National Audit Office

Report

by the Comptroller
and Auditor General

Cabinet Office and HM Treasury

Major Projects Authority Annual Report 2013-14

JUNE 2014

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

Contents

Summary

1   The purpose of this note is to update the Committee of Public Accounts (the Committee) on developments since the publication of the National Audit Office report in February, particularly the release of the Authority's second annual report on 23 May.[1] It is intended as an additional input to the Committee's hearing with the Authority on 5 June 2014.

2   The Major Projects Authority (the Authority) published its first annual report in May 2013. The report provided a high level overview of the Authority's work since its creation in 2011 and was accompanied by departmental data on the Government Major Projects Portfolio (the Portfolio). In accordance with the government's transparency policy, the project data published related to the period June-September 2012.

3   We reviewed the report and the project data and published our report *Major Projects Authority Annual Report 2012-13 and government project assurance* in February 2014.[2] In this report we:

- analysed the Portfolio data and provided information on the deliverability, cost and timing of government major projects;

- reviewed how far the report satisfied the Committee's calls for full and transparent disclosure of project data;

- made recommendations on how future reports could be improved; and

- provided an update on the progress the Authority has made against the recommendations of the Committee and of Lord Browne.

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[1] Cabinet Office, *Major Projects Authority Annual Report 2013-14*, May 2014.
https://www.gov.uk/government/publications/major-projects-authority-annual-report-2014

[2] Comptroller and Auditor General, *Major Projects Authority Annual Report 2012-13 and government project assurance*, Session 2013-14, HC 1047, National Audit Office, February 2014.

4   The Authority has responded positively to the recommendations we made in February. The second annual report includes project data from the period June - September 2013 and contains much more analysis of this data, as recommended in the NAO report. The revised guidance issued by the Authority has helped to improve the quality of the data published by departments and has contributed to reducing the amount of undisclosed data by nearly a third. However, despite this progress there is still room for further improvement in the quality of departmental narrative disclosures to make them more useful for readers.

5   The Portfolio data from September 2013 shows an overall deterioration in the delivery confidence ratings of government major projects. There has been a marked increase in the number and value of amber-red rated projects, while the corresponding figures for green rated projects have fallen. In part this is due to 39 mature projects leaving the Portfolio while 47 new projects have joined. More mature projects tend to have higher delivery confidence ratings while projects at an early stage tend to be rated as higher risk, so this has impacted on the overall deliverability of the Portfolio. However, the rating of ongoing projects declined slightly as well, with 27 projects receiving an improved delivery confidence rating and 32 receiving a lower confidence rating. This highlights the severity of the challenges facing the Authority and the government in improving the delivery record of government major projects.

Part One

Improvements in the content of the Annual Report

1.1   Our February 2014 report *Major Projects Authority Annual Report 2012-13 and government project assurance* reviewed the Authority's first annual report and made recommendations to improve future reporting.[3]
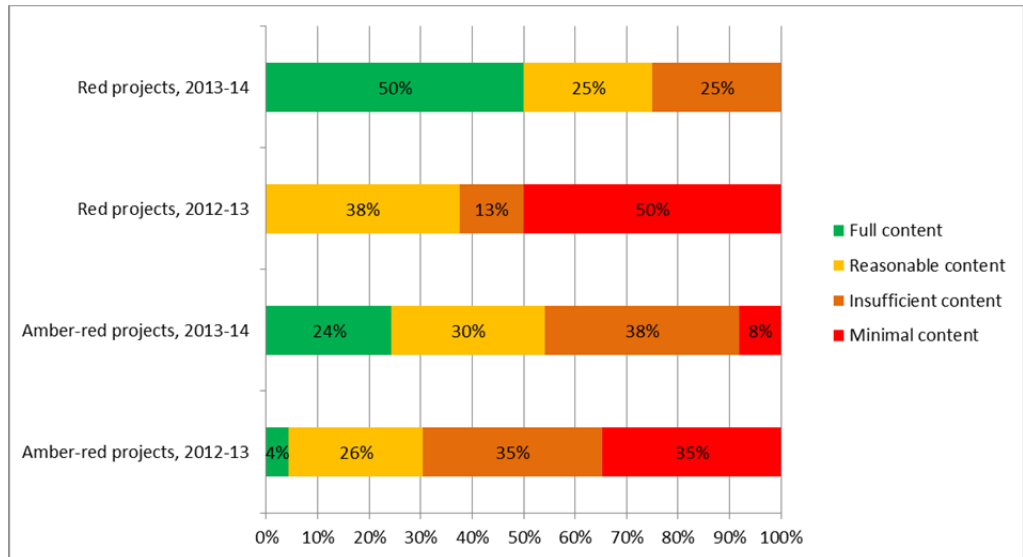
1.2   The majority of our findings related to the departmental data published alongside the annual report and we made several recommendations on how this data could be improved. The Authority has responded positively to most of our findings and has adjusted the guidance it issues to departments accordingly.

