INSIGHT

Lessons learned: Governance and decision-making on mega-projects

Cross government

Summary

1   Major projects are one of the main ways the government delivers its objectives. They provide economic infrastructure such as roads, railways and power stations, and social infrastructure such as hospitals and schools. They also support the transformation and improvement of public services. The government spends substantial amounts of public money on these projects. On 31 March 2024, the Government Major Projects Portfolio (GMPP), which comprises the government's largest, most innovative and most risky projects, included 227 projects at a combined whole-life cost of £834 billion. Within the GMPP are a small number of projects, such as big railway or energy projects, that are particularly costly, innovative, risky, complex and/or strategically important. We are calling these 'mega-projects'.

2   Governance is the system that provides a framework for managing organisations or projects and making decisions. It includes both formal structures and processes, and people and behaviours. In major and mega-projects, good governance is clear about who has authority and accountability and about the role of the investing organisation in defining and controlling a project. It also emphasises the importance of outcomes, benefits and value, as well as cost.

3   The government is currently making several changes that will affect the governance of major projects.

- The government intends to frame future delivery around five missions, some of which cut across government departments. It is setting up mission boards to deliver against these priorities, although is not yet clear how these boards will align with departmental boards or programme boards.

- It intends to publish a 10-year infrastructure strategy setting out the government's plans for infrastructure in the public and private sectors at the same time as the Spending Review in mid-2025. It also aims to reform the system for granting planning approval for infrastructure projects.

- It is creating the National Infrastructure and Service Transformation Authority (NISTA) by bringing together the functions of the Infrastructure and Projects Authority and the National Infrastructure Commission. NISTA will combine strategy and delivery of infrastructure and will be responsible for overseeing the implementation of the 10-year infrastructure strategy with industry, regulators and departments.

- It has set up the Office for Value for Money to reduce waste and inefficiency, scrutinise investment proposals and make suggestions for system reform.

Our scope

4   The purpose of this report is to improve how government approaches strategic governance and decision-making in the largest, riskiest and most complex major projects as it makes changes to the way in which major projects are organised and overseen. We have seen that the repercussions of poor governance and decision-making in these mega-projects are potentially greater than for other more standard major projects. The report:

● sets out some characteristics of 'mega-projects', and some thoughts on why standard models of governance and oversight may not be effective for these projects (Parts One and Two); and

● examines governance in the early stages and throughout delivery for mega-projects (Parts Three and Four).

Parts Two, Three and Four end with questions for project sponsors to consider. We set out recommendations for the centre of government.

5   We have examined major projects across different parts of government and at different stages of delivery over many years. For this report, we have reviewed a sample of projects that we covered in these reports and examined whether and how governance and decision-making enabled the government to manage risks and make timely decisions. We also interviewed officials, and tested our insights with delivery departments, centre of government and external experts. More information on our methodology is in Appendix One.

6   This report is not an exhaustive account of how governance works on major projects, nor about all governance challenges faced by major projects. We do not seek to reproduce or revise the comprehensive guidance on project management techniques and effective governance of major projects that already exists. It is critical that departments understand and use that guidance as they develop and deliver their major projects.

Insights

7   **Mega-projects have some different characteristics to major projects.** While there is no official definition of a 'mega-project', we have identified some characteristics that make the governance of mega-projects more complex. Mega-projects tend to take significant time to develop and deliver, often spanning parliaments. They also often involve multiple government departments and have many stakeholders. They are strategically important and can be transformational to the economy, society or a government's ability to achieve its priorities. The delivery environment is often complex and challenging and can involve high levels of innovation or be the first of its type. They can be so costly and carry so much risk and uncertainty that they can dominate the financial position of a department or even a government (Part One).

8   The characteristics of mega-projects can make it more difficult for the standard model of governance to work effectively. Normally, a single department is accountable for major projects. However, there can be risks with this approach. For example, it can be more difficult for a single department to take effective decisions where there are differing views between departments and/or stakeholders about the reason for a project and its importance. The government does not systematically identify whether an alternative approach to governance might be more appropriate (Part Two).

9   Given the nature of mega-projects, it is important that those involved in governance and decision-making are clear about the need for a mega-project, its deliverability, affordability and the value it will produce, particularly in the early stages. There is often pressure to get started quickly, but deliverability, feasibility and uncertainty tend to be more difficult to get a grip of in mega-projects, making it more complex to make good value for money decisions. We have seen cases where mega-projects have not had a clear, strategic rationale that is supported by stakeholders. Where the government commits to budgets and timetables before it fully understands what is necessary to deliver the project and its intended value, we have sometimes seen significant cost increases or delays (Part Three).

10   Mega-projects need a governance culture that responds and adapts to challenge but maintains focus. Mega-projects go through the same phases as standard projects, but each phase is likely to be more complex and uncertain, with a greater likelihood for decisions to be reopened, and multiple stakeholders involved, requiring a more iterative approach. Resolving issues on mega-projects can be difficult, owing to their size and complexity. It is therefore important to have suitably qualified and experienced people, with the right behaviours and culture, involved in governance (Part Four).

Recommendations

a   HM Treasury and NISTA should develop how they categorise major projects according to their risk and strategic importance. In particular, they should define a category for 'mega-projects' that may require a different approach to governance and specify the criteria for giving a project 'mega-project' status.

b   HM Treasury and NISTA should consider using alternative governance approaches for the projects it determines are mega-projects to ensure those who have the authority to make decisions are accountable for the impact of those decisions on the project. This could include, for example, HM Treasury or NISTA having greater involvement in a mega-project during its development – such as a formal position on a project board – to provide it with executive authority and certainty, and to improve alignment between the funder and delivery organisation during the critical early stages of a mega-project.

c Any alternative governance approach should also ensure that:

- roles and responsibilities are clear across those charged with governance and those involved with decision-making; this is particularly critical where decisions and accountabilities stretch across a system or set of organisations; and

- the roles and responsibilities of those who may not be directly involved in governance but are part of the broader government decision-making landscape, such as HM Treasury, cross-government or departmental programme boards, mission and leads, and NISTA, are clear and understood.

d For mega-projects, HM Treasury and NISTA should strengthen the project gateway and business case approval processes to ensure that government has assurance about the affordability, value for money and feasibility of the project before it is given final approval to proceed. This might include only providing funding to take the project to the next stage of development and maturity. Each decision stage should provide governance bodies and funders with assurance that the project's development should continue. NISTA and those charged with governance should advise government to stop a project if early work indicates that the project is too risky and/or costly, or that successful delivery of the benefits is too uncertain to proceed.