National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Projects leaving the Government Major Projects Portfolio

HC 1620 SESSION 2017–2019 19 OCTOBER 2018

Key facts

430

projects joined the Government Major Projects Portfolio between April 2011 and September 2017

302

projects left the Portfolio between April 2011 and September 2017

35

of the 48 projects we examined left because they were implemented or had reached a significant milestone. The rest left for other reasons such as cancellation

£423 billion budgeted whole-life costs of the 133 projects in the Portfolio in September 2017

£657 billion benefits to be delivered by these projects. There is no corresponding figure for what benefits have been realised.

34 of the 48 projects we examined delivered the intended outputs

176 projects left the Portfolio without an exit review to confirm that the project is in operation and achieving benefits.

Summary

1 Government departments deliver many of their strategic priorities and objectives through programmes or projects. Major government projects are often large-scale, novel, delivered by multiple stakeholders and present a risk that many commercial organisations would not take on.[1] In April 2011, the Major Projects Authority, now the Infrastructure and Projects Authority (the Authority), created the Government Major Projects Portfolio (the Portfolio) to improve the delivery of government's biggest and riskiest projects by increasing transparency and providing independent assurance.[2] As at September 2017, the Portfolio consisted of 133 projects with a planned total of around £420 billion of whole-life costs and more than £650 billion of benefits (**Figure 1** overleaf). Between April 2011 and September 2017, 430 projects had joined the Portfolio and of these, 302 had subsequently left.

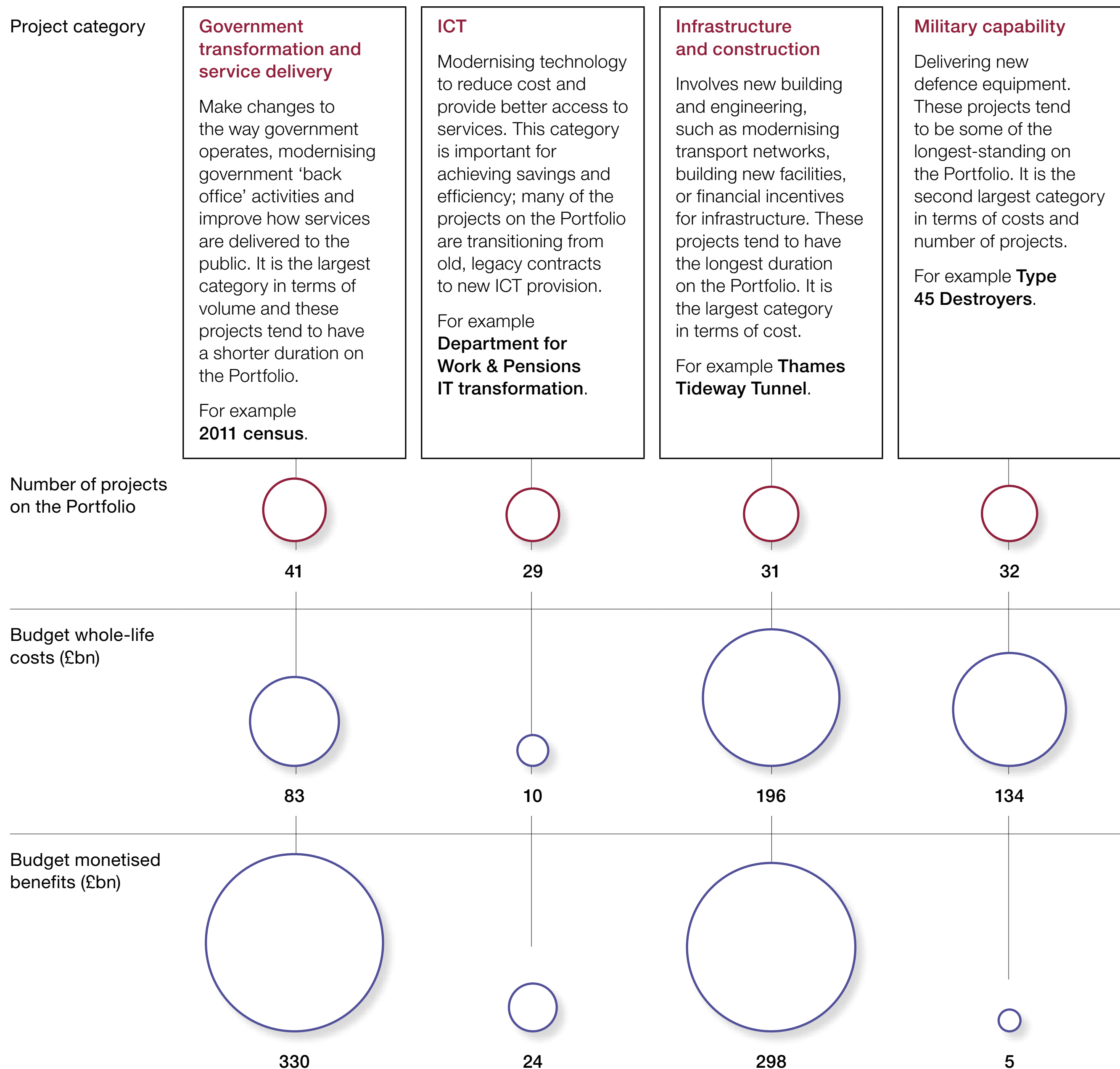
2 In 2016, we reported on whether the establishment of the Authority and the Portfolio had improved government's performance in delivering major projects. The turnover of projects, the limited data published and the lack of systematic monitoring of whether projects had realised benefits made it difficult to conclude on trends in performance across the Portfolio.[3] The Committee of Public Accounts (the Committee) expressed concern: about the quality of data, including that on benefits and the apparent gap in responsibilities for reporting on the delivery of benefits; and that some projects leave the Portfolio without a review to ensure that they are on track to deliver their benefits.

