



10 DOWNING STREET
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THE PRIME MINISTER

25 January 2011

Dear Colleague

The Coalition Agreement makes clear our collective commitment to achieve better value for money for public spending. Francis Maude and Danny Alexander are jointly leading a programme of work to take this forward through the Efficiency and Reform Group within the Cabinet Office. Good progress has already been made. The Major Projects Review (MPR) report of August 2010, led by the Efficiency and Reform Group (ERG) with invaluable support from senior officials in departments, identified potential savings in the Spending Review period of at least £3.3 billion, with a realistic target of over double that amount (£6.9 billion).

However, there is much more to do. Successive Governments over the past two decades have failed to establish an effective Major Projects process. We intend to do much better and I am now writing to request your co-operation and support.

There is currently no cross-governmental understanding of the size and cost of the Government's Major Projects portfolio, nor of the cost and viability of the individual projects within it. This failure will hinder our ability to prioritise and manage these hugely costly projects. The MPR report found common and unacceptable failings in projects which we simply cannot repeat. These include:

- Unrealistically tight timescale
- Lack of Business Case to establish absolute goals
- Scope not finalised before Project start
- Incomplete specification before procurement commences
- Absence of, or limited, options analysis

- No agreed budget or contingency planning
- No implementation or strategic risk management plan
- Weak commercial and contract management capability.

There needs to be a more systematic approach by departments to prioritisation, to assessing viability before a project is initiated and to planning for continuous assurance on costs and benefits once a project is launched.

I have decided, on advice from Francis Maude and Danny Alexander, that a central authority is needed to work in collaboration with central Government Departments to help us get firmer control of our Major Projects both at the individual and the portfolio level. The Authority will be a partnership between the Cabinet Office and Treasury and will be known as the 'Major Projects Authority' (MPA). The MPA will have the authority to:

- Compile a Government portfolio of Major Projects;
- Require, review and approve integrated assurance plans for each Major Project or Programme;
- Carry out Assurance Reviews where there is cause for concern;
- Intervene directly, where appropriate, in the delivery of failing Major Projects including the provision of commercial and operational support;
- Work with departments to build capability in projects and programme management;
- Publish an Annual Report on Major Projects.

I am asking all colleagues to support the MPA and, in particular, to ensure their departments take the following action with immediate effect:

- Engage a Starting Gate review, or its equivalent, to assess the deliverability of all major new initiatives before project delivery gets underway. Alongside this, the Treasury will need to assess affordability well before any call for tenders or contract awards are made;
- Develop, and comply with, an integrated assurance plan for each Major Project or Programme;

- Provide verified, timely data for the Government Major Project and Programmes Report;
- Co-operate with Assurance Reviews of Major Projects where there is cause for concern;
- Support capability-building work on project and programme management. This should include nominating suitably senior and experienced officials to act as reviewers of (others') 'high risk' projects and programmes at least once every 12-18 months;
- Collaborate with MPA to publish an Annual Report on Major Projects and meet other requirements as part of our Transparency Agenda.

I have asked the MPA to provide regular progress reports to my office, the Chief Secretary and Minister for the Cabinet Office and, where appropriate, Departmental Ministers and the Accounting Officers, including any instances of non-compliance.

We have made a good start in tackling efficiency and performance improvement. Departments working together with the new MPA should make a significant difference to achieving our Government aims and objectives through the delivery of Major Projects.

I am copying this to Cabinet colleagues, Sir Gus O'Donnell, Sir Nicholas Macpherson, Andrew Hudson and Ian Watmore.

Tom Sully
David Cameron

Members of the Cabinet