



**NEW ZEALAND**  
GOVERNMENT PROCUREMENT

# Construction Project Governance

## Construction Procurement Guidelines

October 2019

v1.0



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
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## Construction Procurement Guidelines

The purpose of the Construction Procurement Guidelines is to provide government agencies with guidance on the government's standards of good practice for the development of their construction procurement strategy. The Guidelines are intended to support government agencies to improve the quality and consistency of their construction procurement practices.

The Guidelines consist of a suite of sections, each covering a subject matter area. They are considered to be live documents which we may update and add to, from time to time, to ensure they remain current and relevant. You can download the latest version of each section, along with any accompanying tools and templates, from [www.procurement.govt.nz](http://www.procurement.govt.nz).

To provide feedback on the Guidelines, email [procurement@mbie.govt.nz](mailto:procurement@mbie.govt.nz).

## Major infrastructure project guidance

Major infrastructure projects by their very nature are large scale and complex – they have bespoke issues, risks and challenges that may require more sophisticated project planning, management, procurement and governance approaches. The New Zealand Infrastructure Commission - Te Waihanga, publishes major infrastructure guidance for projects with a total cost of ownership of greater than \$50m.

For more information about major infrastructure project guidance and the support provided by the Infrastructure Commission, see [www.infracom.govt.nz](http://www.infracom.govt.nz) or contact the Infrastructure Commission at [info@infracom.govt.nz](mailto:info@infracom.govt.nz).

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Version 1.0 released October 2019

ISBN 978-1-99-000435-3 (Online)

## New Zealand Government

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# Construction project governance

## Overview

Governance for construction projects relates to how your agency structures its leadership to enable decisions to be made effectively, efficiently and transparently. It's how your project is directed and controlled to translate the government's investment decisions into value and deliver benefits.



Agencies must have appropriate project governance arrangements in place with the authority to make timely and informed decisions.

## Project governance framework

A project governance framework is prepared as part of the business case and varies based on the scale, complexity and other factors of your project. The framework covers your organisational and project governance accountability, the involvement of other agencies, and the work of the project team to deliver the project and its benefits.

The governance arrangements framework should include:

- the roles and responsibilities of your agency, [Corporate Centre](#) agencies (the State Services Commission, Treasury, and Department of the Prime Minister and Cabinet), and any commercial partners
- arrangements and interfaces between the different organisations
- terms of reference, reporting, delegations and accountabilities.



An effective project governance framework identifies who has decision-making responsibility and authority.

Governance and accountability frameworks should be regularly reviewed to ensure they remain effective. The start of each project phase is a good time to revisit and update governance and advisory arrangements.



### Key messages

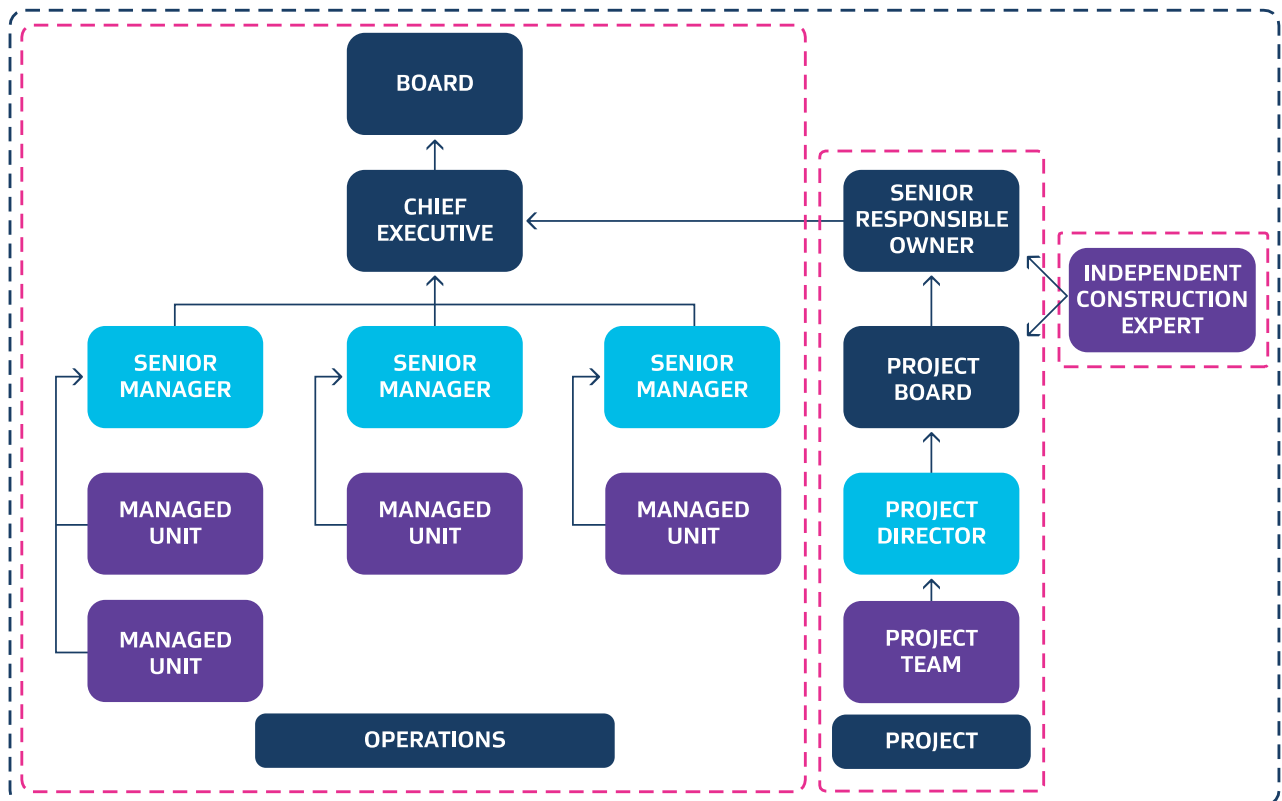
- › Maintain a single point of accountability for the success of a project: the senior responsible owner (SRO), who is empowered to focus on the project, its objectives and benefits.
- › Differentiate between operational and project governance to allow sustained focus and timely project decision-making by the SRO and project governance board.
- › Ensure the project governance board focuses on investment risk to the Crown. To achieve this the board should focus on:
  - › project delivery and trade-offs associated with cost, schedule and scope
  - › stakeholder management, within the agency and externally
  - › project team capability and capacity
  - › risk management
  - › benefit realisation.
- › For multi-agency projects, ensure senior leadership has a common understanding and a collective, cross-agency commitment to the project. If relevant, consider having senior leaders jointly brief all the relevant ministers together about project progress and the implications for agency targets and outcomes.
- › Overall project management accountability and oversight can't be outsourced to consultants – it must be driven and managed by the agency.
- › Test that currently proposed and future governance changes differentiate accordingly among portfolio, programme and project governance to ensure the correct structure, terms of reference, membership, and focus of conversations and decision-making at each level.
- › To assist with decision-making, the agency governance team should clarify the prioritisation of the project in relation to other agency programmes/projects.