3 The Committee identified that improving the delivery of benefits should be a priority, recommending that the Authority should do more to determine whether government projects were likely to achieve their stated benefits before they leave the Portfolio. Poor measurement of what projects achieve reduces accountability and transparency for government and Parliament, and makes it difficult to assess whether the costs of projects are justified. It also means that government is missing an opportunity to learn about what constitutes success.

1 Comptroller and Auditor General, *Assurance for high-risk projects*, Session 2009-10, HC 85-1, National Audit Office, June 2010.
2 Cabinet Office, *Overview of the Major Projects Authority*, June 2011.
3 Comptroller and Auditor General, *Delivering major projects in government: a briefing for the Committee of Public Accounts,* Session 2015-16, HC 713, National Audit Office, January 2016.

Figure 1
Types of project in the Government Major Projects Portfolio

The four categories of project show significant variation in cost and monetised benefits



Notes

1 Whole-life costs and monetised benefits are baseline values reported in the Portfolio as at the end of September 2017.

2 Military capability projects rarely predict monetised benefits. Their outputs and key benefits are defined in terms of user requirements, such as improved operational effectiveness or enhanced equipment capability.

Source: National Audit Office analysis of the Infrastructure and Projects Authority's data

4 This report examines:

- why we examined projects leaving the Portfolio (Part One);
- whether there is evidence that projects which have left the Portfolio have delivered their intended benefits (Part Two); and
- whether accountability for, and transparency of, major project delivery has improved (Part Three).

We do not conclude on whether individual projects have provided value for money. We set out our audit approach in Appendix One and evidence base in Appendix Two.

Key findings

On delivery of benefits

5 For the 302 projects that have left the Portfolio since its inception in 2011, the Authority does not have complete data on the reasons why they had left and what they had delivered by the time of their departure. Before 2016 the processes for entering and leaving the Portfolio lacked clarity and were based on negotiations which were not always fully recorded. Transparency has improved since 2016, with the Authority reporting in 2018 that 20 out of 29 projects that left between October 2016 and September 2017 had delivered their original objectives. It is still not always clear, however, what has been delivered. This is in part because it may take years for a project to deliver its strategic outcomes. For example, the project to renovate and modernise the headquarters of the Foreign & Commonwealth Office left the Portfolio when the department had moved into the new building, but it was too early to assess other intended benefits, such as financial savings and a more sustainable environment (paragraphs 2.1 to 2.6 and 3.6 to 3.9).