1.3   For the 2013-14 annual report, the Authority has issued improved guidance to departments on the narrative disclosures for each project. This revised guidance has led to a marked improvement in the quality of departmental narrative disclosures on their major projects (**Figure 1**). Of the 41 major projects rated as red or amber-red in the 2013-14 data, over half (56 per cent) had narratives with full or reasonable content that provided information on the issues facing the project and the actions that had been taken in response. Although this is much better than the 2012-13 data, there is room for further improvement. For example, the departmental narratives generally provide a clear idea of what actions departments are undertaking on each project, but do not provide much detail on the issues each project faces or the reasons behind the delivery confidence assessment. There is no commentary from the Authority on individual projects.

[3] Cabinet Office, *Major Projects Authority Annual Report 2013-14*, May 2014.
https://www.gov.uk/government/publications/major-projects-authority-annual-report-2014

Figure 1

Quality of narratives disclosures for red and amber-red rated projects in departmental submissions, 2012-13 and 2013-14

Notes

1 **Full content:** The delivery confidence rating is addressed and the information states the issues or recommendations provided by the assessment, and helps the reader to understand the project's position at the assessment date.

Reasonable content: Some issues are highlighted, primarily, through discussing actions taken since the assessment. It is unclear whether the actions mentioned address all recommendations from the delivery confidence assessment; however, the narrative gives the reader some indication of the reason/(s) for the assessed rating.

Insufficient content: Acknowledges that challenges exist in completing the project but project-specific issues are not stated. The focus of the narrative tends to be on actions and few inferences can be made on the outcome of the delivery confidence assessment.

Minimal content: The narrative does not provide any or minimal information on the delivery confidence assessment and the actions taken to address concerns.

2 Due to rounding, the percentages for red projects 2012-13 do not add up to 100.
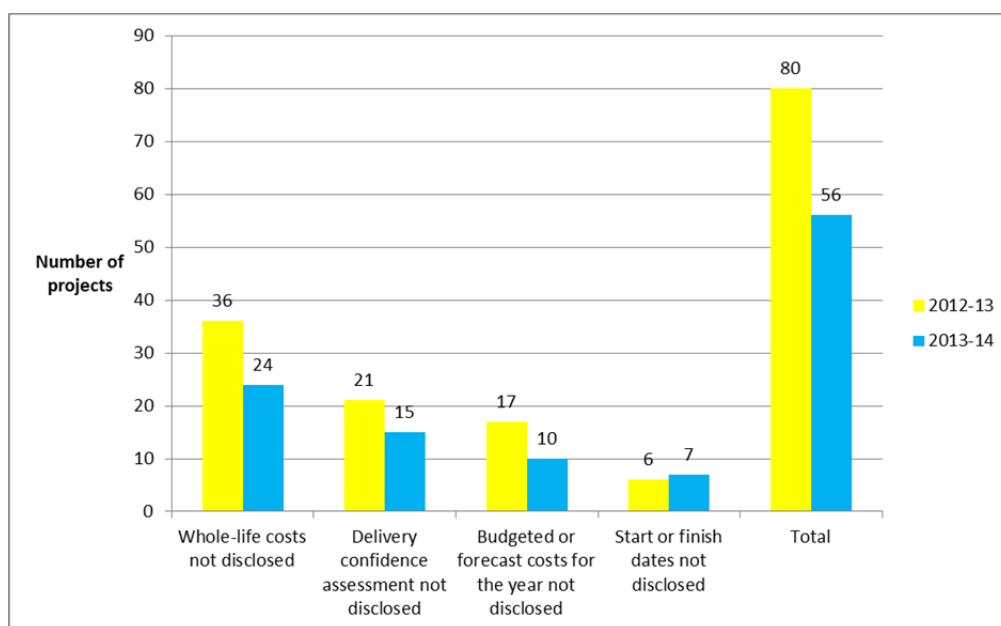
Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2013-14*

1.4 In our February report, we noted that a significant amount of project data accompanying the Authority's first annual report had been exempted or was unavailable. For its second annual report, the Authority revised its guidance to departments to stress the importance of keeping data exemptions to a minimum and directly referred to our February report. The Authority also engaged directly with departments to reduce the use of exemptions and asked departments to publish why data has been withheld.

