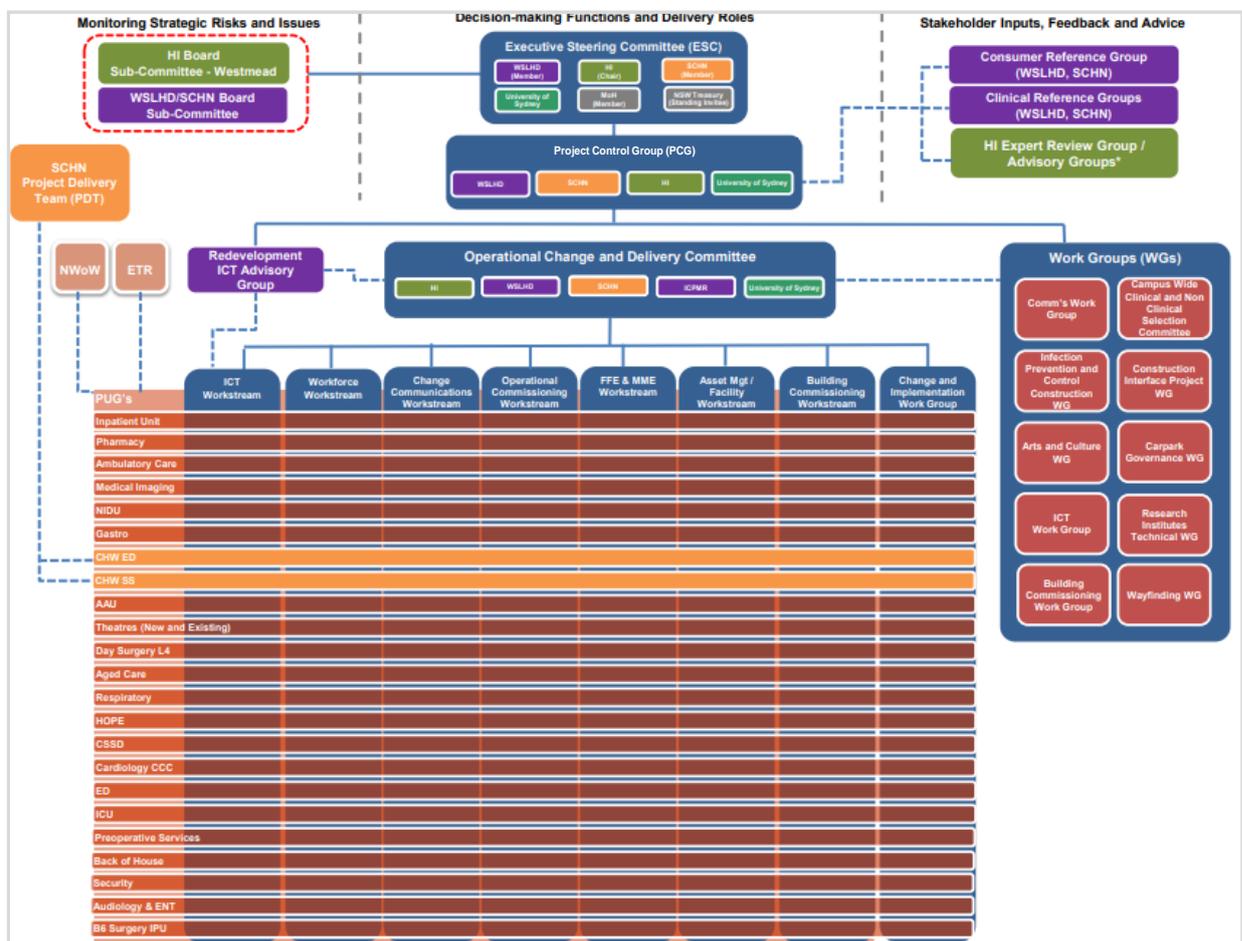
m) **Changes to the Terms of Reference:** What are the circumstances that the Terms of Reference may be changed? What are the approval requirements for any changes to the Terms of Reference?

It is expected that the Terms of Reference for each group will be approved by the Senior Responsible Officer early in the project planning stage, and before Gate 1.

Case study: Matrix approach to governance structure for a HPHR health project

Some projects apply a highly structured approach to governance, with multiple groups playing a different role to support the oversight of the project and ensure comprehensive consideration of issues.

Some health infrastructure projects, for example, apply a matrix approach to project planning and delivery, with workstreams established by infrastructure focus, overlaid by operational expertise. This matrix approach ensures functionality and operations are considered across workstreams, supported by various committees, ensuring that appropriate challenge is applied to decision-making, with insights from various working groups, committees and groups.



This approach does not work for all projects. While there are benefits of broad consultation and input from across the project life and different functions, a complex structure such as this requires strong leadership and project team to be effective. Failing this, a structured matrix approach can dilute accountability and can create confusion regarding who is making decisions. The broad consultation can also result in delays in decision-making and progress, and drive behaviours that do not reflect ownership and accountability of outcomes.

Governance is always a balancing act, managing the difficult trade-off between seeking broad consultation and input, and being pragmatic and efficient in decision-making.

Recommended Practices

Recommended practices for sound governance structure design and responsibilities:

- Establish governance groups early in the planning stage to oversee the initiation and planning activities.
- Undertake lessons learned reviews of similar projects to identify best practice approaches for governance systems and functions.
- Update and review the governance structure and terms of reference for each governance group at each critical decision point over the project lifecycle.
- Refer to Appendix 1 for a *Terms of Reference* template.

MR A3: Diverse and complementary experience, capability, and capacity in key governance groups.

Collective experience, capability and capacity to fulfil responsibilities of the group

Governance groups need to have the right people involved, collectively incorporating the required experience, capability and capacity to provide proper project oversight and successfully deliver against their Terms of Reference. This means that each governance group incorporate complementary and compatible skills. While group members may not necessarily meet all the capability and experience requirements for the group, across the body, all the skillsets should be covered.

In addition, members of governance groups need to have the capacity to dedicate and commit the time required to fulfil their role. This includes attending and fully participating in governance group meetings, reviewing materials prior to meetings, consulting with other governance group members, the project team and relevant stakeholders and actioning any items arising from any meetings.

Broad representation that facilitates diverse insights

Governance groups that embrace diversity of thought and have a culture of challenging norms are better equipped to deliver robust decision-making, understanding trade-offs and impacts.

Every project has a range of stakeholders, each with different priorities. This includes the investor, customers or end-users, the delivery agency, operations teams and, depending on the project, partnering agencies or organisations. Incorporating representation from each of these stakeholders, where that representation has the experience and skillset to actively participate in the governance group, allows the interest of each group to be considered, and the impacts of decisions to be assessed from multiple perspectives.