6 Since the Portfolio's inception projects have entered and left and not all have done so because they have reached key stages in the project lifecycle. We followed up 48 projects that had left the Portfolio; 35 of these had reached a significant delivery milestone when they left including IT projects that were being rolled out and initiatives where the department funded activity for a period of time, which was complete, as well as projects where construction was complete. The remaining 13 left because they had been cancelled, merged with or replaced by other projects, disaggregated or the Authority agreed that the project no longer needed to report to it because departmental assurance was sufficient and they were no longer high-risk (paragraphs 2.6 to 2.12 and Figure 5).

7 **There is a varied picture as to whether projects have delivered successfully after they leave the Portfolio.** Once projects leave the Portfolio, the Authority is no longer responsible for monitoring progress in delivering benefits, it is up to departments to provide this oversight. In Spring 2018, we followed up 48 projects which had left the portfolio and found that:

- in 12 cases departments and other sources provided good evidence that the project had achieved its outcome. For example, the Super-Connected Cities Initiative was a £150 million fund to improve internet connectivity, help with small businesses' broadband costs, Wi-Fi in public buildings and other capital projects. It initially covered 22 cities. The scope was widened to 50 cities and the initiative had spent £121 million to 2015-16 when it left the Portfolio;
- four projects had been cancelled because it was clear that they would not achieve their objectives, or because there was a more cost-effective alternative or because government policy had changed. As we have said in other reports, cancellation of a programme is not necessarily a poor outcome, if circumstances or priorities have changed. It is still important to learn lessons from cancelled projects to support future decision-making;
- six projects delivered less than intended because they were scaled back after problems with development or implementation;
- for 22 projects it was not possible to say whether outcomes had been achieved. In some cases this was because they were still being rolled out, and it was too early to say; and
- for four projects, it was unclear what had been delivered because departments had stopped monitoring them, due to either a change of policy or because the department had decided to deliver them in different ways, which resulted in project teams being disbanded and so departments were unable to answer our questions.

Taking these points together, it is not possible to say in aggregate to what extent projects have realised the intended benefits (paragraphs 2.13 to 2.18).

8 **Evaluating projects too soon or determining that a project is a success because it has delivered short- or medium-term goals can be misleading.** The Ministry of Justice's Prison Unit Cost Programme's objectives were to maximise savings from public sector prisons by reducing operating costs while supporting the safety, security and decency of public prisons. It cost £115 million and was expected to save £550 million. The programme broadly achieved the planned cost savings, staff reductions and prison closures by 2016. However, since 2017, staff numbers have increased to improve safety in prisons. This demonstrates that longer-term tracking is needed to show whether a project's outcomes are sustainable (paragraph 2.15).

9 **Measuring success against a revised scope may also present an inaccurate picture of the success of a project, as it is not making judgements against the business case that was first approved.** The Mobile Infrastructure Project was a Department for Digital, Culture, Media & Sport programme to fill gaps in commercial mobile telephone coverage. It initially committed to building 575 mobile telephone masts to expand coverage to 60,000 premises, at an estimated cost of £150 million. However, following approval, it built 75 masts against a revised target of 40, reaching 7,199 premises at a cost of £36 million. The Authority's exit review gave the project a green delivery confidence rating against the new baseline. The subsequent evaluation used only the revised baselines and reported that they had been achieved (paragraphs 2.17, 3.14 and Case study 2).

10 **In some cases it was not clear what the intended benefits were.** Seven of the projects we examined did not have a business case against which to measure benefits. For instance, the Household Energy Efficiency programme delivered against its target of improving energy efficiency in one million homes, but did not have targets or measurable goals for its wider objectives such as saving energy. This not only reduces transparency around benefits but is a missed opportunity to instil greater discipline to the management of government initiatives (paragraphs 2.14, 2.18 and Case study 1).

On accountability and transparency

11 **Senior responsible owners and departmental accounting officers have clear accountabilities for projects while they are in progress, but this accountability risks dilution once a project passes to business-as-usual.** Since early 2018, accounting officers report to Parliament on the results of their assessments of projects' regularity, propriety, value for money and feasibility. After implementation is complete, accountability for achieving the outcomes of projects generally passes to an operational business unit and ownership of benefits can be lost (paragraphs 3.1 to 3.4).

