National Audit Office

Report
by the Comptroller
and Auditor General

Cross-government

Delivering major projects in government: a briefing for the Committee of Public Accounts

Key facts

£511bn

whole-life cost of the Government Major Projects Portfolio in June 2015

149

projects in the Government Major Projects Portfolio in June 2015

34%

of major projects where, as at June 2015, the Major Projects Authority assessed successful delivery as in doubt or unachievable unless action was taken

£411 billion	value of projects in the national infrastructure pipeline in July 2015, of which 36% by value are either taxpayer-funded or have mixed private/public funding. Not all of these are included in the Government Major Projects Portfolio (the Portfolio)
149	projects removed from the Portfolio since the publication of the Major Project Authority's first annual report, between September 2012 and June 2015
107	projects added to the Portfolio since publication of the Major Projects Authority's first annual report, between September 2012 and June 2015
71%	projects in the Portfolio that are scheduled to complete between 2015-16 and 2019-20 (June 2015 data)

Summary

1   It is not possible to estimate with any degree of certainty how much of the government's business is delivered through projects. The Government Major Projects Portfolio (the Portfolio), which includes central government's biggest and riskiest projects, had an estimated whole-life value of £511 billion in June 2015. This report focuses mainly on those projects. Other bodies are involved in the delivery of projects for government. Quantifying public sector project delivery outside the Portfolio is not possible, but:

- capital spend estimates suggest there may be nearly twice as much spend on capital projects outside the Portfolio, in 2015-16, including all devolved and some local government spend, that of arm's-length bodies,[1] and departmental spend on projects that are not included in the Portfolio; and

- the national infrastructure plan in July 2015 included infrastructure projects costing an estimated £411 billion from 2015-16, of which 36% by value are either taxpayer-funded or have mixed private/public funding, some of which are not included in the Portfolio.

2   Government projects play a crucial role in delivering strategic objectives such as defence capability, new infrastructure and improving the efficiency of public services. Traditionally, infrastructure projects attract much attention, but projects to transform or change the way that public services are delivered or accessed are of increasing importance. For example, 95 out of 149 projects in the Portfolio in June 2015 were transformation, ICT or service delivery projects.

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1   An arm's-length body is an organisation that delivers a public service, is not a ministerial government department and which operates to a greater or lesser extent at a distance from ministers. The term can include non-departmental public bodies (NDPBs), executive agencies, non-ministerial departments, public corporations, NHS bodies and inspectorates.

3 There are a number of challenges in delivering government projects including:

- timescales, which can arise either from being particularly long or being overly ambitious. Four of the projects in the Portfolio are expected to take more than 30 years, making it difficult to manage continuity and making them more likely to be subject to external changes in their lifetime. Conversely, transformation projects can suffer from setting short deadlines given the outcomes they are trying to achieve, as shown in the early history of Universal Credit;

- the size of individual programmes: for example, Crossrail is reputed to be the largest infrastructure project currently under construction in Europe;

- the ambition and complexity of projects that aim to achieve multiple policy objectives and that cross departmental boundaries; and

- the volume of projects to be delivered by individual departments and collectively by government: for example, 71% of the projects in the Portfolio are to be delivered by 2019-20.

4 Given the scale, importance and complexity of government projects, successful delivery is key to providing value for money. However, the track record in delivering government projects successfully has been poor. In the last Parliament, while we reported on improvements in the way aspects of programmes in some departments were managed, we also reported regularly on project failures and on ongoing projects that were experiencing considerable difficulties. We and the Committee of Public Accounts identified a number of recurring issues across departments that were contributing to poor performance:

- an absence of portfolio management at both departmental and government level;

- lack of clear, consistent data with which to measure performance;

- poor early planning;

- lack of capacity and capability to undertake a growing number of projects; and

- a lack of clear accountability for leadership of a project.

5 Over the years, successive governments have tried to improve project delivery. These initiatives gathered pace during the last Parliament with the establishment of the Major Projects Authority (the Authority; now the Infrastructure and Projects Authority). This briefing gives an overview of:

- key trends in the performance of project delivery in government;

- progress that central bodies and departments have made in addressing the underlying issues listed in paragraph 4; and

- key challenges in improving project delivery in this parliament.

Key findings

6   There have been a number of welcome developments to address the issues identified by us and the Committee of Public Accounts. These include:

- improvements to accountability with greater clarity about the roles of senior responsible owners (paragraphs 3.15 to 3.16);

- investment by the Authority and departments to improve the capability of staff to deliver major projects, with departments reporting to us that they are seeing benefits from these initiatives (paragraphs 3.1 to 3.8);

- increased assurance and recognition of the role that assurance plays in improving project delivery (paragraphs 3.9 to 3.12); and

- initiatives such as one-day workshops before HM Treasury approval to prevent departments from getting locked into solutions too early (paragraphs 3.13 to 3.14).

