



Concept Symposium 2018

Governing Megaprojects – Why, What and How

Prioritisation at Programme and Portfolio level in the UK

The National Audit Office reports to the UK Parliament on the economy, efficiency and effectiveness with which UK Government Departments spend public money to implement government objectives. Many government objectives are delivered through major projects and programmes which cover a broad spectrum of outputs and activities including the building of infrastructure, transformation of services, delivery of equipment and ICT. About one quarter of the NAO's value for money reports examine the delivery of such projects.

In this session, Geraldine will talk through the NAO's findings and insights around how Government departments prioritize and make choices both at project and portfolio level, against a background of increasingly high expectations of what government funded projects can deliver.



Geraldine Barker

Director Project Delivery
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The Concept Symposia on Project Governance

The Norwegian Ministry of Finance and the Concept Research Program hosts every second year a symposium on project Governance. Project governance, in brief, is concerned about investments and their outcome and long-term effects. In view of the problem at hand, the aim is to ensure that the best conceptual solution is chosen, that resources are used efficiently and anticipated effects realized. Resource persons from ministries, governmental agencies, academia, international organizations, and industry are invited. In order to facilitate professional exchange and direct communication between participants, the number of individuals is restricted. The aim is to initiate further international cooperation and research on important issues related to project governance.

<https://www.ntnu.edu/concept/concept-symposium>



National Audit Office

Prioritisation at Programme and Portfolio level in the UK

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What we (and Parliament) expect when we look at a decision to commit resources

Is the Accounting Officer able to provide robust **positive assurance** that reasonable steps taken to safeguard taxpayers' money?

- good governance around, clear accountability for, and transparency over decision-making
- all appropriate (e.g. HMT) guidance followed, or a clear rationale for any divergence
- decision based on good quality, balanced set of evidence
- a good understanding of all the implications, potential intended and unintended consequences, and stakeholders
- a good understanding of risk levels, risk appetite and risk management options

Projects and Programmes deliver much of Government's work

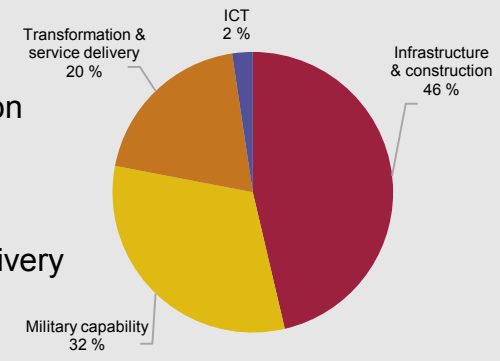
The Government Major Projects Portfolio (GMPP) contains **133** Projects, at a value of **£423bn**¹. These are the governments most expensive, riskiest, and high profile projects. There are many more projects and programmes across government however, and it is not possible to estimate with any degree of certainty how much of government's business is delivered through projects, but by way of illustration, Highways England has **four** projects on the GMPP but has **112** major road enhancement projects in its first Road Investment Strategy alone.

1. September 2017

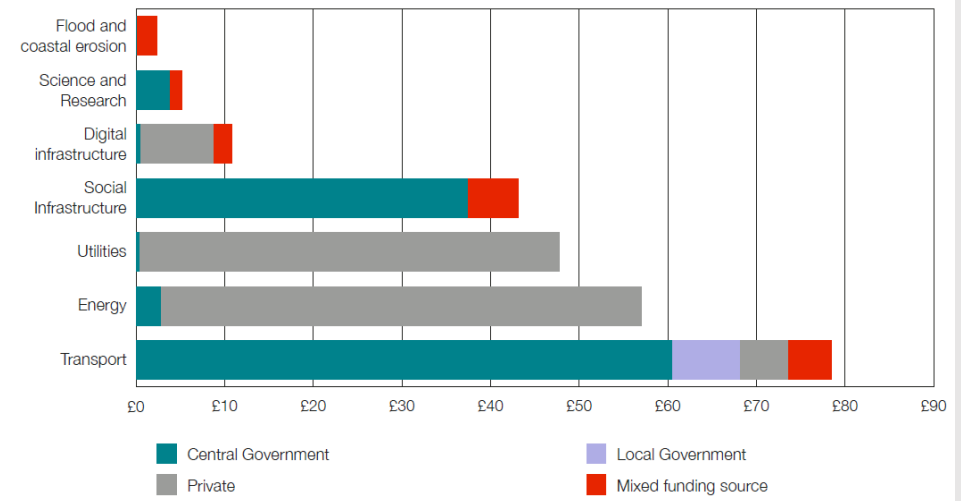
The National Infrastructure and Construction Pipeline 2017-18 contains nearly **700** projects. Total private and public investment in infrastructure over the next 10 years is estimated at around **£600bn**, with **£240bn** to be invested by 2021. Around half of the pipeline to 2020-21 is publically funded. Of this, around **90%** is funded by central government.

