



National Audit Office

Report

by the Comptroller
and Auditor General

Cabinet Office and HM Treasury

Major Projects Authority Annual Report 2012-13 and government project assurance

Key facts

£354bn **191**

whole-life cost of the
Government Major
Projects Portfolio

projects in the
Government Major
Projects Portfolio in
September 2012

42%

of major projects
rated as highly likely
or probable to deliver
on time and on
budget (rated green
or amber-green by
the Authority)

16 per cent of major projects with significant doubts concerning their deliverability (rated red or amber-red by the Authority)

£372 million median whole-life cost of government major projects

£833 million forecast underspend against annual budget on major projects, 2012-13

51 per cent of projects scheduled to complete between 2012-13 and 2014-15

29 projects not scheduled to complete until after 2019-20

25 per cent of projects where no value has been provided for important data or important data is unavailable

Summary

1 The Major Projects Authority (the Authority) was established in March 2011 as a joint partnership between the Cabinet Office and HM Treasury with a prime ministerial mandate to improve project delivery across government through robust assurance measures. Since then, the Authority has developed a range of interventions to give assurance over government major projects at all main stages and to support HM Treasury approval and funding decisions. It has also established the Major Projects Leadership Academy to train senior project leaders in the civil service. The Academy is responsible for the project delivery profession across Whitehall.

2 In 2012, the Committee of Public Accounts (the Committee) examined the Authority's work and made several recommendations to improve assurance for government major projects.¹ These included: improving departmental compliance with the Authority's assurance arrangements; reviewing if increased investment in the Authority would lead to increased benefits from its work; using the Authority's data to centrally manage the Government Major Projects Portfolio (the Portfolio) as a unified portfolio; and regularly publishing project information.

3 The Authority published its first annual report in May 2013.² Although this was significantly later than planned, it was an important step in improving the transparency with which progress on the Portfolio is reported. Comprehensive information on the Portfolio had not been published together before. The report provides an overview of the Authority's remit and priorities, and of the overall progress on delivering the 191 major projects by the end of September 2012. It was accompanied by departmental narratives on the deliverability, cost and timing of the projects.

Purpose of this memorandum

- 4** This memorandum will:
- update the Committee on the status of the Portfolio's projects;
 - help them assess how far the published information improves transparency; and
 - provide an update on the Authority's progress in responding to the Committee's wider recommendations.

¹ HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.

² *Major Projects Authority Annual Report 2012-13*, available at: engage.cabinetoffice.gov.uk/major-projects-authority/

5 In Part One, we set out the Authority's history and role. In Part Two, we analyse information in the annual report and departmental submissions regarding the deliverability, cost and timing of the projects in the Portfolio. Part Three examines how far non-disclosure of data has affected the usefulness of published data. In Part Four, we set out the actions taken by government to date in response to the Committee's 2012 report recommendations.

Key observations

Deliverability, cost and timing

6 The Authority's annual report and the published departmental data give information on the deliverability, cost and timing of projects in the Portfolio:

Deliverability

- The Authority concluded that 43 per cent of projects were 'highly likely' or 'probable' to be completed successfully, but had significant doubts about the deliverability of 16 per cent of projects. The deliverability ratings of major projects varied significantly between departments (**Figure 1**).
- The Authority gave eight projects red ratings, indicating the highest risk to successful delivery. Problems occurred because departments initially underestimated the project's complexity. Delivery schedules therefore had to be revised. In some cases, the whole project was rescoped because it was deemed unachievable or impractical in its original form.