## Differentiated operational and project governance

Project governance structures are established because organisational structures do not usually provide the necessary framework to deliver projects. The governance of day-to-day operations do not tend to enable the focus and timely decision-making needed for projects to succeed.

Best practice for project governance promotes a single point of accountability for the success of a project, called a project executive, project sponsor or senior responsible owner (SRO). This person is empowered to focus on the project, its objectives, and benefits. The role is supported by a project governance board and a project management team led by a project director and/or project manager.

### Example of operational vs project governance



## Roles and responsibilities

Effective governance requires clear roles and responsibilities.



Agencies must establish clear governance roles and responsibilities that are communicated to everyone involved in the project, with clear communication lines.

### Senior responsible owner

Good project governance should have an individual as the single point of accountability. This is usually the SRO, who should be at an appropriately senior level in the agency. The SRO should chair the project governance board and is the link between the agency's executive leadership team and the project.



Agencies must appoint a project senior responsible owner with appropriate seniority.

### Project governance board

For project governance to be effective, it's critical that the right people are involved in project governance boards. An Office of the Auditor General report<sup>1</sup> suggested that an effective governance group will have members who bring multiple views, debate issues robustly, and, in turn, agree on the decisions made.

Project governance boards should have:

- the SRO as the chair
- expertise in governance
- expertise in leading and delivering major infrastructure projects (investment, procurement, finance, design, or construction)
- sector expertise, eg: health, housing, corrections, roading, or rail etc
- members with understanding of government investment ie what's required to ensure accountability and benefit realisation
- expertise in whole-of-life asset management
- members accountable for cross-agency roles and responsibilities
- members accountable for managing third parties enabling infrastructure delivery, asset management and operation
- business change managers taking on the agency's change-lead role to ensure outcomes and benefits are achieved to the best standard possible.

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<sup>1</sup> Office of the Auditor General, Reflections from our audits, Governance and accountability, April 2016



### **Project governance boards vs stakeholder forums**

Projects can have several stakeholders. Projects sometimes seek full representation of stakeholders on the governance board, often with the intention of keeping them engaged and meeting stakeholder communication objectives.

This results in large boards with reduced accountability and a lack of clarity around decision-making. Project governance boards should be a small group of key individuals who are empowered to support the SRO in making the decisions required to drive the project. A sub-group that allows stakeholder engagement and consultation, can help create a smaller, more focussed and effective project governance board.

## **Project management team**

Project governance must be well supported by the project director and managers to ensure it is effective.

A project director manages the project on a day-to-day basis, reporting to (and delivering the outputs on behalf of) the SRO. The project director provides the project manager with the specialist resources and skills necessary to deliver a project to an agreed scope, quality, schedule and budget.

Project managers are responsible for structuring project delivery appropriately. They:

- develop and update the project management plan
- maintain the project schedule and risk registers
- manage probity requirements
- prepare project reporting
- resolve planning and implementation issues
- manage progress and budget.