

Resource type: Project 13

Governance and value definition

To enable the transformation from transaction to enterprise a key cornerstone is to question our current understanding of what good performance is in infrastructure planning and delivery. A new approach to governance requires a more advanced appreciation of what good performance is, based on a new vision for value. Within Project 13 this begins with setting the **performance baseline** centred on the definition of value agreed between the Owner and the Investor. These are likely to be drawn from corporate objectives, government policy objectives, or particular challenges to be addressed. Of critical importance, the Owner's and Investor's appreciation of value needs to have progressed from reducing initial price or CAPEX cost to a long-term holistic vision for value that benefits a wide range of stakeholders. In line with this goal, excellent governance should produce a new vision for value, considering the following:

“Value is recognised and appraised on the basis of a broad spectrum of long-term outcomes. Value measurement goes beyond the output per capex £ and extends to outcomes per whole life cost £. Value is enabled through fit-for-purpose procurement, contract and reward models that make possible enterprise, rather than transaction based approaches. The value model of the future is underpinned by highly capable people with a range of skills and a transparent performance management system that drives informed management and decision making.”

The Importance of the Investor and Owner Interface

There is an important interface between the roles of the Owner and the Investor in the delivery of long term value. In the public sector, HMT and department boards are critical enablers for how public sector Owners can operate. The longevity of funding models, the articulation of policy objectives and the framework within which investment decisions are made for example are all key to how an Owner can define and deliver value. In the private sector, ultimate governance controls rest with equity investors, who can both incentivise and constrain the actions of Owners. In the case of utility companies, the Owner is also heavily influenced by the incentives and obligations imposed by the relevant Regulator.

The Governance Workstream is looking to support both public and private sector Investors to enable and support Owners to embrace P13 principles and ways of working. The Governance Workstream aims with Investor and Owner community are show below:

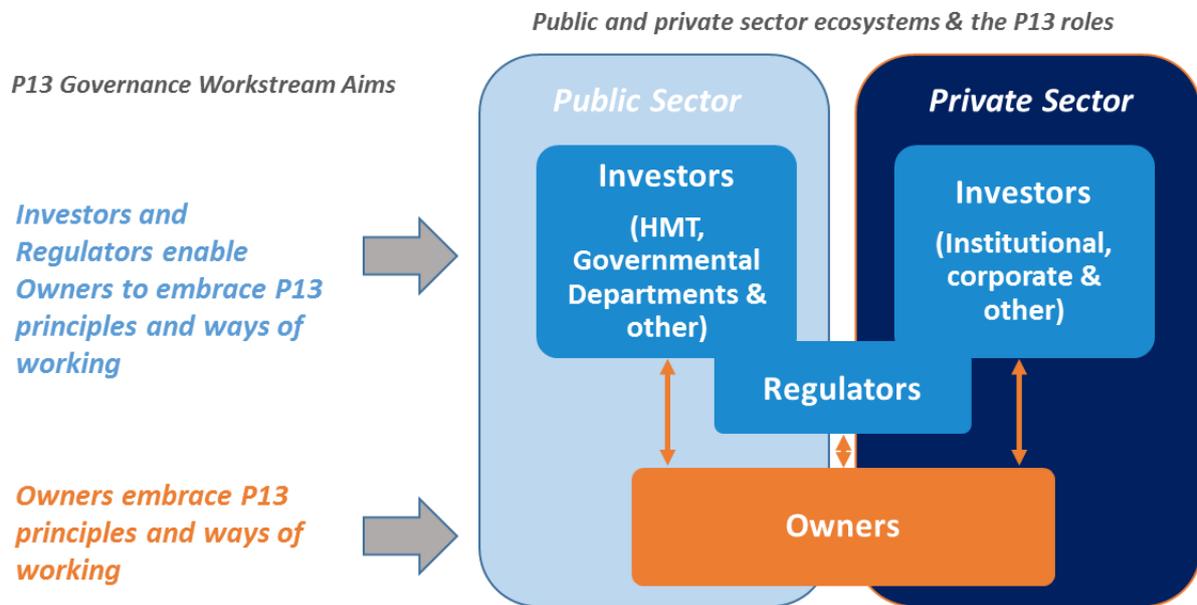


Figure 2: governance workstream aims with Investors and Owners

Ensuring the delivery of value

The role of governance is not limited to defining value in a more holistic way in order to harness a broad spectrum of monetary and non-monetary value, but also extends to controlling the continued delivery of value. The different levels of governance must ensure that value is delivered in line with how it is defined for the enterprise. This is of particular importance as different organisations within the enterprise might define value differently. The role of governance has to be that of ensuring a joint understanding of what value is for the enterprise, that projects are set up correctly to deliver it and that there are controls in place to measure the efficacy of that value being delivered through the lifecycle.