An open culture enables ideas to be challenged and advocates for project success

Culture is made up of the behaviours, values and attitudes of the collective group. Behaviours common in effective governance groups include:

- Open to challenge – actively encouraged to constructively challenge information presented, decisions made and approaches taken

- Advocacy – promote the project, with individuals feeling that they are part of the success of the project
- Accountability – take ownership of project outcomes, and collectively have a sense of responsibility for project success
- Transparency – open sharing of information considered and justification of decisions, as well as actively hold open conversations with project teams and key stakeholders regarding feedback and outlook.

Minimum Requirements

Members of governance groups are expected to have the right experience, capability and capacity to fulfil the collective responsibilities of the group.

The capability and capacity requirements for the group are expected to be documented in the Terms of Reference, and collectively include:

- a) A proven track record in delivering projects of a similar size, nature and complexity
- b) Leadership experience, and an ability to proactively lead teams
- c) Experience across the project life, including operational experience
- d) Experience in the public and private infrastructure sector
- e) Financial management capability, including in cost, risk, contingency and budget management and reporting
- f) Technical capability, including in safety, quality and scope
- g) Project management capability, including in schedule management
- h) Technical capability that meets the Public-Sector Capability Framework for Infrastructure and Construction Project Leadership. In particular, the following capabilities as set out in the framework:
 - Apply commercial acumen and management: determine and manage contractual, commercial and procurement dimensions of the project, including supply and partnering arrangements, business relationships and spending against project budgets, to achieve value for money
 - Maintain project governance: determine the framework of policies, regulations, functions, processes, procedures and responsibilities by which the project or program will be established, managed and controlled
 - Manage complexity and ambiguity: diagnose project complexities, and apply appropriate tools, processes and techniques to mitigate and manage the challenges of complexity
- i) Capacity to commit to the required time to fulfil the responsibilities of the group, including preparation of materials, reading, participation, consultation, etc. and to actively participate in meetings.

The experience, capability and capacity requirements are expected to be included in the Terms of Reference for the project steering committee / project board, project control group and change management group, established prior to Gate 1.

MR A4: Broader representation on key governance groups, including project steering committee / project board, project control group, change management group.

Minimum Requirements

Governance groups are expected to have the appropriate representation to ensure broad consideration of perspectives and input, this must include:

- a) **Chair**, preferably independent from the project team and/or agency, and responsible for driving robust discussions while efficiently drawing conversations to a point of decision
- b) **Secretariat**, responsible for distributing meeting materials in advance and documenting discussions and decisions
- c) **Sponsor**, representing the funder's interests (i.e. central agencies) and owns the Business Case. The funder's interests are not to cut costs, but ensure value for money and the benefits are on track
- d) **Deliverer**, responsible for procurement of the asset from investment decision to commissioning, delivering the benefits, translating requirements from the sponsor and managing delivery outcomes
- e) **Asset manager/owner and operator** to ensure consideration of the customer impact and outcomes, and responsible for day to day operations and maintenance of asset once commissioned
- f) **Independent member**, an additional representative independent of the project team, delivery agency and central agencies, if the chair is not independent.

The membership criteria are expected to consider the required level of seniority of representatives, including whether proxies are permitted. Where proxies are permitted, the proxy attending is expected to have adequate permission to make decisions on behalf of their organisation.

Representation requirements is expected to be incorporated in the Terms of Reference for governance groups, including the project steering committee / project board, project control group and change control group, and established by Gate 1.

Recommended Practices

Recommended practices to ensure broad representation on key governance groups include:

- Independent Chair who is independent from the project team and/or agency,
- Invite challenge and diversity of thinking into governance groups by incorporating additional independent members or including roles that are continued across multiple phases of the project life.
- Provide training for governance group members to establish expectation of an effective member.
- Ongoing reinforcement of the right behaviours and culture within governance groups, from project leaders to project teams.

MR A5: Timely and quality meeting materials, including preparation, distribution and storage.

Minimum Requirements

Information management practices are expected to be established for key governance groups, allowing members to actively participate at each meeting, provide transparency of decisions and discussions, and clarity of decisions made in each meeting.

This is expected to include:

- a) Agenda to be developed in accordance with the forward agenda plan (see MR A6), updated, and distributed to members at least five business days in advance of any governance group meeting
- b) Materials for consideration by the governance group, including any analysis undertaken by the project team or third parties, and supporting information to support decision-making, must be distributed to members at least five business days in advance of any governance group meeting
- c) Attendees, absentees, proxies, discussions, decisions, endorsements and feedback made within the governance meeting to be recorded in meeting minutes
- d) Meeting minutes to be distributed to members, key decision makers (i.e. project director, senior responsible officer and relevant delegated authorities), and relevant stakeholders within 5 business days of the governance meeting
- e) All agendas, materials and minutes to be stored in a central library, with access for the project team and governance group members
- f) The documents must be stored and available on the library for the remainder of the project life, with access provided to the project team and other key stakeholders
- g) Action items recorded and distributed, and followed up by the Chair or any other appropriate member to ensure that they are completed within the timeframe set by the governance group.

The information management requirements for governance meetings are expected to be included in the Terms of Reference for the project steering committee (or equivalent), established prior to Gate 1.

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

Forward planning of agendas allows governance meetings to align with key decisions or points in time where input is most beneficial, while also allowing project teams the time to plan and prepare materials.

Minimum Requirements

Draft agendas are expected to be produced for all meetings for a minimum of six months, and include:

- a) Standing agenda items for discussion at all meetings, including:

- Cost performance, including budget, costs incurred to date, forecast to completion
 - Contingency, including contingency expended, and any variance to the approved contingency, and reasons for contingency requests to be approved
 - Schedule performance and forecast to completion, including how this differs from the approved schedule
 - Scope, quality and safety issues and updates
 - Risks, including risk identification and how risks are being managed
- b) Upcoming decision points that require input, approval or endorsement from the group
- c) Any other issues for consideration.

Forward agendas are expected to be continually updated to reflect the next six months of governance meetings for all governance groups. Access to forward agendas is expected to be provided to project teams and governance group members through a central library of project information, in-line with the project teams' information management practices.

Recommended Practices

Recommended practices to ensure effective information management include:

- Establishing an efficient information management practice that integrates information sharing, procedures, storage, and communication technology to support communication between governance groups, decision makers and project teams.
- Appointing or assigning dedicated resources to information and decision management to facilitate distribution of information,
- Considering what needs to be maintained to support the post-completion benefits realisation and evaluation processes.

PROJECT TEAMS

The minimum requirements in the Oversight Framework seek to answer the following questions regarding the role of project teams in establishing effective project oversight:

- ▶ 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?

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 to address the following:

- ▶ Project team structure, recruitment and resources: MR B1 and MR B2
- ▶ Roles and delegation within the project structure: MR B3.

MR B1: Develop a Recruitment and Resourcing Plan

Project teams are required to develop a Recruitment and Resourcing Plan that defines the expertise, capacity and experience requirements for each position across the project life, facilitating the engagement of resources as needed.