1.5 The Authority's efforts to reduce the amount of exempted data in the second annual report have had a significant impact. In the 2013-14 project data, the number of exempted or unavailable items has fallen by 30 per cent compared to the previous year's (**Figure 2**). Whereas 48 projects in September 2012 (25 per cent of the Portfolio) had at least one item of data missing, in September 2013 this had fallen to 35 projects (18 per cent of the Portfolio).[4] In all cases where data has been formally exempted, departments have stated under which sections of the Freedom of Information Act (2000) the data has been withheld from publication.

Figure 2

Withheld and unavailable data in departmental submissions, 2012-13 and 2013-14

Notes
1. Eight Department of Health projects had no Delivery Confidence Assessment in 2013-14 as they are not covered by the Authority's assurance arrangements. These are excluded from the figures above.
2. Nine projects in the 2013-14 data had their whole-life costs given as zero. To ensure consistency with our analysis of the 2012-13 data, these have been included in the above figures as unavailable data.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2013-14*

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[4] Our analysis of exempted and withheld data differs from that provided by the Authority on page 18 of the second annual report. The Authority only counts data that has been formally exempted by departments under the Freedom of Information Act, while our analysis also includes data fields that have been given as zero, as not applicable, and as 'to be confirmed'.

1.6   The Authority has responded positively to our recommendation for more portfolio-level analysis. Its second annual report contains much more analysis of the published project data than its predecessor, which provides valuable insights into issues affecting the Portfolio:

• A significant number of these analyses mirror those included in our February report, such as Figure 4 which shows the scheduled completion dates of projects in the Portfolio.

• Other analyses are entirely new, such as Figure 3 showing what sort of projects (e.g. ICT, infrastructure & construction) make up the Portfolio, and Figure 8 which shows the current delivery confidence ratings of projects rated red and amber-red in September 2012.

1.7   The Authority did not act on our recommendation to include data showing how much has been spent to date on each project in their second annual report. Its explanation was that this would require changes to the transparency policy agreed at ministerial level.[5] This policy specifies which datasets departments are expected to provide and the Authority considers it cannot change this without Cabinet approval.

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[5] Cabinet Office, *Transparency policy on the Government's Major Projects Portfolio*, May 2013.
https://www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance
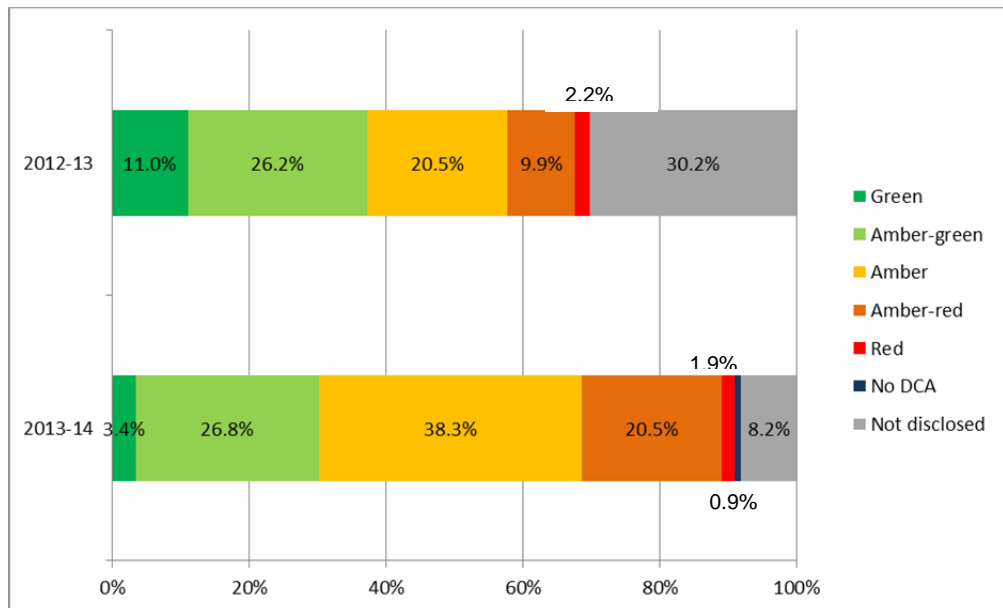
Part Two

The status of the Portfolio in September 2013

2.1   The Authority's second annual report shows that, compared to the previous year, an increased proportion of government major projects were given an amber-red delivery confidence rating (19 per cent of Portfolio projects in 2013-14 compared to 12 per cent in 2012-13), while significantly fewer were given green ratings (9 per cent in 2013-14 compared to 17 per cent in 2012-13). The Authority attributes this to 39 mature projects with generally higher confidence ratings being completed and leaving the Portfolio. At the same time, 47 new projects have joined the Portfolio and these tend to have lower confidence ratings as they are at an early stage of implementation.

