Home Office

Management of Major Projects

NAO
National Audit Office

Summary

1 During the last decade, the Home Office (the Department) has moved from being predominantly responsible for policy to being in charge of the delivery of large numbers of major projects. It currently manages a portfolio of over 30 major projects with an estimated total lifetime cost of £15 billion; more than any other central civil government department. A summary of the six case studies we have examined is at **Figure 1**, and gives a snapshot of the kinds of large, complex and risky projects which affect the whole nation, as well as the more specialised projects under way.

Figure 1
Description of the six case studies examined

Project	Description	Forecast Whole Life Cost at 31 January 2009 (£m)
Olympic Safety and Security	Delivered by the Office for Security and Counter Terrorism, this project aims to minimise safety and security threats and risks and in the event of any incident, to respond effectively.	600.0
Mobile Information Programme	Delivered by the National Policing Improvement Agency, the programme is providing hand-held devices for police officers to reduce time spent on paperwork.	50.0
IMPACT	Delivered by the National Policing Improvement Agency, IMPACT will improve the police's data-sharing capacity in response to recommendations in Sir Michael Bichard's report following the Soham murders.	326.9
ID Cards for Foreign Nationals	Delivered by the UK Border Agency, the project provides biometric residence permits to Third Country Nationals and dependants when they apply for an immigration decision, for example, further leave to remain in the UK.	194.8
e-Borders	Delivered by the UK Border Agency, the e-Borders Programme will electronically collect and analyse information from carriers (airlines, ferries and rail companies) about everyone travelling to or from the UK.	1,114.5
National Identity Scheme	Delivered by the Identity and Passport Service, this programme aims to create an easy to use secure form of personal identification for UK citizens.	4,785.0

Source: National Audit Office

NOTE
Costs exclude depreciation and interest on capital.

2   The National Audit Office and the Committee of Public Accounts have both previously reported on individual projects managed by the Department, and have made recommendations aimed at improving project management. The Department has taken steps to improve. In 2003, it established both the Group Investment Board to approve and monitor all major projects, and a Programme and Project Management Centre of Excellence to develop a better skill base in programme and project management, to identify and develop good practice, to provide practical advice and assurance, and to support the Group Investment Board.

3   The Group Investment Board and Centre of Excellence have now had time to become established, and this report evaluates the Department's overall approach to managing its major projects and the new processes it is putting in place[1]. To do this, we used elements of the Office of Government Commerce P3M3™ model which the Department is trialling to assess the maturity of its implementation of portfolio management[2]. In particular we looked at:

- the Department's approach to delivering its portfolio of major projects;

- the Department's approach to monitoring its portfolio; and

- whether the Department has the skills and capability to manage and deliver its portfolio of major projects successfully.

Key Findings

On the Home Office's approach to delivering its portfolio of major projects

4   **The Department has put considerable effort into the management of its major projects.** The consequent improvement has been reported on in successive capability reviews, and in reports by the National Audit Office and the Committee of Public Accounts.

5   **Individual Home Office board members are responsible for delivery of major projects as part of their devolved authority for their delivery arms.** The Director General for Strategy and Reform is Head of Profession and Board-level champion for Programme and Project Management within the Home Office, whilst the Director General for Financial and Commercial is the Board-level Chair of the Group Investment Board.

6   **The governance structures of the case study projects we examined were appropriate and were regularly reviewed as the projects progressed.** Governance arrangements in two of those projects, Olympic Safety and Security and e-Borders, have been overhauled during the year to improve delivery.

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1   Major projects are those projects and programmes overseen by the Department's Group Investment Board, having forecast whole-life costs over £40 million or which are particularly important, high risk, novel or contentious, and which include a procurement element.
2   P3M3™ (Portfolio, Programme and Project Management Maturity Model) is an Office of Government Commerce model which may be used to gauge an organisation's practice maturity in the management of its portfolio, programmes and projects.