Governance Maturity Matrix

This maturity matrix is aimed at all Owners. It sets out a new vision for value that is longer term, outcomes based and extends to non-monetary benefits. Moreover, it details the core areas of maturity that organisations must focus on in order to achieve this new vision for value. The table below introduces the key topic areas included in the matrix.

1. VALUE		
<i>Long term, outcomes, broader definition of benefits, delivering for customers and stakeholders</i>		
2. Business Case	3. Funding and Financing	4. Procurement and Contracting Strategy
<ul style="list-style-type: none"> The means via which benefits are expressed, appraised and the investment case made for sign off. The basis from which performance measurement is based in support of long-term value definition. 	<ul style="list-style-type: none"> The ability to secure long-term funding and financing packages from a range of sources including the private sector that support contestability and long-term value. 	<ul style="list-style-type: none"> The means via which organisations engage with and manage their suppliers / relationships in the delivery of value.
<ul style="list-style-type: none"> Benchmarking Benefits measurement Investment index Benefits definition 	<ul style="list-style-type: none"> Strategy to identify various sources Ability to engage with relevant participants 	<ul style="list-style-type: none"> Strategy to link value and benefits to pre-contract phase Means to engage supply chain Means to measure benefit delivery
5. Relationship ethos	6. Boards and decision making	7. Leadership
<ul style="list-style-type: none"> The ability to engage effectively with a range of internal and external stakeholders is in the delivery of a new long-term value definition. 	<ul style="list-style-type: none"> The governance structure and board set-up that drives a long-term value based strategy and decision making across the asset lifecycle. 	<ul style="list-style-type: none"> The right individuals that can champion a new way of working, motivate others and break down legacy cultural barriers to deliver a new long-term value definition.
<ul style="list-style-type: none"> Skills to do this Measure relationships efficiency 	<ul style="list-style-type: none"> Board composition Meetings and structures Relationships between board and running of business 	
		<div style="display: flex; align-items: center; gap: 10px;"> <div style="width: 20px; height: 10px; background-color: #d9e1f2; border: 1px solid #003366;"></div> KEY DEPENENCY <div style="width: 20px; height: 10px; background-color: #d9e1f2; border: 1px solid #003366;"></div> PRODUCT AND TOOL LINK </div>

Governance Maturity Matrix

	Simple Collaboration	Integrated functions and relationships	'Utopia' – Enabling high performing enterprises and national outcomes
1. VALUE	<p>Short to Long-term outputs focus</p> <p>Value appraisal goes beyond initial CAPEX cost and incorporates OPEX</p> <p>Outcomes start to include non-monetary aspects</p> <p>Whole life value defined at asset level</p> <p>Reliance on Cost-Benefit analysis</p> <p>Value defined in monetary terms only</p>	<p>Long-term direct outcome focus</p> <p>Value appraisal goes beyond initial Whole Life Cost and incorporates direct outcomes in addition to outputs assessment</p> <p>Value defined and benchmarked at network level</p>	<p>Focus on long-term outcome value</p> <p>Value appraisal is fully embedded at outcomes per whole life £ level</p> <p>Value is determined at whole life performance at system level and aligns with policy objectives</p> <p>A sophisticated range of wider monetary and non-monetary outcomes is available and included</p> <p>Value is defined at the citizen and taxpayer level</p> <p>Value is consistently benchmarked at system level, across sectors and internationally</p>
2. PROCUREMENT & CONTRACT STRATEGY	<p>Procurement models target attainment of wider output value</p> <p>Appropriate adaptation of contract standard forms and move towards equitable risk sharing</p> <p>Procurement process is seen as a key enabler to secure required behaviours and capabilities</p> <p>Competitive procurement balancing final costs and capabilities</p> <p>Target price contracting prevails as default position for complex assets</p> <p>Market is consulted before selection commences for early input on procurement strategy</p> <p>Use of collaborative contracts with few adaptations</p>	<p>Procurement models target attainment of value (Whole Life Cost and outcomes) and appropriate adaptation of contract standard forms and commercial risk sharing</p> <p>Procurement process is seen as a key enabler to drive the lifecycle development and secure required behaviours/capabilities</p> <p>Procurement strategy is clearly linked to overall delivery strategy and stakeholder management</p> <p>Procurement and contract strategy enables early involvement of suppliers to increase innovation, productivity and usage of digital technology</p> <p>Use of a range of standardised, collaborative contracts that focus on programme outcome</p> <p>Long-term transactions across programmes with the supply chain are emerging</p>	<p>Procurement models are jointly created within the enterprise structure</p> <p>Commercial structures are strongly linked to realisation of outcomes on long-term basis</p> <p>Procurement process is seen as a key enabler to drive the lifecycle development and engage high performing, engaged and capable teams</p> <p>Contracting strategy includes a clear risk management approach that shares risk at the enterprise level as appropriate for individual organisations, as well as across projects and programmes</p> <p>Long-term collaborative agreements with jointly held visions and goals enabled by outcome and service focused long-term contracts that link partner's commercial interests and foster trust</p> <p>Appropriate incentives for each organisation and project organisation that reward collaborative, outcomes based behaviour</p> <p>Key principles of project selection, approval and initiation flow through to procurement strategy</p> <p>Suppliers participate in investment lifecycle, driving improved design and delivery</p> <p>Joint delivery models spanning all supply tiers to reduce duplication of efforts and costs</p>