2.2   In terms of whole-life cost, this decline in delivery confidence ratings is more pronounced (**Figure 3**). At the reporting date of September 2013, less than a third of the Portfolio by value (30.2 per cent) was rated as highly likely or probable to deliver successfully. Moreover, the whole-life cost of projects over which there were significant doubts regarding delivery (i.e. those projects rated as red or amber-red) has risen to 22.4 per cent of the total whole-life cost of the Portfolio.

Figure 3

Delivery confidence ratings of government major projects analysed by whole-life costs, 2012-13 and 2013-14

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2013-14*

2.3 The Authority notes that: "the delivery confidence across those projects that have been in the Portfolio in both years has remained largely unchanged. Of the 122 projects whose delivery confidence ratings were published in both years, 27 have improved and 32 have declined."[6] We would normally expect the ratings of ongoing projects to show an upward trend, as they become more mature and as assurance interventions begin to take effect.

2.4 On a more positive note, the Authority's analysis of the delivery confidence ratings of projects scheduled to complete by the end of September 2014 (Figure 11 in the second annual report) shows that these are in a better state. Over half of these projects (30 out of 55) have been given green and amber-green delivery confidence ratings, which suggest that they should complete successfully.

[6] Cabinet Office, *Major Projects Authority Annual Report 2013-14*, May 2014.

2.5   Of the 31 projects given red and amber-red delivery confidence ratings in September 2012, a significant majority had shown improvement by September 2013. Of the eight red-rated projects in September 2012, only one (Queen Elizabeth class aircraft carriers) was still rated as red a year later.

2.6   Of the 23 amber-red rated projects:

- one had worsened to a red rating in September 2013 (Information Systems and Operational Technology programme at the National Crime Agency);

- eight were still rated amber-red;

- one had been 'reset' (Universal Credit);

- two had left the Portfolio;

- one had no delivery confidence assessment; and

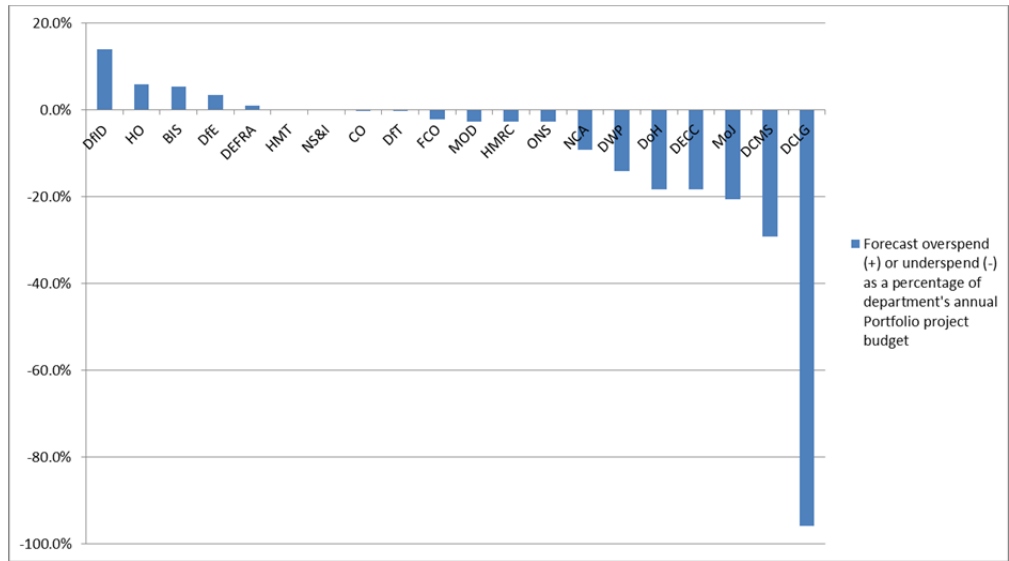- the remaining ten projects had improved delivery-confidence assessments.

2.7   The Authority has introduced a new category of 'reset' this year, which it has applied to the Universal Credit project. The Authority considers that it has undertaken significant work to develop a 'reset plan' to place the roll-out of Universal Credit on a more secure footing, and the 'reset' delivery confidence assessment reflects the new status of the project. A new category of 'no Delivery Confidence Assessment' was also introduced for 2013-14. This has been applied to eight Department of Health projects that are not covered by the Authority's assurance arrangements as they are being delivered by NHS Trusts and Foundation Trusts.