7   The Department has produced clear guidelines for programme and project management which align with recognised industry good practice, including Office of Government Commerce guidelines. These guidelines combine mandatory procedures, for example the approval process for projects, together with tools and templates to facilitate good project management. Development of programme and project management best practice is led by the Department's Centre of Excellence, which has ensured that guidance remains both current and suitable for the needs of the business.

8   The Department is improving its approach to providing assurance on project performance. The Department has set up an Integrated Assurance Group to bring together all the various ways of providing assurance so as to avoid duplication.

9   The Group Investment Board, which is a sub-committee of the Home Office Board, provides an important challenge to the business cases and subsequent progress of major projects. The need for project owners to gain approval and report regularly forms an important discipline, encouraging proper consideration of risks, costs and requirements. The quality of business cases presented to the Group Investment Board has improved, engagement with projects is constructive, and the level of scrutiny is appropriate.

On the Department's approach to monitoring its portfolio

10   Home Office Board level oversight of the portfolio of projects is being improved. Reporting of ongoing project performance to the Home Office Board, through the Programme and Project Monitoring System, has changed recently to provide a more detailed analysis of the performance of the portfolio. As the Department wanted changes in reporting to be cost neutral, the frequency of reporting has been reduced to quarterly to refocus resources on detailed analysis and challenge. The report offers little commentary on the impact of risks, their mitigation and ownership; the Department considers that relevant risks are picked up through its corporate risk management process. Given the Department's devolved approach to delivery, it does not intend to introduce a standard approach to presentation of information within business areas.

11   The Department has not kept a consolidated central record comparing outturn against estimates of its projects over time. The Department cannot therefore document that it has improved the management of its major projects in terms of performance against time and cost.

12   The work carried out to provide information on the performance of projects to time and cost should help the Department to establish the accurate baseline information that it needs. The Group Investment Board approves whole life costs, but also gives interim approval for expenditure prior to the main investment decision. The Department is improving data quality and the monitoring of actual expenditure against these Group Investment Board approvals through a consolidated central record. The Department is strengthening central monitoring of variances and forecasts as part of its developing portfolio management approach.

13   The assessed risk on programmes and projects included within corporate, delivery group and agency risk registers do not always align with the Senior Responsible Owner's assessment of deliverability submitted in the quarterly project reports to the centre. The Department has a corporate risk management process in which risks are escalated from projects, programmes and operations through business areas to the Home Office Board. A project owner might be confident of delivery and therefore assign a green rating to his or her project, yet the impact of the project-related risk on the Home Office, if the risk occurred, could be sufficiently serious to warrant a more pessimistic risk rating in the business area risk register.

14   Risk appetite has yet to be embedded in project and programme risk management in the Department. The Department has introduced the concept of risk appetite whereby risk owners assess the degree of risk that they are prepared to accept, determine whether they are comfortable with the actual level of risk being carried, and then put in place mitigating actions to bring actual risk into line with risk appetite. None of the individual projects we examined had recorded risk appetites within their project risk registers. The Department does not quantify risk, risk appetite or mitigating actions in financial terms either in its individual project risk registers or across the whole portfolio. The benefits of doing this are that the Department would understand whether or not it has taken on too much risk, would understand the cost implications of the risk being managed, and could make better value for money decisions about the spread of risk across its portfolio.

On skills and capability to deliver

15   The Department still has the potential for reducing the costs in staffing its major projects as it is heavily reliant on contractors and consultants, who currently fill over 30 per cent of posts on its major project teams. The Department has analysed its staffing requirements and how it competes in the labour market, and has launched a series of campaigns to recruit permanent staff with the skills it needs.

16   The Department is developing Supplier Relationship Management as a means of better engaging with suppliers to deliver improved value for money and has also taken steps within its Commercial Directorate to reduce reliance on consultants for the key commercial activities within projects.