Minimum Requirements

The plan is expected to reflect the project objectives and needs, and include:

- a) **Structure:** Define the project team structure, including:
 - The project team hierarchy, accountabilities and reporting lines
 - Any working groups or committees, their roles and responsibilities
 - How the structure will change across the project life, including identifying which roles will continue across the entire project life
- b) **Position descriptions:** Identify the positions required within the project team, including:
 - Responsibilities and requirements
 - Capacity requirements, including term of position and time commitment
 - Experience, including in projects of a similar size and complexity
 - Capability and experience required for each position
- c) **Transition management:** Identify how the project will ensure the roles and responsibilities of positions that are any of the following will continue to be met:
 - Filled by an 'Acting' role
 - The person in the role is on extended leave
 - The person in the role departs the team
- d) **Capability and experience:** Articulate how the project team will ensure appropriate capability and experience across the project team on a collective level, including:
 - Key skillsets, including risk, budget, program, scope, commercial, technical safety and quality
 - Experience in major, complex projects of a similar nature
- e) **Third party providers:** Identify where third party or external contractors may be required to provide specialist input, and how the project team will ensure the inputs meet the project requirements
- f) **Culture and behaviour:** Identify the cultural and behavioural expectations of the project team, including how it will support collaboration and integration of new team members, contractors and third parties and support transfer of knowledge
- g) **Recruitment, resourcing and onboarding:** Detail the recruitment and resourcing strategy for the project team, including:
 - Detail how the project team will ensure it can scale up to meet increasing project needs

- How the project team will ensure availability of HR and procurement resources to facilitate efficient procurement and recruitment of resources
- h) **Training and development:** Outline the training and professional development that will be provided for the project team that will ensure development of the required skillsets across the team and support succession planning
- i) **Approval and changes to the resourcing plan:** Detail the approval process for the Recruitment and Resourcing Plan, including specifying how the resourcing plan may be changed and delegating responsibility for the approval of any changes.

The Resourcing Plan is expected to be developed prior to Gate 1 and be maintained as a live document, with continuous review and updates, including ensuring adequate resourcing capacity and budget for the project's close out phase.

Recommended Practices

Refer to Appendix 1 for a *Resourcing Plan* template.

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

Defining the team capability and experience requirements provides clarity of the expectations and requirements for the team. This includes the requirements for the collective project team, individual positions, and specifically for project leaders.

The skills and experiences across the project team should be complementary, meaning that not every position is required to cover all of the skills and experience requirements, however across the team as a whole, there is a depth and breadth of skills and experience that allows the team collectively to meet the project requirements and by responsive to changing needs.

Minimum Requirements

At a collective level, projects are expected to define the team capability and experience requirements for the whole team, which incorporates the following:

- a) An understanding of governance and government processes
- b) Technical, engineering, commercial, financial, risk, technology and community and stakeholder management skills
- c) Project management and coordination skills
- d) Skillsets specific to the project, such as transport, health, education, water, etc
- e) Experience across the project lifecycle, including planning, procurement, delivery and operations
- f) The Infrastructure and Construction Project Leadership capability requirements, as set out in the Public Service Commission, including the following capabilities:
 - Apply commercial acumen and management: Determine and manage contractual, commercial and procurement dimensions of the project – including supply and partnering arrangements, business relationships and spending against project budgets – to achieve value for money

- Maintain project governance: Determine the framework of policies, regulations, functions, processes, procedures and responsibilities by which the project or program will be established, managed and controlled
- Manage complexity and ambiguity: Diagnose project complexities, and apply appropriate tools, processes and techniques to mitigate and manage the challenges of complexity.

Project leaders, such as the Project Director and Project Manager/s, are expected to have broader experience and capability than the rest of the project team, reflecting the role they play in coordinating and leading the project team, and allowing them to identify issues or consider options from multiple perspectives. Project leaders are therefore expected to meet, at a minimum, an appreciation and/or experience for all of the capability and experience requirements identified above, in addition to specific leadership experience that enable project leaders to lead the team and drive strong behaviours.

The team capability and experience requirements are expected to be defined prior to Gate 1 and updated every six months.

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.

Project teams are expected to define the roles and responsibilities for the project life. Defining the roles and responsibilities across the project team, and across the organisation in relation to the project, enhances transparency and accountability for delivering outcomes. At a minimum, this is expected to include, for each position:

- a) Delegations and accountabilities, including for leadership positions
- b) Performance expectations, ensuring that expectations are measurable and clear
- c) Communication protocols and expectations
- d) Reporting relationships, including direct reports and managers.

The roles and responsibilities for all positions within the project team are expected to be approved by the Senior Responsible Officer prior to Gate 1 and be refreshed every six months and communicated to the project team.

Recommended Practices

Recommended practices to support effective projects teams include:

- Provide professional development opportunities for project team members to enhance understanding of governance and government processes
- Ongoing training and education on project management principles, and key elements of project management elements such as project cost, risk, scope, schedule and budget
- Allocate responsibility for establishing communication channels and active information sharing across the project team to an individual (or small number of individuals). This role will be responsible for actively updating the project team, organisation and governance group of decisions, analysis and findings and ensuring a broad and consistent understanding of project progress and decisions

- Provide leadership training for Project Directors, Project Managers, and any other project leaders to support the establishment of a strong team culture.

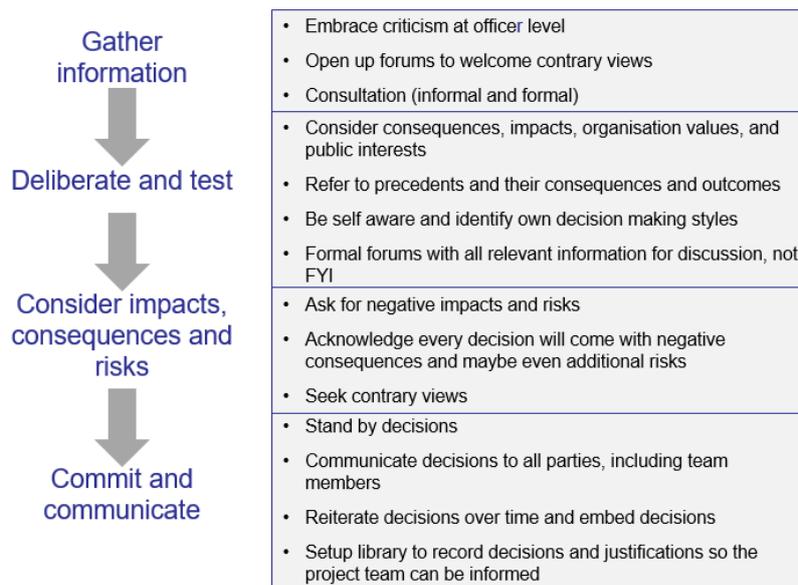
DECISION-MAKING

The minimum requirements in the Oversight Framework seek to answer the following questions regarding the role of decision-making in establishing effective project oversight:

- ▶ 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?

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.

