

Ministry of Defence

# Major Projects Report 2001



Future Transport Aircraft (A400M)

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 330 Session 2001-2002: 23 November 2001

# executive summary

- 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 2001 is the tenth that we have published since the level of classification was reduced.
- 2 The Major Projects Report 2001 covers the period to 31 March 2001 and provides cost, time and technical performance data for 30 projects split, in accordance with Smart Acquisition principles<sup>1</sup>, between the 20 largest projects on which the main investment decision has been taken and the 10 largest projects yet to reach that point. In the future, the range of data reported will expand to include whole life cost information.



Air-Launched Anti-Armour Weapon

- 3 Smart Acquisition began in 1998 and comprised a wide range of initiatives intended to enable defence equipment to be delivered faster, cheaper and better. Our report on the Major Projects Report 2000 showed that the Department was meeting the technical requirements of customers and that there were signs cost control was improving but time remained a problem. However, we concluded that it was too early to expect to see any major impact on the projects in the Report as a result of Smart Acquisition as most of them had started before Smart Acquisition had been introduced. This report on the Major Projects Report 2001 examines whether trends in cost, time and technical performance are continuing and whether, a year further down track, we can say more about the Department's progress under Smart Acquisition.

<sup>1</sup> Smart Acquisition was previously known as the Smart Procurement Initiative, which was introduced in July 1998. The change of name, in 2000, reflected the sustainment and reinforcement of the Smart Procurement Initiative across the Department's "acquisition community", which comprises the Equipment Capability Customer, the Defence Procurement Agency, the Defence Logistics Organisation and the Service end-user of the equipment.

4 Our overall conclusions are that, there is evidence of continued improved cost control, that delays are beginning to be brought under control, and although the proportion has fallen slightly (from 98 percent to 93 percent), the Department is still expecting to meet the majority of the technical requirements of customers. On pre-Main Gate projects, the Department is working to develop a comprehensive set of measures of suitable quality to assess the success of the phase in reducing risk to an acceptable level for Main Gate and whether it is spending the right amount of time and money doing this. On the progress of Smart Acquisition, we found that the different parts of the Department measure their performance separately and the Department is working to develop the quality and coherence of the metrics being used. As the metrics evolve, the Department intends to draw on them to develop indicators to demonstrate at a corporate level whether performance is improving under Smart Acquisition. Separately to the Major Projects Report, the National Audit Office is examining other aspects of Smart Acquisition such as the implementation of Integrated Project Teams and how well they are enabling a through-life approach and delivering improved performance.

5 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) in the last year most projects' performance is the same or better in time, cost and performance terms;
- ii) the Department is continuing to control project costs better;
- iii) some projects continue to slip but there is evidence that the Department is beginning to slow the rate of slippage and reduce the number of projects affected; and
- iv) the Department is continuing to meet the military customer's requirements in the vast majority of cases but, in the last year, technical factors have led to performance falling short of requirements in two cases.

For projects that have yet to reach the main investment point and are in the Assessment Phase:

- v) the Department needs to be able reliably to assess and quantify the extent to which risks are being reduced in the pre-Main Gate phase but does not currently do this in a comprehensive and suitably quantified way; and
- vi) the Department is rightly looking to develop better, more quantified risk reduction measures and to use them in conjunction with cost and time measures to inform successful pre-Main Gate performance.

On measuring the progress of Smart Acquisition:

- vii) various information on whether Smart Acquisition is delivering the expected benefits is available. The Department's £2 billion Smart Acquisition target provides information on the initial cost reductions made by the Defence Procurement Agency but does not capture all of the continuing benefits anticipated across the Department; and
- viii) the Department is working to improve the link between the different sources of information through evolving current metrics and developing new ones to provide a more comprehensive and coherent assessment of the progress of Smart Acquisition.



WAH-64 Apache Attack Helicopter