



National Audit Office

Ministry of Defence

The Major Projects Report 2011

Methodology

NOVEMBER 2011

Methodology

Introduction

1 This document accompanies *Ministry of Defence: The Major Projects Report 2011*, a report published by the Comptroller and Auditor General in November 2011. It adds further detail to the description of the methodology included in the main report at Appendix One.

2 This study examines the time, cost and performance across the Department's largest 15 equipment projects that have passed their main investment decision. We also performed a historical analysis across all projects that have featured in our annual Major Projects Report's since 2000. Further, we examined the impact of the Strategic Defence and Security Review across the projects, particularly focusing on the Astute Class submarines and the Nimrod maritime patrol aircraft.

Projects

3 The projects are selected by the Department based on the remaining forecast spend to completion as at 1 April 2010. The projects examined were:

- A400M transport aircraft
- Airseeker
- Astute Class submarines
- Beyond Visual Range Air-to-Air Missile
- Future Strategic Tanker Aircraft
- Joint Combat Aircraft
- Lynx Wildcat
- Merlin Capability Sustainment Programme
- Puma Life Extension Programme
- Queen Elizabeth Class aircraft carriers
- Specialist Vehicles

- Typhoon
- Type 45 Destroyers
- Watchkeeper
- United Kingdom Military Flying Training System

4 We also examine ten projects that have yet to achieve their main investment decisions, known as pre-main-gate projects. These projects are also selected by the Department based on forecast demonstration and manufacture spend. These projects are not analysed within the Report but the validated project summary sheets are included within Volume II. The projects examined are:

- Chinook
- Cipher
- Indirect Fire Precision Attack
- Marshall (formerly Joint Military Air Traffic Services)
- Military Afloat Reach and Sustainability
- Operational Utility Vehicle System
- Solomon (formerly Dabinet)
- Search and Rescue Helicopters
- Type 26 Global Combat Ship
- United Kingdom Co-operative Engagement Capability Frigates and Destroyers

5 Our fieldwork took place between March and August 2011.

Methodology

Selected method

Purpose

1 Evaluation of individual projects

We examined 25 projects (15 of which have passed the main investment decision and 10 of which have not) to assess cost, time and technical performance. The Department attribute any variations in cost, time or performance to agreed factors, and compile project summary sheets on each project according to agreed guidelines. These are then validated by the NAO, but are not subject to a full audit.

A full list of these factors is contained within Appendix Four.

To confirm that the project summary sheets conform to the guidance and that it has been accurately and consistently applied. We do not question forecasts or assumptions of the Department's long-term costings unless better information becomes available.

2 Review of key documents

Our review included key Departmental planning documents, contracts, project plans, contractor reports, and assessments of performance by the Director of Capability and front-line commands.

To validate the information provided by the project teams in the project summary sheets.

3 Analysis of cost, time and performance

Using the qualitative and quantitative data collected above, we considered whether the Department is forecasting to deliver to the budget, time and technical performance expected when the main investment decision was made.

All time, cost and performance data is correct as at 31 March 2011, unless otherwise stated.

To identify the greatest cost and time variances and the factors that cause them, with particular attention to trends in the Department's overall performance.

4 Changes made in 2011

A number of changes have been made in this year's report. These are:

- Implementation of clear line of sight policy by HM treasury;
 - Removal of 'risk differentials';
 - Removal of support projects;
 - Removal of unit production costs from the project summary sheet; and
 - Inclusion of the Sentinel reporting system within the project summary sheets.
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Appendix Three provides a full reconciliation between this year's and last year's report.

Selected method	Purpose
<p data-bbox="453 434 699 456">5 Historic trend analysis</p> <p data-bbox="453 472 954 555">Review of published project summary sheets from 2000–2011 covering all projects that have featured in our Reports.</p> <p data-bbox="453 573 954 714">Causes of cost variation have been grouped into three categories: corporate decisions; project level issues and macro-economic factors. A full breakdown of these categories can be found in Appendix Four.</p> <p data-bbox="453 732 954 880">It is not possible to perform the same analysis before <i>Major Projects Report 2000</i>, as the basis for the reporting significantly changed in this year mainly due to the Department introducing SMART procurement and resource accounting and budgeting.¹</p>	<p data-bbox="1015 472 1449 555">To identify trends in cost of the projects and highlight areas where value for money has not been achieved.</p>

¹ See *Major Projects Report 2000*, Appendix Two for more detailed information on the changes made to reporting in 2000: www.nao.org.uk/publications/9900/major_projects_report_2000.aspx.