Figure 2 - Case study: The decision-making process



There are seven minimum requirements for HPHR projects to address the following:

- ▶ Clear responsibility for decision-making and accountability of outcomes: MR C1 and MR C2
- ▶ Processes for sharing information and canvassing options: MR C3 and MR C4
- ▶ Methods for embracing scepticism, challenging norms and assumption: MR C5
- ▶ Defined criteria for analysis and decisions: MR C6
- ▶ Documentation of proposals, options and decisions: MR C7.

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.

Decision planning for forward visibility and transparency of decisions across project life

Decision planning supports project oversight in a number of ways, including:

- Increases transparency regarding how decisions are made and by whom
- Provides clarity to the project team regarding the timing of decisions, and obligations of the project team to support decision-making, such as developing supporting analysis and obtaining inputs in accordance with the timing requirements for each decision
- Avoids issues arising where delegation for making decisions is not defined or well-understood, which may result in re-work or duplication as decisions that were thought to be finalised are re-opened
- Identifies pressure points in the project schedule, such as where a number of critical decisions are required or where decisions interface with other key activities or milestones in the project schedule, enabling careful planning to ensure the decisions can be properly considered and not create delays
- Identifies escalation pathways, facilitating decision-making where the delegated authority is unable or unwilling to decide, avoiding delays to the project that would otherwise occur.

Decision planning reflects the project schedule and incorporates delegation and responsibility for decisions across time. A simplified example of a decision plan is provided in Table 1.

Appropriate decision-making authorities and accountabilities

The responsibility for making decisions on behalf of Government is allocated through delegations of authority, under the Government Sector Finance Act.

Project leaders act on behalf of the project and are responsible for day-to-day project delivery. Similarly, the Senior Responsible Officer is ultimately accountable for the project within the agency and is responsible for ensuring the project delivers against its committed outcomes. These roles collectively are responsible for making decisions to support the project planning and delivery, and therefore need to have appropriate accountability and decision-making authorities.

Table 1 - Example allocation of decision-making schedule across project life

Year	M	DECISION	DELEGATION	ESCALATION PROCESS	INPUTS REQUIRED	RESPONSIBILITY FOR INPUTS
Year 1	J					
	F					
	M					
	A					
	M					
	J					
	J					
	A					
	S					
	O					
	N					
	D					
Year 2	J					
	F					
	M					
	A					
	M					
	J					

Best practice sees the allocation of delegated authorities and decision-making responsibilities reflecting the appropriate seniority, experience and position, considering the risk, value and potential impact of such decisions. As the criticality or potential impact of decisions increases, so too should the required level of delegation.

Delegations for making decisions is a balancing act, with often a trade-off between:

- Efficiency and speed in decision-making, with delegated authorities being close enough to the project to have a strong understanding of the impacts, risks, costs and trade-offs of the decisions
- Seniority and experience, with delegated authorities being senior enough within an organisation to be accountable for outcomes, and have the experience, skills and capability to comprehensively understand the decisions and the potential impacts.

Getting the decision-making process right means finding the balance between these constraints, enabling efficient and effective decision-making while supporting accountability at the right level.

Minimum Requirements

Project teams are expected to develop a decision schedule, documenting the anticipated decisions across the project life, including the expected timing requirements and responsibilities for major decisions³.

This is expected to include:

- a) Major decisions required throughout the project life, including decisions involving scope, benefits, outcomes, budget, contingency, schedule
- b) The expected timing of each decision, reflecting the project schedule
- c) The accountability for making each decision, including whether that person can delegate the decision-making responsibility for each individual decision
- d) Escalation pathways, outlining the process for decisions that cannot be reached by the delegated authority, including who the decision is referred to and processes for documenting the escalation.

The decision-making schedule is expected to be approved by the Senior Responsible Officer prior to Gate 1 and be refreshed quarterly.

MR C2: Develop a delegation manual that details the SRO and project leaders' delegations and reflects their responsibilities and accountabilities.

Minimum Requirements

Project teams are expected to have a delegation manual that details the SRO's and project leaders' delegations and reflects their responsibilities and accountabilities.

This is expected to include:

- a) Delegations for the Senior Responsible Officer and project leaders that reflect their responsibilities and accountabilities
- b) Delegations that are appropriate for the level, seniority and experience of each individual in regard to the type of decisions / approvals
- c) Escalation pathways for when an individual is unable to make a decision/approval delegated to them.

The delegation manual is expected to be approved by the Senior Responsible Officer by Gate 1.

³ Major project decisions include any decision that will result in a fundamental change to the planning or delivery approach, or to scope, cost, schedule and risk profile, or any other decisions that the is considered important to the project. This includes, but is not limited to recommended option; alignment; procurement strategy and delivery approach; tender shortlist; release of tender documents to market; preferred bidder; negotiation decisions; contract execution; major claim approval, etc.

MR C3: Develop a database or library of decisions, recording project information, supporting information, decisions made, including their rationale, trade-offs and implementation details.

Minimum Requirements

Projects are expected to establish a database or library that records all project decisions. The library is expected to be accessible by the project team, governance groups and decision-makers, and, at a minimum:

- a) Document historic and current project information (i.e. scope, budget, schedule, project objectives, etc.), including analysis, documentation and supporting information
- b) Record decisions made throughout the project life-to-date, including who made the decision and their rationale (i.e. the completed decision template)
- c) Document the implementation approach of the decision, including, as appropriate, schedule, resourcing and costs of implementation
- d) Include supporting information used in making the decision that can be referenced to provide insight into past decisions made.

The library is expected to be established prior to Gate 1 and updated for all major decisions throughout the project life.

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

Developing a framework that incorporates the project objectives and benefits into project decision-making can help selecting options that best support project objectives and are aligned with government objectives and priorities. This allows each option to be considered and evaluated objectively based on how well it will contribute to the project outcomes, providing a level of transparency into project analysis.

Where such a framework is developed early in the project planning stages, it enables consistency across the project life, and maintains a continuous link between the options identification and analysis, and the committed outcomes.

Minimum Requirements

Project teams are expected to develop an Options Identification and Evaluation Framework, which links decision-making to the project objectives and benefits, to be used across the project life.

The framework should:

- a) Define the project objectives and benefits that the project is seeking to achieve
- b) Articulate the approach to evaluating options against the objectives and benefits
- c) Identify any consultation requirements to test the evaluation of options and their performance against objectives and benefits with key stakeholder groups.

The Options Identification and Evaluation Framework is expected to be developed prior to Gate 1.

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.

Decisions to follow a transparent change management process

A key measure of project performance is the delivery of the project to scope, schedule and budget. Government's decision to invest in the project represents a commitment to deliver certain outcomes and benefits on behalf of the public. Any project decisions that have the potential to impact the project cost, scope, schedule or contingency position agreed by government in the investment decision require proper consideration through a defined change management process.

Establishing a change management process that is transparent and clearly defined upfront promotes accountability for any decisions that impact the ability to deliver to governments committed outcomes (i.e. scope, schedule, budget and benefits) by ensuring such decisions are carefully considered, follow a transparent decision-making process, and promote best for project outcomes.