17   The Department has put large effort into the development of programme and project management skills. Its leadership capabilities were rated strongly in the Procurement Capability Review. It has provided a suite of training and development initiatives on programme and project management, and has led in Government in the development of training for Senior Responsible Owners, which is now available across Government[3].

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3   A Senior Responsible Owner is the individual responsible for ensuring that a change programme or project meets its objectives and delivers the projected benefits.

18   The Department still needs to gain a comprehensive overview of staff skill sets in programme and project management to ensure that it has the flexibility to respond to changes in its operating environment. The Department faces both major change in the staffing of its major projects in the near future with new staff from its recruitment campaigns along with the pressures of potential budget reductions arising from the current economic situation. The supply and demand of programme and project management skills is therefore uncertain. The Department has started to put in place improved procedures for monitoring its staff resourcing and the capability within the business, so that it can deploy its programme and project management staff to best effect.

Value for Money Conclusion

19   The Home Office has taken positive steps to improve the way it manages its portfolio of major projects, and considerably improved its processes in a well thought through, structured and comprehensive way. It has introduced an improved approvals process, good practice guidance for projects, training for its staff and has made efforts to reduce reliance on consultants. It is making cost neutral improvements to its reporting and oversight of projects and is encouraging the adoption of portfolio management processes across its business. This is to be welcomed both for the Home Office, but also as a paradigm for the rest of government. Through these recent changes, the Department has increased the potential for achieving value for money in the management of its portfolio. In order to maximise the benefits, a robust management information regime needs to be set in place allowing prompt responsive action in order to drive the best value for money from across the overall portfolio of projects.

Recommendations

20   Against this background, we recommend the following:

a   The Department is introducing portfolio management incrementally starting with quarterly reporting to the Home Office Board and, in line with its devolved structure, encouraging business areas to introduce portfolio management in ways that best suit their business needs. This could result in business areas adopting different standards and interpretations, which could provide the Board with an inconsistent view of projects across the Department. The Department should:

- ensure that a consistent and integrated view of the portfolio is available to the Board;

- consider appointing a single point of accountability and ownership at board level with responsibility for implementing portfolio management; and

- continue periodic maturity assessments on the implementation of portfolio management, the results of which should be reported to the Board.

b **Data for the Board should be validated and reconciled to make sure it is accurate and consistent across the portfolio of projects. Otherwise, there is a risk that the Home Office Board will not have the accurate information it needs to make strategic decisions affecting the management of major projects.** The Department should:

- maintain an accurate central record of major project approvals by the Group Investment Board. This central record should be used for reporting to the Home Office Board the total approval figures on the portfolio report rather than relying on figures provided by individual projects. This will provide greater independence and accuracy of data;

- embed the Portfolio Senior Review Group as an independent programme assurance function which periodically reviews the accuracy and appropriateness of data on the portfolio being reported to the Board;

- further develop the quality of data for the portfolio report by working with the business areas. The quality of project returns is currently variable and this poses a potential risk to the quality of the new quarterly report to the Board; and

- seek to automate the reporting of project performance to minimise the time and resources taken to produce the quarterly portfolio report.

c **The Department has a new portfolio reporting process which includes each Senior Responsible Owner's assessment of their project's deliverability. Significant risks arising from its major projects are considered separately through the Department's corporate risk management process, alongside the risks to its day-to-day operations. The two processes, can provide two different views of a project. Also, the Department does not quantify risk, risk appetite or place a financial value on mitigating risk in project risk registers.** The Department should:

- reconcile Senior Responsible Owners' assessments with the project risks being reported through the corporate and business area risk registers and provide a consistent narrative to management;

- embed risk appetite within project risk registers;

- consider quantifying financial risks in programmes and projects and recording risk appetite in programme and project risk registers to enable greater transparency of the costs of taking mitigating actions; and

- minimise the cost of managing risks across the Department by identifying systemic risks and dependencies and encouraging business areas to cooperate in their mitigation.