	<ul style="list-style-type: none"> ✓ Infrastructure and Projects Authority (IPA) Project Initiation Routemap (Procurement Module) ✓ Use of collaborative contracts (e.g. New Engineering Contract (NEC) contract suite) ✓ CCS Balanced Scorecard ✓ Series of procurements for series of programmes/projects 	<ul style="list-style-type: none"> ✓ UK wide best practise standard is uniformly adopted ✓ Publicly available performance benchmarks created ✓ Suppliers procured for longer than one programme 	<ul style="list-style-type: none"> ✓ Publicly available performance benchmarks used for procurement ✓ Enterprise of Owner and its suppliers exists long-term ✓ Transparent feedback loop on supplier performance
3. BUSINESS CASE AND INVESTMENT LIFECYCLE	<p>Individual capable Owners or organisations develop balanced scorecards against which to assess infrastructure investment and monitor performance</p> <p>Business case is defined in alignment with programme/project objectives determined by government and the sponsor's investment baseline</p> <p>Business case starts to recognise trade-off between CAPEX and OPEX for output, as well as aims to include sustainability promoting measures</p> <p>Business case includes estimations of costs via gathered quality data</p> <p>Direct monetary benefit measurements only</p> <ul style="list-style-type: none"> ✓ IPA and DfT gather consistent, high-quality data on performance 	<p>Business case is defined in alignment with infrastructure network objectives as set by government, and the sponsor's investment baseline</p> <p>Trade-off between CAPEX and OPEX is recognised and resiliently defined in business case for direct outcome</p> <p>Business case includes improved estimations of costs through benchmarked, consistent data between programmes</p> <ul style="list-style-type: none"> ✓ Consistent benchmarked data available across programmes ✓ Metrics for non-monetary and monetary outcomes available 	<p>Planning infrastructure projects and appraisal takes into account benchmarks of projects across industries, including cost-benefit analysis, for example the Infrastructure Investment Index (III), which are deployed to set performance targets and assurance during delivery and operations</p> <p>Projects are selected based on best 'citizen outcomes' across industries as included in National Infrastructure Plan and vision</p> <p>Business case is defined in alignment with infrastructure system objectives determined by government and the sponsor's investment baseline</p> <p>Business case based on benchmarked schedule and cost targets, as well as wider benefits that maximize 'citizen outcome'</p> <p>Business cases are benchmarked based on consistent performance metrics that are defined across industries/sectors at a national level</p> <p>Trade-off between short and long-term costs and benefits, as well as between output and outcome is considered</p> <ul style="list-style-type: none"> ✓ High performance is consistently defined, including metrics, based on internationally benchmarked data and project performance is measured against it
4. FUNDING AND FINANCING	<p>Collection of data on value for money of alternative forms of funding and finance.</p>	<p>Finance model is appraised based on whole life cost of asset, based on benchmarked data</p> <p>Decision on how to finance is evidence-based, using network level benchmarks</p> <p>Strong in-house commercial expertise to evaluate finance options</p>	<p>Strategy identifies range of sources of funding and decides on and secures best combination of long-term funding sources for given project/programme, looking across the entire supply chain</p> <p>Actively engages and manages relation to funding bodies</p> <p>Finance model is appraised based on whole life performance of asset itself and wider system, based on consistently benchmarked data</p> <p>Options appraisal is undertaken based on objective criteria</p>