Encourage challenge and diversity of thought

Incorporating different perspectives and specialist input into project analysis and decision-making supports broad consideration of options and their impacts. This requires decision-makers and project teams to embrace diversity of thought and allow norms to be challenged. Project leaders and teams can achieve this by actively consulting on decisions and seeking contrary views.

Establishing working groups within the project team structure is an example of such an approach, allowing insights to be shared across specialties and decisions to be tested across multiple perspectives. Other approaches include providing opportunities for team members to provide feedback on decisions and approaches, engaging with stakeholders and other project teams within the organisation, and engaging third parties to undertake independent review of project analysis and validate or test the findings.

The impact of market conditions and perspectives across the project life

Market conditions and perspectives can have a major impact on the delivery of a project, particularly as certain approaches may impact the acceptability of the project by contractors or other key stakeholders. Examples of this include risk sharing in contracts, economic conditions impacting key project costs, or the capacity and capability of the market to deliver to time or scope.

Strong decision-making recognises this changing environment, with the project team actively seeking to develop an understanding of the market conditions and market perspectives.

Key market considerations in options assessment and decision-making include:

- level of competition, including the number of market players with the relevant corporate experience and capacity to support the proposed approach
- cost and availability of inputs and resources (i.e. steel, asphalt, minerals, tunnelling equipment, labour)
- financial inputs such as interest rates and inflation

- market's risk appetite and the willingness of the private sector to take on risks under the proposed approach.

Encouraged and trained to challenge assumptions

While it is widely understood that challenging assumptions can support improved decision-making through a more comprehensive identification and assessment of options, it is often difficult for individuals to do so consistently, with innate tendencies or cognitive biases often hindering an individual's ability to be logical and rational in decision-making.

For this reason, a conscious effort is required to manage and promote accuracy in project analysis, with project teams and decision-makers actively establishing processes that allow assumptions to be challenged and norms to be tested. Such processes may include training, which allows individuals to be more aware of their own biases, and to actively seek out information and contrary views.

The culture within the project team and amongst decision-makers can also support the process of challenging assumptions, with cultures that are open to feedback and scepticism providing an environment that empowers individuals to undertake analysis that is more robust and rational.

Minimum Requirements

A Change Control Group, to which all day-to-day change requests to scope, costs, contingency, schedule or agreed outcomes are referred for decision, is expected to be established.

The composition of the Change Control Group may be determined by the agency, with the inclusion of independent representation and a funder agency/division representation recommended. The representatives are expected to be willing to commit the time to participate in the Change Control Group throughout the project life.

The change management process is expected to consider any decisions that, when compared to the approved Final Business Case, have the potential to result in any:

- change to the project scope
- increase in the forecast costs to completion or amendment to the project budget
- change in the contingency
- change in schedule and may result in a delay in project completion and commencement of operations
- change to the outcomes agreed in the Final Business Case, such as quality and benefits.

The change management process is expected to, at a minimum:

- a) Clearly outline a process for considering any changes to scope, costs, contingency, schedule or agreed outcomes
- b) Define the processes and delegations for approving proposed changes
- c) Identify when decisions must be referred to the Change Control Group
- d) Clarify escalation pathways for when decisions are unable to be reached by the delegated authority.

The Terms of Reference for the Change Control Group is expected to be developed in accordance with MR A2.

The Change Control Group is expected to be established immediately after the investment decision (post Final Business Case / Gate 2 completion).

MR C6: Implement a standardised decision template, updated for each project and completed by decision makers.

Key to ensuring transparency and objectivity in decision-making is implementing a decision-making approach that is clearly defined, communicated and consistent for all project decisions. This supports effective decision-making by both driving stability in the outcome of decisions across the project life, and by promoting clarity and transparency for stakeholders and the project team regarding the process for decision-making and how / why decisions are made.

A consistent decision-making approach means following the same, common elements for each project decision, including processes for identifying options, gathering information to assess options, evaluating options against largely consistent criteria, and validating analysis with different speciality groups, working groups and potentially external stakeholders.

Similarly, using largely consistent criteria to support decision-making, which reflects the project objectives and key metrics such as cost, risk, schedule, contingency and market acceptability provides objectivity into the decision-making process. The criteria may also be adapted or added to in order to incorporate specific target outcomes for each decision.

Minimum Requirements

Project teams are expected to develop a decision template that will be used to facilitate and record major project decisions. 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. These templates may be developed by the agency to support all large, complex projects, or may be project specific, and will be provided by the project team to the delegated authority responsible for making the decision.

The template is expected to include, at a minimum:

a) Purpose and context:

- What is the decision that needs to be made?
- When does the decision need to be made by?
- What are the implications of delay to the decision?

b) Delegation:

- Who is responsible for making the decision?
- What are the escalation pathways if the decision cannot be reached?
- Who is responsible for undertaking the analysis to support the decision?

c) Information gathering:

- What are the information sources that have been considered?

- Are there any information gaps? What additional information is required to ensure comprehensive consideration of the issues?
 - What assumptions have been made in the absence of information or data?
- d) **Consultation:** Outline which agency division and /or agencies have been consulted.
- e) **Decision criteria:**
- What are the criteria for making the decision?
 - Are there any specific criteria that should be considered for this specific decision?
- f) **Options identification:**
- What are the options that were considered? Describe their characteristics.
 - What other options were identified and not considered / excluded? Why?
- g) **Options assessment:**
- What are the risks and opportunities of each option, when considered against the decision criteria?
 - What are the impacts of each option against cost, risk, scope, budget, quality, safety?
 - How well does each option support the project objectives?
 - What are the risks and opportunities of each option when considered in the current infrastructure market?
 - What engagement has been undertaken to invite feedback and challenge into the options assessment process?
 - What tools have been used to assess each option? Describe the tool and any assumptions used.
- h) **Recommended option:**
- What option is recommended?
 - What are the risks and issues to be managed under the recommended option?
 - If the recommended option is not pursued by the delegated authority, what other options should be considered? Why were they not recommended? What are the risks and issues to be managed under these options?

The Decision template is expected to be updated for project specific attributes and approved by the Senior Responsible Officer at the Gate 1 review and be completed for all major project decisions. Completed decision templates, recording the decisions made to date on the project, is expected be stored in a central project document library and accessible by the project team and governance group members.

Refer to Appendix 1 for a *Decision* template.

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.

A key success factor for project delivery includes transparency of decisions, with documentation of the information upon which decisions are made maintained on an ongoing basis and centrally stored.

This approach:

- allows members of the project team that are not close to decision-making to understand which decisions have been made, and consider the impacts of these decisions on their day-to-day analysis and activities
- supports transparency and trust in the team culture, allowing team members and governance groups to understand the reasons for decisions
- supports transition of incoming team members, enabling understanding of past decisions made and the justification, particularly for decisions that have flow on impacts in later project stages (e.g. procurement to delivery)
- enables consistency in approach across the project team, governance structures and delegated authorities.