Of this £423bn:

-  **£196bn** - infrastructure and construction
-  **£134bn** - military capability
-  **£83bn** - transformation and service delivery
-  **£10bn** - ICT

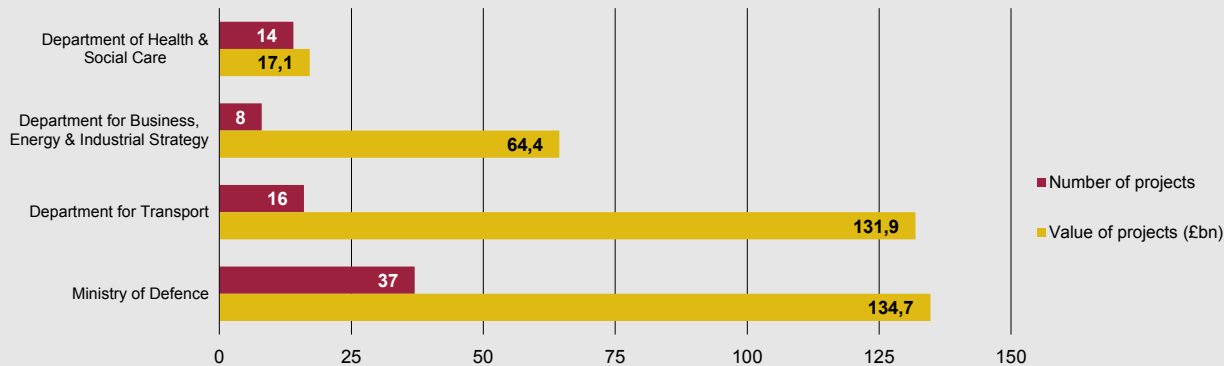


Funding mix of the pipeline 2017-18 to 2020-21 by sector (£bn)



Key organisations

Four departments responsible for over **half** of GMPP projects and account for over **80%** of costs



The **Infrastructure & Projects Authority** oversees and provides support to the GMPP. Its purpose is to continuously improve the way infrastructure and major projects are delivered in support of government priorities and improving people's lives. They prioritise four main activities.

- Setting up projects for success
- Creating market confidence
- Building delivery capability
- Measuring and improving performance

The **UK National Infrastructure Commission** was established on 5 October 2015 as the non-ministerial government department responsible for providing expert advice to HM Government on decisions on infrastructure in the UK.



How does optimism bias manifest itself in portfolio management ?