<p>5. RELATIONSHIP ETHOS WITH SUPPLIERS, INTERNAL TEAMS AND EXTERNAL STAKEHOLDERS</p>	<p>Some evidence of ad hoc integration in team relationships that transcend boundaries</p> <p>Ambitions to co-locate and evidence of physical barrier breakdown to facilitate knowledge transfer and to problem solve</p> <p>Initial stakeholder management plan in some elements of the collaboration</p> <p>Some information is shared between Owner, integrator and suppliers on a free-flowing basis</p> <p>Supplier Relationship Management expertise is in place and a relationship management plan in active use</p> <p>✓ Stakeholder management plans that identify a broad spectrum of stakeholders to the collaboration</p> <p>✓ Relationship Management Plan</p>	<p>Alliancing agreements are in place fostering consistent collaboration and joint objectives</p> <p>Team is appraised on the basis of ability to collaborate as one unit</p> <p>Workshops and interventions that build a high performing team ethos are common place</p> <p>Stakeholder management plan is in place that includes full stakeholder identification and mapping of relationship Owners</p> <p>Cultural values of Owners are incentivised in suppliers</p> <p>Supplier Relationship Management expertise is in place and a relationship management plan is created in consultation with a broad range of suppliers</p> <p>✓ Full stakeholder engagement plan that maps relationships on the basis of transactional, collaborate and partner</p>	<p>Enterprise team operates as 'one' and is not restricted by any barriers to integrated working</p> <p>Enterprise team is fully motivated and strives to achieve partnership objectives</p> <p>Team motivation exceeds individual motivation</p> <p>Commitment to shared cultural values e.g. EDI, H&S, sustainability</p> <p>A joint vision is in place and agreed between the enterprise participants that reflects the business strategy</p> <p>Enterprise looks and feels like a distinct entity and has a distinct culture that the team actively embraces</p> <p>Commitment to select and nurture the team on the basis of collaborative potential towards a high performing team</p> <p>External stakeholders actively engaged in 'do-with' approach to establish long term relationships and fully comprehensive value appraisal</p> <p>Commitment to free-flowing information and sharing of knowledge within the enterprise that strives for an ethos of continuous improvement</p> <p>✓ Full stakeholder engagement plan that maps relationships on the basis of transactional, collaborate and partner</p>
<p>6. LEADERSHIP</p>	<p>Leadership initiates and promotes exchange of best practice between programmes</p> <p>Leadership champions the establishment of integrated teams</p> <p>Leadership behaviours are recognised for their collaborative potential</p>	<p>Leadership initiates and promotes exchange of best practice between programmes and across sectors</p> <p>Leadership nurtures the effectiveness of integrated, resilient and high performing teams</p> <p>Leadership behaviours exemplify collaborative best practice</p>	<p>Leadership is recognised as champions of change across the range of enterprise participants</p> <p>Leadership behaviours consistently promote active collaboration across participant boundaries</p> <p>Leadership is selected on the basis of ability to collaborate well across a range of internal and external stakeholders</p> <p>Leadership has capabilities and experience with initiation or delivery of complex programmes</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">7. BOARDS & DECISION MAKING</p>	<p>There is clear division of responsibility between board operations and executive responsibility for approval of investment, acquisition strategies and managing assets</p> <p>NEDs are appointed to the board</p> <p>Chairman of board independently and competitively selected, appointed by sponsors</p> <p>Separation of sponsor and delivery organisation board</p> <p>Board responsible to oversee performance of programme delivery against output targets</p> <p>Agreement sets out clearly the roles, responsibilities and accountability</p>	<p>The company's board has directors with appropriate experience of delivering infrastructure programmes, challenging executive directors.</p> <p>There is a seamless flow of information that underpins transparent decision making across infrastructure investment programme.</p> <p>Robust processes in place to ensure the supply chain perspective is represented in Board discussions</p> <p>Board requires that acquisition strategies embrace whole life value</p> <p>Board and governance structure are resilient to changes</p> <p>Board informs stakeholders of whole life cost and outcomes, and involves key stakeholders in forums and non-contractual boards</p> <p>Independent assurance provided at key review points</p> <p>Regular reports to board by senior management</p>	<p>The company's board is charged with long-term success, including asset management success</p> <p>All directors, including NEDs, provide constructive challenge to strategy, particularly with regards to attaining value for money</p> <p>Board publishes and maintains an asset management strategy which embeds long term partnerships and collaboration with the supply chain.</p> <p>Board is committed to creating conditions which incentivise investment in supply chain infrastructure innovation and productivity</p> <p>Board requires that acquisition strategies embrace infrastructure outcomes and align with network and system strategy</p> <p>Investment decisions are based on whole life value</p> <p>Board formally integrates stakeholders and other relevant representatives that provide funding in pertinent decision making</p> <p>Formal arrangements agreed upon for wider outcomes, aligned with system objectives and included in sponsor's investment baseline</p> <p>Assurance strategy empowers board to understand risk consistently and transparently</p> <p>Information on business case, project objectives of the government and investment baseline by sponsor available and support decision making</p>
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