Minimum Requirements

A central library of project information is expected to be developed to incorporate all decisions made in the project life-to-date, including justification for each decision and assessment of the trade-offs. The document library is expected to be accessible to the project team and governance group members and should include:

- a) Records of all decisions made throughout the project life, including who made the decision and the rationale for the decision (i.e. the completed decision template)
- b) Documentation of the impacts for all decisions, including their estimated impacts on schedule, resourcing, and cost
- c) Supporting information for each decision to gain insights into the rationale behind each decision.

The library is expected to be established prior to Gate 1 and updated for all major decisions throughout the project life.

FINANCIAL MANAGEMENT

The minimum requirements in the Oversight Framework seek to answer the following questions regarding the role of financial management in establishing effective project oversight:

- ▶ 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?

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.

Common pitfalls in financial management include:

- ▶ Contingency: Setting project contingencies using rule-of-thumb benchmarks that do not appropriately reflect the project stage, risk profile or unique issues
- ▶ Capability and skills: Inadequate capabilities within project team to set budgets, contingency estimates, understand and quantify risks, and financial reporting
- ▶ Risk management: Poor identification, quantification and assessment of risks, with risk registers infrequently updated or refreshed
- ▶ Financial reporting: Infrequent reporting against budget, contingency, risks and program, including within project team, to the Steering Committee and to key stakeholders
- ▶ Contract administration: Ineffective contract management, due to lack of skills, inadequate contract administration processes or lack of transparency of contractor performance
- ▶ Accountability: Lack of clarity regarding authority and delegations for accessing contingency, reporting and setting budget estimates.

There are ten minimum requirements for HPHR projects that address the following:

- ▶ Budget allocations and accountability: MR D1 to MR D3
- ▶ Financial reporting, including estimation and ongoing forecasting: MR D4 to MR D6
- ▶ Contingency management: MR D7 and MR D8
- ▶ Contract administration and claims management: MR D9 and MR D10.

MR D1: Document and define delegated authorities for any financial management practices and escalation process, with delegations reflecting the complexity of the project.

Minimum Requirements

Projects are expected to have established delegated authorities for financial management practices clearly documented by Gate 2 to support the investment decision.

The delegations are expected to be recorded and should at least include authorities on approving:

- a) Reporting against financial performance.
- b) Budget, cost and contingency estimates
- c) Changes to budget and contingency envelopes
- d) Access to contingency.

The delegated authorities should have adequate skills, experience, and capacity to act as the delegated authority for financial management. Any escalation pathways should be clearly identified, including escalations that arise where the delegated authority is unable to reach a decision.

MR D2: A Final Business Case with sufficient design and scope definition to allow estimation of cost, schedule, and contingency.

Minimum Requirements

The Final Business Case is expected to must incorporate a design that allows for proper scope definition and cost, schedule, and contingency estimation that accounts for market capacity and commercial principles. This must include, where relevant:

- Geotechnical investigations
- Identification of utilities and engagement with utility service providers
- Constructability and deliverability assessment
- Assessment of market capacity
- Commercial principles for procurement (risk allocation, form of procurement, early engagement with industry)
- Interface design and management
- A detailed risk assessment, documented in a risk register, that informs the contingency estimates and approved by the relevant governance authority.

The cost estimates, contingency estimates, schedule and scope definition are expected to reflect the findings of the analysis undertaken to support the Final Business Case, including the analysis required under this minimum requirement (i.e. level of design, geotechnical, utility identification, constructability and deliverability, and interface management). This is expected to be completed by Gate 2.

In addition to the minimum requirements, projects must comply with cost estimation and risk methodologies requirements set by NSW Treasury.

MR D3: Third party peer review of cost estimates, taking into account the underlying risk register.

Minimum Requirements

Budget and contingency estimates included in the Final Business Case, including the underlying risk register that informs the estimates, are expected to be reviewed by an independent third party to ensure accuracy and promote transparency and invite challenge into the estimation process, including investigation of differences in estimates. The third-party reviewer will 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. If any differences between the estimates are identified, these are expected to be discussed, challenged, investigated and, where required, updated. This is expected to be established after the approval of the Final Business Case / by Gate 3.

Project teams are expected to endeavour to identify a reviewer that is, where possible, 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

Minimum Requirements

Projects are required to undertake monthly reporting of their financial position, with reporting shared across the project team, governance groups and the SRO. This monthly reporting is expected to include, at a minimum:

- a) **Risk review:** Review of risk register, including:
 - Identify any new risks, considering any changes to market conditions or new information
 - Identify any risks that have eventuated, their impact and root cause
 - Review and update the mitigating factors for risks to reflect current circumstances and information availability
 - Review the likelihood and impact of risks occurring and update for current circumstances and information availability.
- b) **Current performance:** Assessment of actual costs and contingency incurred to date compared to the approved funding envelope, including:
 - Identification of project costs, agency costs and any other relevant costs
 - Costs incurred against budget, funding envelope as approved by government and contingency, reported on both an accrual and cash flow basis
 - Where there are actual overruns against the budget, funding envelope and/or contingency, identify:
 - the root cause of the overrun
 - mitigating factors to limit its impact going forward
- c) **Forecast performance:** Estimate costs and contingency to completion compared to the approved funding envelope, including:
 - Forecast project cost, agency costs and any other relevant costs
 - Forecast performance against budget, funding envelope and contingency, reported on both an accrual and cashflow basis
 - Consideration of any changes that will impact costs and contingency, including:
 - changing market conditions and economic factors
 - capability and capacity of the market
 - emerging risks and challenges
 - schedule delays and contingencies
 - Where there are forecast overruns against the budget, funding envelope and/or contingency, identify:
 - the root cause of the overrun
 - mitigating factors to limit its impact going forward.

Financial reports are expected to be approved by the relevant delegated authority monthly.

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

Minimum Requirements

Project reporting of financial and schedule performance must be provided to Infrastructure NSW through the Infrastructure NSW portal, using the INSW financial reporting template provided in Appendix 1. The monthly financial and schedule reporting to Infrastructure NSW must include:

- a) **Actual performance:** Assessment of actual costs and contingency incurred to date, including:
 - Identification of project costs, agency costs and any other relevant costs
 - Costs incurred against budget, funding envelope and contingency, reported on both an accrual and cashflow basis
 - Actual performance against project milestones and schedule
- b) **Forecast performance:** Estimate of costs and contingency to completion, including:
 - Forecast project cost, agency costs and any other relevant costs
 - Forecast performance against budget, funding envelope and contingency, reported on both an accrual and cashflow basis
 - Forecast performance against project milestones and schedule.

These reports must be approved by the relevant delegated authority and provided to Infrastructure NSW monthly. The estimates provided must align with the estimates under MR D3.

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.

Minimum Requirements

Project teams are expected to have at least one qualified financial analyst with experience in similar, large scale, complex capital projects. The qualified financial analyst is to be responsible for supporting the development and review of all financial reporting.