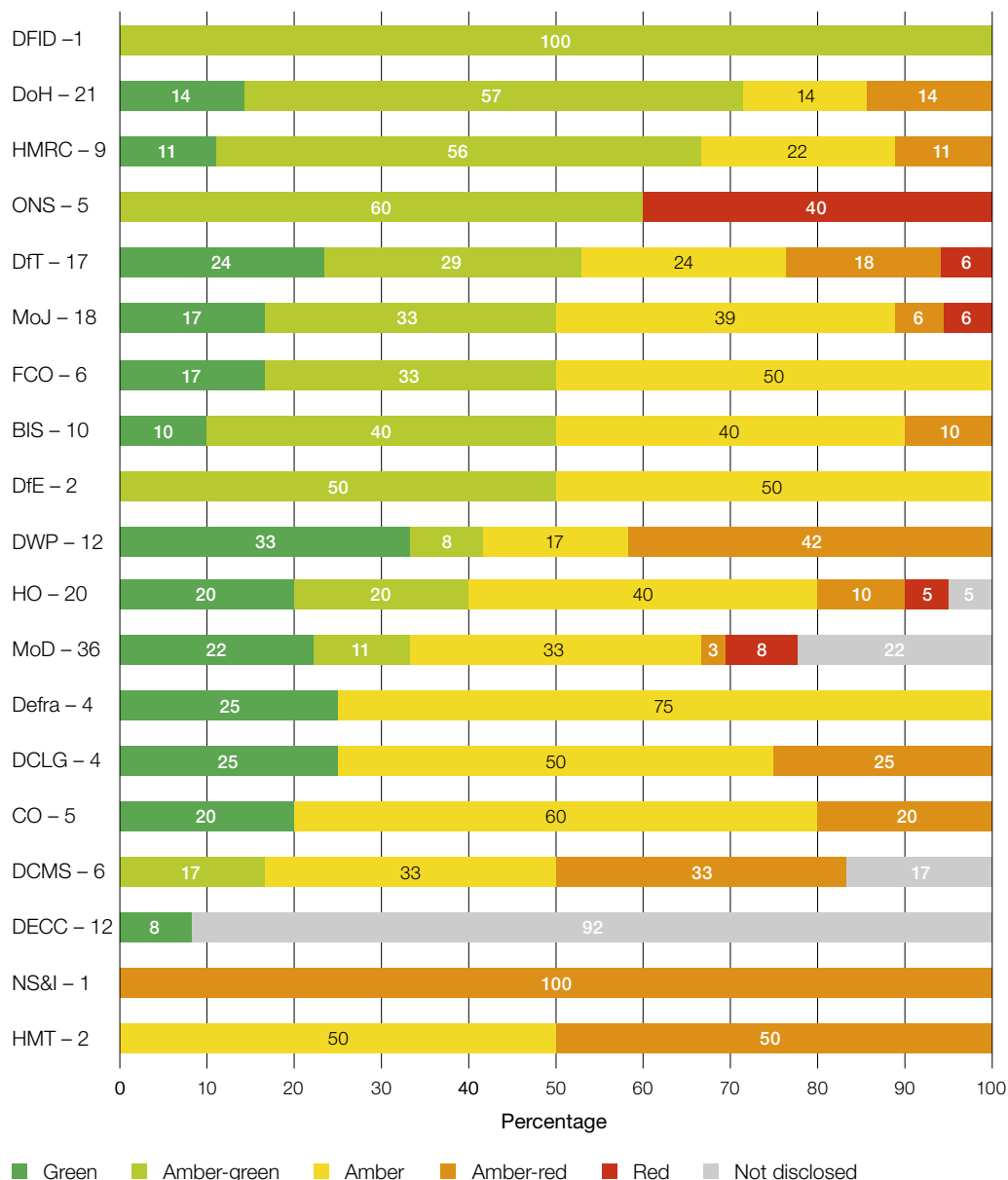
Cost

- The total whole-life cost of the 191 Portfolio projects was reported as £353.7 billion. The cost of individual projects ranged widely from the £33,149 million Renewable Heat Incentive project (Department of Energy & Climate Change), to the £580,000 G-Cloud programme (Cabinet Office).³ The median cost of projects is £372 million. The costliest projects are concentrated in a small number of departments: 55 projects in four departments (Ministry of Defence, Department of Energy & Climate Change, Department for Transport, and Department for Work & Pensions) accounted for 79 per cent of the Portfolio's total cost.

3 The whole-life cost figure for the Renewable Heat Incentive Project includes an estimate of lifetime subsidy costs to 2040 and is subject to revision.

Figure 1
 Delivery confidence rating of government major projects by department, at September 2012

Deliverability of major projects varies considerably between departments



Notes

- DFID = Department for International Development; DoH = Department of Health; HMRC = HM Revenue & Customs; ONS = Office for National Statistics; DfT = Department for Transport; MoJ = Ministry of Justice; FCO = Foreign & Commonwealth Office; BIS = Department for Business, Innovation & Skills; DfE = Department for Education; DWP = Department for Work & Pensions; HO = Home Office; MoD = Ministry of Defence; Defra = Department for Environment, Food & Rural Affairs; DCLG = Department for Communities and Local Government; CO = Cabinet Office; DCMS = Department for Culture, Media & Sport; DECC = Department of Energy & Climate Change; NS&I = National Savings and Investments; HMT = HM Treasury.
- The total number of projects each department has in the Portfolio is shown after the department's name.

Timing

- The Portfolio includes a range of projects, from major infrastructure projects to departmental reorganisations, which vary widely in duration. The majority are relatively short (51 per cent of projects are expected to last less than five years), but a significant minority are much longer (more than 11 per cent will last over 15 years).
- The majority of projects are also due to complete soon. Over half of current major projects (97 out of 191 projects) are scheduled to complete between 2012-13 and 2014-15. We are particularly concerned that, of these projects nearing completion, the Authority has rated successful delivery as probable for less than half. Departments will have to make rapid improvements to complete these projects on time and on budget.

