

Ministry of Defence
Major Projects Report 2000



**REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 970 Session 1999-2000: 22 November 2000**

executive summary

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- 1 Each year since 1984 the Ministry of Defence (the Department) has reported to Parliament on its progress in procuring major defence equipments. Prior to 1991, the Department classified much of the data submitted to Parliament and our analyses of the key themes and trends emerging were therefore not published. The Major Projects Report 2000 is the ninth that we have published since the level of classification of the data was reduced.
- 2 The Major Projects Report 2000 covers the period to 31 March 2000. It is the first to be produced in a new format which was agreed by the Committee of Public Accounts earlier this year and reflects the changes in project accounting and approvals brought about by the introduction of Smart Procurement and Resource Accounting and Budgeting. Notable changes are:
 - the inclusion of data on 30 rather than 25 projects split, in accordance with Smart Procurement principles, between the 20 largest projects on which the main investment decision has been taken and the 10 largest projects yet to reach that point;
 - the inclusion of data on the technical performance of projects, as well as their cost and time performance; and
 - that costs are reported on a resource basis at outturn prices rather than on a cash basis at constant prices.
- 3 The changes to the reporting format mean that it is not possible to directly compare the data contained in the Major Projects Report 2000 to that reported in earlier years. We have, however, reconciled the data in this year's report with that in the Major Projects Report 1999 and this reconciliation is shown in Appendix 2. Our Report this year analyses changes in the Department's cost and time performance between 31 March 1999 (the datum of the last Major Projects Report 1999) and 31 March 2000. In future years we will build on this analysis to track the Department's progress over time. Future reports will also include a wider range of analyses as the data submitted to Parliament by the Department increases. In particular, Appendix 7 reports the Department's progress towards being able to provide data on whole-life costs.
- 4 The main purpose of this report is to present current information on progress with these important projects. The report also throws some light on whether the Department is getting better at delivering major equipments to cost and time, and which meet the needs of the Armed Services. In presenting information on each project we have therefore sought to focus so far as possible on changes occurring during 1999-2000 rather than on the position prior to that year.
- 5 The report does present some evidence to judge whether the disciplines of Smart Procurement are beginning to lead to improved performance. It is, however, very early to expect to see any major impact of Smart Procurement on the projects in this report, all of which were begun before the introduction of Smart Procurement, in some cases, many years before.

6 Our overall conclusion is that the Department is meeting the technical requirements of customers but not always within approved time and cost. There is evidence that the Department has begun to control costs better during the demonstration and manufacture stage. Control of time remains a problem. As regards the assessment phase, Smart Procurement places great stress on using that phase of projects as a means of defining and managing the risks of the subsequent demonstration and manufacture phase. Successful exploitation of the assessment phase to reduce and manage risk better during the subsequent demonstration and manufacture stages will be critical to the success of Smart Acquisition. Our examination of the 10 largest projects in the assessment phase highlights that some projects approved before 1995 are showing substantial variation in time and cost since their approval. This suggests that the assessment phase is needed but that there is scope for improvement in performance which the Department believes will come about partly through better prediction of cost and time parameters.

7 Our more specific conclusions are summarised below:

For projects that have passed the main investment point and are in the demonstration and manufacture phase:

- i) There are signs that the Department is getting better at controlling project costs during demonstration and manufacture of the equipment, but most of the new cost reductions and cost increases reported in 2000 relate to future expenditure;
- ii) the average project delay is getting longer and slippage will increase if the risks that the Department have allowed for in approvals materialise;
- iii) most projects are expected to meet the military requirement; and
- iv) delays have led to capability shortfalls on many projects.

For projects that have yet to reach the main investment point and are in the assessment phase:

- v) targets for the assessment phase are not yet in place; and
- vi) on some projects there are substantial cost and time variations from approval which leaves scope for improvement.