In addition, the project team are expected to consult with the delivery agency’s accounting team regularly, discussing all financial reporting and reporting requirements.



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.

The contingency-management process

Contingency considers the uncertainties in the delivery of major capital projects, including in respect to the final cost outcome. Provisions for contingency, to cover unknown risks, risk allowances and known risks, should be included in the project budget, accounting for the cost of any risks that may result in the actual cost outcomes being different to the expected cost estimate.

Infrastructure NSW is currently reviewing the Contingency Management Framework collaboratively with delivery agencies. This framework will be designed so that:

- Cost estimates are tailored to the scope and risk profile of the project
- Cost estimates are the best available assessment of the likely cost of the project
- The portfolio has sufficient funds to deliver projects with the approved benefits in the approved timeframes
- Project team are encouraged to know, understand and actively manage the costs, risks and changes in their project
- There is clear guidance on what contingency and risk allowances can be used for and who needs to approve its release
- There is transparency on the adequacy of contingency across the portfolio
- There is transparency on the consequences of absorbed additional costs or risks.

Minimum Requirements

Project teams are required to undertake regular updates of their contingency estimates, which, at a minimum, must incorporate a probabilistic quantification once the project scope is understood (i.e. Gate 2 onwards, and in some cases, strategic business case), and approved by the Senior Responsible Officer.

This must be based on established risk quantification methodologies (i.e. Monte Carlo analysis), which consider:

- a) Comprehensive identification on risks, referring both to previous projects and any unique risks or challenges for the project
- b) The likelihood of each risk occurring and the range of cost impact if the risk was to occur.

A detailed risk register must be developed for all probabilistic contingency estimates, documenting the risks identified and quantified, including the likelihood of risks occurring. The risk register should directly align with the probabilistic contingency estimation.

SROs are responsible for ensuring contingency estimates comply with any additional cost estimation and quantification processes set by Treasury and Infrastructure NSW that are not included in this Framework.

MR D8: Define an approval process and delegations for accessing contingency and restricted to defined risks eventuating.

Minimum Requirements

Project teams are required to develop a protocol that defines the process for accessing contingency. This must include:

- a) Processes or procedures that need to be followed to access contingency, including proper reporting, documentation and consultation for contingency to be accessed
- b) Identification of the specific circumstances in which the contingency may be accessed
- c) Delegation of authority for approving access to contingency reflecting the value and each risk / risk type
- d) Escalation pathways, which determine the process to be followed when a decision cannot be made by the delegated authority for any reason.

The protocol must be **approved by the SRO prior to Gate 2**.

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.

Minimum Requirements

Projects are required to establish a claims management protocol that clearly sets out the processes for reviewing, assessing, and making decisions on claims raised by contractors.

The claims management protocol must:

- a) Identify the processes to be followed to evaluate claims
- b) Identify any communication practices between the contractor and the project team
- c) Delegate authority for making decisions regarding the claim, reflecting its value and risk
- d) Where a decision is not able to be made by the delegated authority, set out an escalation pathway to ensure that a decision is able to be made by an appropriate delegation while avoiding any delays.

The claims management protocol must be established **prior to Gate 4** and be approved by the Senior Responsible Officer.

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.

Minimum Requirements

Project teams are required to undertake an assessment of project risks at the Final Business Case stage, with these risks reflected in commercial principles, demonstrating a fair, pragmatic and collaborative approach to risk allocation.

The commercial principles should:

- a) Identify and describe key commercial terms, i.e. payment, contract term, risk allocation, obligations of each party, liability, insurance, and any other important contractual positions that are relevant for the project
- b) Align with the delivery and procurement strategy for the package of works
- c) Identify and allocate project risks to an owner
- d) Be fair and balanced and foster a positive culture and relationship with the successful contractor.

The commercial principles must be documented in the Final Business Case and approved by the **Senior Responsible Officer by Gate 2**.

PERFORMANCE MANAGEMENT

The minimum requirements in the Oversight Framework seek to answer the following questions regarding the role of performance management in establishing effective project oversight:

- ▶ 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?

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 that address the following:

- ▶ Evaluation routines: MR E1 and MR E2
- ▶ Enacting accountability: MR E3 and MR E4.

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.

Minimum Requirements

Agencies are required to establish processes for the regular assessment and evaluation of performance of all projects under the responsibility of the agency. This evaluation is expected to consider performance at an agency level against the following:

- a) **Performance evaluation:** Performance against key objectives and metrics, including:
 - Financial management, actual and forecast costs against budget, contingency and funding envelope
 - Risk management and effectiveness of risk monitoring processes
 - Schedule management, including actual and forecast schedule against program
 - Safety performance and management

- Delivery of project commitments, including scope against the approved FBC
 - Culture and behaviours
 - Compliance with this Oversight framework
- b) **Root cause identification:** For any issues identified, undertake a root cause assessment to understand the underlying driving factors that resulted in the issues identified, including identifying if the issue is agency-wide, or project-specific
- c) **Rectification plan:** Establish an action plan that seeks to address the root causes identified, including processes and systems that will be established to encourage best practice, including issues across the agency.

Agencies are required to complete an agency-wide evaluation of all HPHR projects every six months.

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.

Minimum Requirements

Agencies are required to establish processes for the regular assessment and evaluation of performance of project teams and governance groups involved in delivering HPHR projects. This evaluation must consider performance of both project teams and governance groups, as outlined below.

- a) **Project team evaluation:** The extent to which the project team:
- Performs against key objectives and metrics, including:
 - Financial management, actual and forecast costs against budget, contingency and funding envelope
 - Risk management and effectiveness of risk monitoring processes
 - Schedule management, including actual and forecast schedule against program
 - Safety performance and management
 - Delivery of project commitments, including scope against the approved FBC
 - Compliance with this Oversight framework
 - Meets cultural and behavioural expectations, including openness, accountability, transparency, is supportive and empowers accurate analysis and collaboration
 - Has the capability and skills to meet the project requirements on a day-to-day basis
- b) **Governance group evaluation:** the extent to which each governance group:
- Performs against the Terms of Reference, including key metrics, including whether the group:
 - Effectively delivered against its remit and objectives
 - Met the attendance and active participation requirements
 - Complied with the information management requirements, including storage and access requirements

- Consistently met the behaviours and expectations
 - Timeliness of decision-making
 - Performed against any other performance evaluation requirements sets out in the Terms of Reference
- Complied with the agenda at each meeting, including standing agenda items and the decisions under the decision schedule.

Agencies are expected to complete evaluation of project teams and governance groups for HPHR projects at least every six months.

MR E3: Performance reviews for team members and executives to be linked to appropriate project outcomes, undertaken at least twice a year

A culture of openness, transparency and accountability

Project teams with a strong culture are better able to drive project outcomes. Common qualities in such cultures that support openness, transparency and accountability include:

- **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
- **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
- **Transparency:** Sharing information routinely, early and truthfully with stakeholders
- **Collaboration:** Sharing of information 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 the groups' experience, and awareness of blind spots in skillsets and capability.

