



JS9/RI7

Prime Minister

Agree to write as proposed?

DWS
19/11

~~cc NO~~
BF4 any comments?

DWS
14/11

[Handwritten signature]

PRIME MINISTER

In my minute dated 5 July I reported to you the outcome of my examination of time and cost overruns on major capital projects. I proposed and you agreed that I should have a discussion with Sir Robert Armstrong and some senior Permanent Secretaries on how best to take my recommendations forward.

I have now had this discussion. The four specific areas of action I recommend in the light of it are set out in the attached note. Except for a suggestion that you should state that Departments will be responsible for "owning" projects, and a suggestion that Ministers should agree a procedure for tightening up the formal approval of projects, all the actions are for Permanent Secretaries and civil service managers to take. I am sure this emphasis is right as the subject is basically one of management and attention to detail. However in order to maintain pressure for improvement I propose that Sir Robert Armstrong and Sir Peter Middleton should report progress to you one year hence.

If you agree I suggest that your private secretary circulates my attached action note (and the Efficiency Unit report of June) to Ministers in charge of departments and to Sir Robert Armstrong. I attach a possible draft.

[Handwritten signature]

ROBIN IBBS
13 November 1985

Nigel
The Treasury say these don't show any effect of their comments. But they will kick up a fuss.

David.



1. Ownership of Projects

The Department for whom work is being done must "own" the project. They must regard themselves as responsible for specifying what they want, in all necessary detail, and for seeing that they get it within expenditure and time constraints set at the time that approval for the project is given. The PSA or an external contractor may be the "managing agent" charged with the task of ensuring physical performance of the project but this in no way reduces the responsibility of the "owning" Department for ensuring that it gets what it needs within the expenditure and time constraints. For this the "owning" Department needs to have a Project Manager with appropriate skill and experience who can be given this task, made personally accountable for it, and have undivided loyalty to the Department. (The same principle applies to projects on behalf of a statutory body other than a Department - eg the CEEGB "owns" power station projects, the NHS "owns" new hospital projects.)

Action: The Prime Minister to state that Departments will be held responsible for "owning" projects in this way. Sir Robert Armstrong and Sir Peter Middleton, working through other Permanent Secretaries, to ensure this becomes a reality, and to report progress to the Prime Minister one year hence.

2. Project Managers

Each Department that has a substantial project needs to have a Project Manager with undivided loyalty to oversee it and be personally accountable for it. He should normally be involved first at the specification stage prior to formal approval of the project. For this work to be done successfully, skill and experience are required - a generalist briefly posted to it is unlikely to be able to do what is needed. Departments involved regularly in projects can build up a small cadre with the required skill and experience; other Departments should have seconded to them (from elsewhere in the Civil Service or from outside) an appropriate person when the need arises. Departments should pool experience and co-operate in building up Project Managers who are professionally highly competent with a good grasp of relevant techniques for ensuring efficient performance (eg competitive tendering, post-tender negotiation, value analysis etc). Greater flexibility in upgrading of posts and in payment should be developed to secure appropriate people as project managers.

Action: Permanent Secretaries in the Departments regularly involved in projects must ensure that the required skill and experience is built up through appropriate appointments and career planning. MPO to organise inter-Departmental co-operation and to monitor progress, as well as arranging together with the Treasury the necessary flexibility of grading and pay. Sir Robert Armstrong and Sir Peter Middleton to report progress to the Prime Minister one year hence.



3. Approval of Projects

Performance in terms of completion within budget and time depends crucially on thorough specification, and careful assessment of cost and time required, before a project is approved. An experienced project manager has an important role to play at this stage and can then own the cost and time figures to which he subsequently has to work. Greater thoroughness before formal approval is a key to better control and performance. A tighter process for formal approval, and more professional probing at this stage is needed.

Action: Ministers to agree that projects for, say, £25m expenditure and above shall not be approved until a brief note defining what is to be done, at what cost and within what time, and the benefits expected, has been submitted by a Minister of the Department concerned and accepted by a Treasury Minister. The Treasury to increase its expertise for probing projects at this stage to ensure they have been properly thought through. Permanent Secretaries to arrange for this procedure to be followed. Sir Robert Armstrong and Sir Peter Middleton to report to the Prime Minister one year hence on practical experience of these arrangements.

This figure may not be appropriate for all departments, but it is a fair starting point.

4. Performance

Clarification of "ownership", the availability of much more skilful project managers and stricter arrangements for formal approval of projects are not ends in themselves but are only worthwhile if they improve performance in terms of cost and time for individual projects. Departments will need to keep simple systematic records on this which the Treasury can collate.

Action:

The Treasury to arrange for simple systematic records to be kept of project performance, with an annual report to Sir Robert Armstrong and Sir Peter Middleton who in the light of it can propose any necessary further actions to the Prime Minister.



DETAILED

~~N L WICKS~~

Draft letter for Mr. ~~Wicks's~~ signature to:

Sir Robert Armstrong GCB, CVO
Cabinet Office.

CAPITAL EXPENDITURE CONTRACTS

Earlier this year the Prime Minister asked Sir Robin Ibbes to advise on how time and cost overruns on major capital projects could be reduced. The Efficiency Unit presented the attached report to her in June.

Last month you and Sir Robin Ibbes discussed the report with the Permanent Secretaries most closely concerned. In the light of that discussion Sir Robin Ibbes has submitted to the Prime Minister the short memorandum of advice attached, listing four specific areas of action.

The Prime Minister has seen Sir Robin's note, and has approved the four recommendations. She has asked me to send copies to the Private Secretaries to all Ministers in charge of Departments with her request that Departments should act accordingly.

The Prime Minister would be grateful if you and Sir Peter Middleton would ensure that the recommendations are implemented speedily and report to her in November 1986 on the progress that has been made.

N L WICKS

N L Wicks

Ministers in charge of Departments

The Rt Hon Michael Jopling, MP - MAFF
Richard Luce Esq MP - Arts and Libraries
The Rt Hon Norman Tebbit, MP - Chancellor of the Duchy
of Lancaster
The Rt Hon Michael Heseltine, MP - MOD
The Rt Hon Sir Keith Joseph, Bt MP - DES
The Rt Hon The Lord Young of Graffham
- DEm
The Rt Hon Peter Walker, MBE MP - DEn
The Rt Hon Kenneth Baker, MP - DOE
The Rt Hon Sir Geoffrey Howe, QC MP - FCO
The Rt Hon Norman Fowler MP - DHSS
The Rt Hon Douglas Hurd, CBE MP - HO
The Rt Hon Sir Michael Havers QC MP - Law Officers' Dept
The Rt Hon The Lord Cameron
of Lochbroom, QC - Lord Advocate's Department
The Rt Hon Lord Hailsham
of St Marylebone, CH - Lord Chancellor
The Rt Hon Tom King MP - NIO
The Rt Hon Kenneth Clarke, QC MP - PGO
The Rt Hon Viscount Whitelaw, CH MC - Privy Council Office
The Rt Hon George Younger, TD MP - Scottish Office
The Rt Hon Leon Brittan QC MP - DTI
The Rt Hon Nicholas Ridley, MP - DTp
The Rt Hon Nigel Lawson MP - HMT
The Rt Hon Nicholas Edwards MP - Welsh Office