7   However, challenges remain and new challenges have emerged which could undermine or lessen the impact of these initiatives. For example, turnover of senior responsible owners has been high, with only 4 of the 73 programmes that had been in the Portfolio for 4 years having had a single senior responsible owner during that time (paragraphs 3.17 to 3.18). Likewise, there are still concerns around shortages of skills in specific areas such as risk management and behaviour change, which is worrying given the volume of transformation projects being undertaken (paragraph 3.4).

8   It is too soon to see the impact of some initiatives. For others, the impact seems to be variable.

- In some cases, changes have only been introduced relatively recently, as in the case of the one-day workshops prior to approval.

- In the case of assurance, the Authority has not yet established a link between review recommendations and project performance. Our earlier reports showed that departments' responses to assurance recommendations varied, being positive on Thameslink and Crossrail, but slow in the early stages of High Speed 2 and Universal Credit, for example (paragraphs 3.11 to 3.12).

9   The Authority does not publish full information on the size and cost of the Portfolio. The published whole-life cost is lower than the total cost because the Cabinet's transparency policy exempts some data from disclosure. However, both the aggregate and disclosed costs were higher in 2015 than in 2012. This is largely due to changes to the composition of the Portfolio, more of the costs being disclosed, the inclusion of costs previously unknown or uncertain and changes in methodology. There is still uncertainty about costs and it is reasonable to expect that the value of the Portfolio will change further (paragraphs 2.4 to 2.6 and paragraph 2.11).

10 Without reliable and consistent measures of project success, it is difficult to state whether performance is improving. Our previous reports highlighted progress on making information about major projects transparent in the Authority's annual report. The most recent annual report gives a more complete picture, but there are still a number of issues which make it difficult to form conclusions about trends in performance across the Portfolio. These include: the amount of turnover in the Portfolio; the limited data published by departments; inconsistent reporting of costs, with some departments reporting costs in real terms and some in nominal terms, or others using different index years; and because there is no systematic monitoring of benefit realisation (paragraphs 2.1 to 2.3, 2.6 and 2.7, 2.17 to 2.19).

11 However, delivery confidence, which the Authority does measure, shows a mixed picture with high risks to delivery in the next 5 years. The number of projects where successful delivery was in doubt or unachievable unless action was taken (rated red and amber-red) has increased since 2012 as more risky projects have entered the Portfolio. These ratings reflect uncertainty and risk as well as the performance of projects. Uncertainty reduces through the project lifecycle, but our analysis shows that not all project ratings improve over time. Of 56 projects which remained on the Portfolio from 2012 to 2015, 17 had red or amber-red ratings in June 2015 compared with 12 in 2012, although the number of projects considered highly likely to deliver on time and on budget (rated green or amber-green) also increased from 16 in 2012 to 25 in 2015. Of particular concern is that 35% of projects due to deliver in the next 5 years are rated as red or amber-red (paragraphs 2.12 to 2.16).

12 This is worrying given the number of projects to be delivered within this Parliament, and the large proportion of these which are transformation projects. Our report on lessons learnt from welfare reform commented that the Department for Work & Pensions took on an unprecedented number of reforms, and any large portfolio was likely to experience problems. Nearly 80% of the Portfolio projects due to be delivered by 2019-20 are to either transform or change the way that services are delivered or accessed. We commented in our briefing note on *Lessons for major service transformation* that transformation programmes can present the greatest risk of failure and that there is a need to balance ambition and realism in setting goals. For instance, the Better Care Fund, which is within the Department of Health's portfolio, was a challenging initiative which ministers paused and redesigned after the early planning and preparations did not match its scale of ambition (paragraphs 1.6, 1.11 and 1.12).

13 **Moreover, progress in improving portfolio management is disappointing.**
There is increased assurance through the Portfolio and other central departments
have an increased role in assuring, approving and improving quality of delivery. But
an effective mechanism still needs to be developed for prioritising projects across
government or judging whether individual departments have the capacity and capability
to deliver them. We have reported in the past on the difficulties caused for government
projects by unrealistic expectations and over-optimism. The National Infrastructure
Commission will make recommendations about future priorities for infrastructure. But
there is also a need to prioritise transformation projects where, as for infrastructure,
the impact of change may be felt in other parts of the system or on other projects
(paragraphs 1.6 and 1.8 to 1.10).

Concluding comments

14 It is welcome that the Authority and departments have taken so many positive
steps to develop capability and provide greater assurance and it is clear that the
Authority has carried out the activities that it was established to do. However, it has
not set out clearly the outcomes those activities were designed to achieve, or how
it would measure success. If its purpose was to improve the success rate of project
delivery, it cannot yet prove that it has done so. It is also a cause of concern that so
many projects are due to be delivered within this Parliament but have been initiated
without any process to assess whether such a scale of delivery is achievable across
government. Many of these predate the new arrangements for testing that early
planning has been robust.

15 The three key challenges for the Authority and departments during this
Parliament are to:

- **prevent departments making firm commitments on cost and timescales
  for delivery before their plans have been properly tested;**

- **develop an effective mechanism whereby all major projects are
  prioritised according to strategic importance and capability is
  deployed to priority areas; and**

- **put in place the systems and data which allow proper
  performance measurement.**