Minimum Requirements

Performance reviews for team members and delegated authorities are required to incorporate key metrics for projects, including identification of the individual's contribution towards the metrics.

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

Metrics to be used include:

- a) Time against schedule
- b) Actual against budget and funding envelope
- c) Safety management and performance
- d) Quality and delivery of agreed project scope
- e) Culture and behaviours
- f) Whole-of-life outcomes, including linking project performance in later stages of the project with those involved in the early planning stages.

MR E4: Establish a database of contractor performance within each agency, incorporating contractor performance.

Contractors are essential in supporting project success, with their performance playing a fundamental role towards delivering project outcomes. Capturing the performance of contractors for major projects against key metrics in an agency-wide database, with performance considered as part of the evaluation of future procurement, can minimise contractor risk for projects and create an incentive for contractors to consistently deliver to a high quality.

Minimum Requirements

Agencies are required to establish database of contractor performance within each agency, reflecting the performance of contractors for HPHR projects against key project metrics. Agencies must share this information through the Construction Leadership Group.

The database is required to incorporate contractor performance against:

- a) Cost and schedule
- b) Risk management
- c) Delivery of scope and project benefits
- d) Capability and experience
- e) Culture and behaviours
- f) Any other factors that should be considered when assessing the contractor's performance or as an offset to poor performance, such as external circumstances that may have led to an outcome outside of their control or that were due to risks owned by the State.

The database is expected to be updated annually (at minimum) to reflect any changes in any contractor's performance or new information.

Implementation

Infrastructure NSW is in the process of updating the Assurance Review Workbooks and Review templates to account for the requirements in the Framework at each relevant Gate. The questions listed below, aligned to the minimum requirements of the Oversight Framework, will be checked by the independent review team at the designated review.

MINIMUM REQUIREMENT/ GATEWAY REVIEW
EVERY REVIEW - ONGOING
Governance Groups A5: is there timely and quality preparation, distribution, and storage of governance meeting materials?
Governance Groups A6: Is there forward planning of agendas?
Project Teams B1: Is the Recruitment and Resourcing Plan (<i>refer template in Guide</i>) up to date?
Project Teams B2: Are the team capability and experience requirements defined and up to date?
Project Teams B3: Are the roles and responsibilities across the project team and organisation documented (refer MR A1) and up to date?
Decision making C2: Is there an up to date Delegation Manual?
Decision making C7: Is there an up to date library/database of decisions, rationale and trade-offs?
Financial Management D4: Is there a monthly review of risk, financial performance, and forecasts (<i>refer template in Guide</i>)
Financial Management D5: Is the monthly financial, contingency and schedule reporting to Infrastructure NSW occurring?
Financial Management D6: Does the project team have access to a qualified financial analyst and regularly consult with the agency's accounting team?
Performance Evaluation E1: Are there established systems/ routines ensuring agency-wide project evaluation and internal reviews are completed at least every six months?
Performance Evaluation E2: Are there established systems/ routines ensuring that project team and governance group performance reviews are completed at least every six months?
Performance Evaluation E3: Are performance reviews for team members and delegated authorities linked to project outcomes?
Performance Evaluation E4: Is there an established database of contractor performance within each agency which is updated annually (at minimum)?
GATE 1 STRATEGIC OPTIONS GATEWAY REVIEW
Governance Groups A1: Has the governance structure been documented with clear allocation of reporting and accountability (ongoing as B3)?
Governance Groups A2: Have terms of reference for each governance group (<i>refer template in Guide</i>) been developed?
Governance Groups A3: Is there diverse and complementary capability and capacity across the key governance groups (including, at a minimum, project steering committee/project board, project control group and change control group)?
Governance Groups A4: IS there broad representation in key governance groups (project steering committee / board, project control group, change management group)?

MINIMUM REQUIREMENT/ GATEWAY REVIEW
Decision making C1: Has a Decisions Schedule documenting anticipated decisions across the project's life, expected timing and responsibilities, been established?
Decision making C3: Has a database or library for recording and sharing decisions been developed (ongoing as C7)?
Decision making C4: Has an options identification and evaluation framework been established, linked to project objectives and benefits?
Decision making C6: Does a standardised decision record template exist (<i>refer template in Guide</i>)?
GATE 2 BUSINESS CASE GATEWAY REVIEW
Financial Management D1: Have the delegated authorities for financial management practices been documented and defined?
Financial Management D2: Does the FBC include robust scope development and analysis?
Financial Management D7: Is the estimated contingency based on risk profile and stage of project life?
Financial Management D8: Has an approval process and delegations for accessing contingency been defined?
Financial Management D10: Are commercial principles documented in the FBC?
GATE 3 READINESS FOR MARKET GATEWAY REVIEW
Decision making C4: Have Change Management processes been established including a Change Control Group (post Investment Decision)?
Financial Management D3: Have cost estimations been reviewed by a Third party?
GATE 4 TENDER EVALUATION GATEWAY REVIEW
Financial Management D9: Has a claims management protocol that enables timely response to claims been established?

Further Reading

The following further reading will support the establishment of governance structures:

- ▶ Infrastructure NSW: Gateway Workbook (Gates 0 – 6), Key Focus Area 4
- ▶ Public Service Commission: Infrastructure and Construction Project Leadership – Capability Framework
- ▶ ASX Corporate Governance Principles.

The following further reading will support the success of project teams:

- ▶ Infrastructure NSW: Gateway Workbook (Gates 0 – 6), Key Focus Areas 4 and 7
- ▶ Public Service Commission: Infrastructure and Construction Project Leadership – Capability Framework.

The following further reading will support decision-making processes:

- ▶ ASX Corporate Governance Council: Corporate Governance Principles and Recommendations
- ▶ Infrastructure NSW: Gateway Workbook (Gates 0 – 6), Key Focus Areas 4 and 6.

The following further reading will support financial management:

- ▶ Infrastructure NSW: Gateway Workbook (Gates 0 – 6), Key Focus Areas 2, 4 and 5
- ▶ NSW Treasury: NSW Government Business Case Guidelines
- ▶ NSW Treasury: Certifying the Effectiveness of Internal Controls Over Financial Information
- ▶ NSW Treasury: Management of contingency provisions for Major Projects (TC15-08)
- ▶ NSW Treasury: Risk Management Toolkit for NSW Public Sector Agencies (TPP12-03a-c)
- ▶ Infrastructure NSW: Contingency Management Guidebook
- ▶ NSW Procurement Accreditation Scheme

The following further reading to support establishing effective performance evaluation practices:

- ▶ Infrastructure NSW: Gateway Workbook (Gates 0 – 6), Key Focus Area 4
- ▶ NSW Finance, Services and Innovation: Benefits Realisation Management Guidelines.

General

- ▶ The NSW Government Action Plan: a ten-point commitment to the construction sector
- ▶ Audit Office of NSW: Governance Lighthouse