Transparency

7 In 2012, the Committee highlighted that openness and transparent reporting were vital to ensuring accountability for public money.⁴ The annual report is an important component of the government's transparency agenda. The information published in the Authority's annual report was subject to the government's transparency policy, which includes a planned six-month time lag on publishing project data. This allows departments time to act in response to the Authority's deliverability ratings.⁵ Data published in May 2013 therefore related to the period June to September 2012.

8 The transparency policy also allows for not disclosing information because of commercial sensitivity and national security. This meant that the project data published were incomplete. Some 25 per cent of major projects had at least one item of data on costs, completion dates, or deliverability withheld. The majority of departments withheld data on at least one project. The reasons for non-disclosure were not published, leaving departments time vulnerable to the perception that they withheld data that was inconvenient to them. Incomplete data reduces its usefulness as a tool to hold the government to account.

9 The published data also lacked detail in other important areas. Departments had to publish explanations of their actions to address issues that the Authority highlighted on individual projects. However, the quality of these explanations was varied. Our analysis of disclosures for red and amber-red rated projects showed more than half did not contain sufficiently detailed information for users to clearly see what actions had been taken.

⁴ See footnote 1.

⁵ Cabinet Office, *Transparency policy on the Government Major Projects Portfolio and guidance for departments on exemptions*, May 2013, available at: www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance

10 The annual report and the accompanying departmental submissions mark a major step forward for transparency. However, including additional data in future publications would help to enhance transparency and accountability further:

- Including total project costs incurred would allow comparison with a project's total budgeted cost and help highlight projects where there is a risk of under or overspending.
- Providing information on a project's progress against goals, and benefits achieved would help to identify whether a project was meeting its key milestones and goals.
- Disclosing the reasons for the deliverability ratings given would clearly show whether the actions that departments take in response were appropriate.
- Analysing project data at a Portfolio level would highlight common issues and give a useful long-term perspective of progress across the Portfolio.

Progress against Committee recommendations

11 The Committee and Lord Browne, the government's lead non-executive director, published reports in 2012 and 2013, respectively, looking at assurance arrangements for government major projects.⁶ They both concluded that establishing the Authority was a positive step and that it had made definite progress in strengthening project assurance. However, both reports also recommended that the Authority needed greater resources and influence to improve project delivery in a lasting and significant way.

12 In February 2013, the government responded to the Committee's 2012 report, accepting all the recommendations.⁷ Despite accepting all the recommendations, the government's response did not fully address all of the concerns raised. Most notably, HM Treasury does not want the Authority's recommendations on stopping and pausing projects to be considered binding because this would limit the ability of elected ministers to make decisions. Instead, the Authority and HM Treasury have established a process to ensure that all Major Projects Review Group recommendations, including to cancel, defer or rescope projects, are provided directly to the Chief Secretary to the Treasury as formal advice to inform spending decisions.

⁶ HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012 and Lord Browne of Madingley, *Getting a grip: how to improve major project control and execution in government*, March 2013.

⁷ HM Treasury, *Treasury Minutes, Government responses on the Fourteenth, the Seventeenth to the Nineteenth, and the Twenty First Reports from the Committee of Public Accounts Session: 2012-13*, Cm 8556, February 2013.

13 The Authority has been working to implement the Committee's recommendations. It is doing the following:

- Increasing the number of major projects with an Integrated Assurance and Approvals Plan. These set out the project milestones, the timing of internal and external assurance reviews, and allow for better alignment with Cabinet Office and Treasury approval processes. By the end of May 2013, only 17 projects (9 per cent) had no plan.
- Understanding the pipeline of major projects, to help ensure the Authority's assurance work is timed to influence project approval; and introduce a new Project Validation Review to give stronger assurance about deliverability before a project starts.
- Tracking how fully departments implement the Authority's recommendations and the benefits this achieves.
- Increasing staffing by around a half to 59 to help the Authority to achieve the improvements in project assurance it is aiming for. The aspiration is that by 2015 there will be a step change in successful project delivery from 2010 when the projected successful completion rate was 28 per cent and the average cost overrun was 60 per cent.
- Strengthening the project delivery skills of civil servants by developing options for deploying graduates of the Major Projects Leadership Academy; developing guidance on the remit, tenure, reward and appointing project leaders; and creating a model for departments to assess project maturity.
- Publishing the Authority's first annual report on the Portfolio's status.

Concluding comments

14 The Authority is increasing its capability and taking steps to ensure that its work is more effective and influential. This includes a broad range of activities, from developing new and more robust assurance products to issuing guidance on how best to reward and retain project delivery specialists. Many of the elements necessary to make significant changes in government project delivery are therefore starting to be put into place. However, significant challenges remain if these changes are to have their full effect. One of these is for the Authority to present more useful and comprehensive data in their annual report. Other challenges will require broader action. Effective cooperation between HM Treasury, the Cabinet Office and other government departments will be essential to making real improvements.