2.8   Figure 10 of the Authority's second annual report analyses the forecast net over and underspend against annual budgets for major projects by department. The department with the largest net forecast overspend for 2013-14 was the Department for Business, Innovation & Skills (£126.8 million), while the Department of Health expected the largest underspend against budget for the year (£351.4 million). We have analysed these forecasts as a percentage of each department's annual major project budget, which provides a different perspective (**Figure 4**). Both the Department for Business, Innovation & Skills and the Department of Health have comparatively large budgeted expenditure on major projects, so their forecast variances against budget seem less significant. By contrast, the Department for Communities and Local Government is forecast to spend less than 5 per cent of its major projects budget for 2013-14[7].

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[7] This underspend relates entirely to the Enterprise Zones Programme. The programme originally had a 2012-13 budget of £111m but the budget has been revised. The majority of expenditure is now planned to take place in 2014-15. https://www.gov.uk/government/publications/dclg-government-major-projects-portfolio-data-2014

Figure 4

Forecast net over and underspend as a proportion of annual Portfolio project budget by department, 2013-14

Note

1 DfID = Department for International Development; HO = Home Office; BIS = Department for Business, Innovation & Skills; DfE = Department for Education; DEFRA = Department for Environment, Food & Rural Affairs; HMT = HM Treasury; NS&I = National Savings and Investments; CO = Cabinet Office; DfT = Department for Transport; FCO = Foreign & Commonwealth Office; MOD = Ministry of Defence; HMRC = HM Revenue & Customs; ONS = Office for National Statistics; NCA = National Crime Agency; DWP = Department for Work & Pensions; DoH = Department of Health; DECC = Department of Energy & Climate Change; MoJ = Ministry of Justice; DCMS = Department for Culture, Media & Sport; DCLG = Department for Communities and Local Government.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2013-14*

Part Three

The Authority's evolving strategy

3.1 Our February 2014 report provided a detailed update on the progress that the Authority had made against each of the Committee's and Lord Browne's recommendations. We concluded that the Authority, through a broad range of activities, was making positive progress against most of the recommendations. As a result, its capability was improved and its work was becoming more influential and effective. However, we did warn that the Authority still faced significant challenges in achieving the improvements that it looked for in project delivery, and that effective cooperation with HM Treasury, the Cabinet Office and other government departments was essential.

3.2 The Authority's second annual report does not include a detailed discussion of any further progress against these recommendations, although some sections do relate to concerns voiced by the Committee and Lord Browne. For instance, in his introduction John Manzoni, the Authority's new Chief Executive Officer, set out four key areas that the Authority will be focusing on:

a. **Training and developing high-quality project leaders through the Major Projects Leadership Academy.** This accords with the Committee's fifth recommendation, which welcomed the creation of the Academy as a means to address the Committee's long-standing concerns about the lack of project delivery skills in government.

b. **Empowering project leaders and ensuring there are clear lines of responsibility and accountability in place.** Although the Committee did not make specific recommendations to the Authority on this issue, it has frequently raised concerns that project leaders change too often and that there is no proper accountability for performance. Figure 12 of the Authority's second annual report shows the rate of turnover in Senior Responsible Owners as 13 per cent and Project Directors as 14 per cent, as at March 2014. Later in the annual report, the Authority states that it "will work progressively to increase the clarity that we provide SROs over what they are required to deliver, supported by the decision-making responsibilities to accompany this."

c. **Ensuring that more detailed planning and investigation of options are conducted at an early stage.** This addresses the key recommendation made by Lord Browne that there should be better control over project initiation within government. Lord Browne has argued that many government projects had additional costs and risks 'baked in' from the start, because there had been insufficient attention paid to different options and risks.

d. **Creating a culture of openness and honesty, so that the challenges facing major projects can be identified and addressed.** In its report in 2012, the Committee made a clear recommendation that the Authority should make 'complete and transparent' disclosure of project data. More widely, the Committee has often stated that transparency is an important factor in improving project outcomes in government by ensuring that problems are identified and discussed at an early stage.

3.3 The annual report contains an update on the work of the Major Projects Leadership Academy. Two hundred project leaders from across government have now attended the Academy and the Authority intends for all leaders of government major projects to have completed their training at the Academy by the end of the year.

3.4 In addition to training major project leaders through the Academy, the Authority is also planning to strengthen project delivery capability more widely through the civil service. It intends to launch the Project Leader Programme in 2015 which will target leaders on other government projects. The Authority is also looking at ways to support project delivery skills at other levels of the civil service and share best practice.

3.5 In its 2012 report, the Committee also raised a concern that the Authority had fewer resources but more work to do than its predecessor body. We reported in February that the Authority had increased staff numbers by around a half, from 39 to 59. Current staff numbers as of May 2014 are 68.

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