12 **Accountability is also affected by the point at which a project is no longer treated as a major project.** The Authority has agreed to remove projects from the Portfolio when they are delivered by a third party and the department has completed a limited role, such as helping to negotiate contracts. For instance, as agreed between the Department for Business, Energy & Industrial Strategy and the Authority at the outset, the project to enable investment in the Hinkley Point C nuclear power station left the Portfolio when the Department had achieved its objectives of identifying investors and signing a construction contract. This Department remains the project sponsor, is responsible for continuing oversight of the developer and has risks to manage but is not reporting on these to the Authority. Other such examples, such as the same department's Smart Meters Implementation Programme under which energy suppliers must replace customers' electricity and gas meters, remain in the Portfolio (paragraph 3.5).

13 Poor records and incomplete reporting of the process for leaving reduce transparency, particularly for the early years of the Portfolio. We accept that there is a need for flexibility on when and why projects enter and leave the Portfolio. But lack of transparency increases the risk and perception that projects are removed inappropriately. This is all the more important as changes in policy have led to categories of projects, such as ongoing privately financed projects and many defence projects, no longer being classified as government major projects. It is also not always clear why some programmes have been included in the Portfolio. There are instances of policy initiatives being included to ensure they had central scrutiny, such as the then Department of Health's programme to increase the number of health visitors and the Civil Service Reform Programme, a programme of government actions to modernise the civil service, but many other such initiatives were not included (paragraphs 2.10, 2.12 and 3.15).

14 In 2016 the Authority introduced a standard process for deciding when projects should leave the Portfolio, addressing many of the shortcomings above (paragraph 5). Since 2016, the Authority has introduced a process which requires projects to have achieved their objectives, completed their core activity, to have a form of exit review and a positive delivery confidence assessment. Most projects now have an exit review and only exceptional cases have left with poor delivery confidence. The Authority has also asked departments to report more detailed data on the expected benefits of projects, which it uses to provide feedback and to engage with departments, but reporting by departments is variable and this information is not published (paragraphs 3.9 to 3.13 and 3.17 to 3.22).

Concluding remarks

15 The Portfolio represents the government's biggest and riskiest projects, which are also intended to produce £650 billion of benefits. The Portfolio was set up to provide more transparency around their performance, as well as to provide extra assurance. Although there is evidence that most projects that have recently left the Portfolio have implemented their planned scope, it is less clear whether they achieve the intended outcomes. For example, there is no corresponding figure for what proportion of the £650 billion of benefits have been realised. Weaknesses in the Authority's processes in the past have reduced the degree of transparency around many of the 302 projects that have left the Portfolio. Recent improvements are welcome but there is still a need for the Authority to develop its oversight at exit and for departments to monitor and evaluate projects and their outcomes more consistently, so that performance improves and maximum value is derived from projects.

Recommendations

16 To improve clarity about what projects deliver when they leave the Portfolio, the Authority should:

a **be more disciplined in applying exit procedures.** It should use the Portfolio's existing categories of projects to determine standard points when projects would be expected to leave the Portfolio and use these to form the starting point for any subsequent negotiations; and

b **improve the collection of benefits data so that mature estimates of benefits can be published alongside other Portfolio project reporting.** Projects may enter the Portfolio before forecasts of benefits are robust. However, mature estimates of benefits, such as those in approved full business cases, could be included alongside forecasts of whole-life costs when Portfolio data are published.

17 The Authority and HM Treasury should:

c **require projects in the Portfolio to have a business case and maintain cost and benefit estimates to reflect the project's status.** Projects may enter the Portfolio before they have a mature business case but by the time they leave, a full business case should be in place and cost and benefit estimates should be updated to reflect any changes to the scope of the project. The Authority and HM Treasury in its role as finance ministry need to work together to realise their ambitions for benefits realisation, cost discipline and selecting the right projects for future funding.

18 Departments should:

d **manage delivery of the benefits of major projects until it is clear what the projects have achieved.** Departments should identify a small number of key measures for each project that indicate whether strategic objectives have been met, and monitor progress towards these. Where benefits are likely to become apparent over time or where the full impact can only be assessed over a prolonged period, departments may delay or reassess evaluations; and

e **publish a statement on project closure that assesses what has been delivered.** Departments are responsible for delivering the benefits of projects and such a statement would close the gap in visibility of major projects. This may be an evaluation planned as part of the project but there should be reasonable consistency in how this is done. Publication of evaluations would help departments learn lessons from major projects, including the realism of expected benefits.