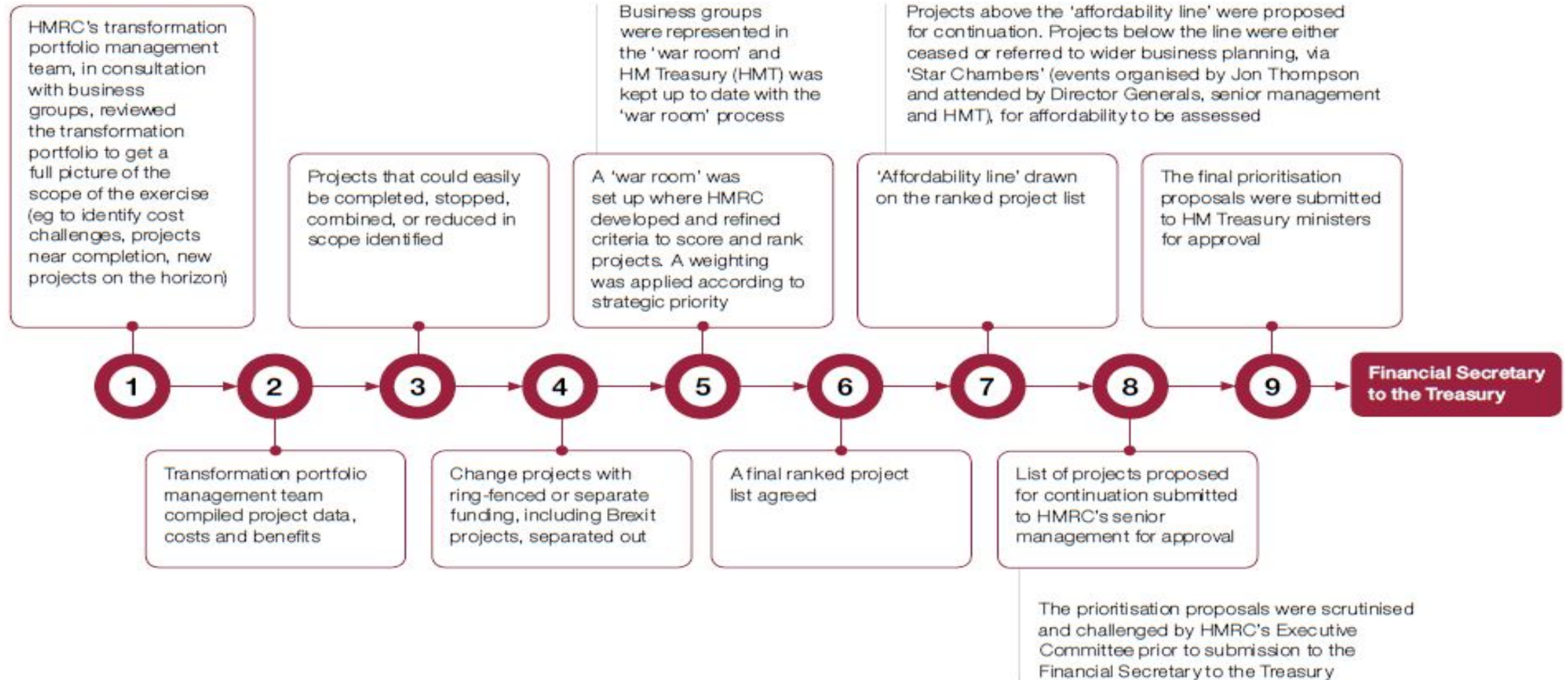
Departments allow too many projects into their portfolios and are then slow to stop or remove them

Little or no prioritisation of programmes or projects

And this is compounded by projects being treated separately without considering implications for departmental portfolio or market capacity

Process Used by HMRC for its prioritization exercise

HMRC followed a clear and structured process



Note

- 1 The transformation portfolio management team manages the portfolio as a whole, monitors progress on budgets and delivery and ensures the flow of information to HMRC's Executive Committee.

Decisions making at project level

- A very significant proportion of government policies are delivered through major projects.
- The scale, lifetime and complexity of **infrastructure** projects such as High Speed 2 and Hinkley Point C makes them even more challenging.
- Despite the complexity, there is still often demand for rapid and easy-to-communicate decisions.
- We commonly see :
 - High complexity driving up uncertainty;
 - Attempts to satisfy multiple policy objectives, and lack of clarity on trade-offs;
 - Multiple stakeholders with different incentives and needs;
 - Pressure to make firm commitments early on with insufficient information; and
 - Over-optimism from project teams over what can be delivered and how much it will cost.

Modernisation of the Great Western Railway

Summary of NAO comments

Before 2015, DfT did not plan and manage all the projects which now make up the GWR Modernisation industry programme in a sufficiently joined up way. When it contracted to buy the Intercity Express Trains, it created fixed deadlines for electrification but the infrastructure planning work was still at a very early stage of development.

DfT did not produce a business case bringing together all elements of the programme until March 2015, more than two years after ordering the trains, and over a year after work began to electrify the route.

There were delays to the electrification of at least 18 to 36 months which will cost up to £330 million.

Orders of new trains have brought the value for money of the full electrification of the route into question. Network Rail was late in identifying that it would need to develop a new type of electrification equipment, and this required DfT to vary its order of Intercity Express trains so that they can operate under both diesel and electric power.

Costs have increased by £2.1 billion to £5.58 billion since 2013.