

DETERMINING AND DELIVERING THE BENEFITS OF MAJOR PROJECTS



Highlights from the Major Projects Association event held on **29th April 2015**

'Benefits delivery is absolutely integral to what Government does, so it's not surprising that it's a key feature in every government methodology. The issue for us has been that none of these methodologies have been applied consistently.'

Tim Banfield, Director Strategy, Major Projects Authority

Major projects are mechanisms for realising benefits that are of a national significance, yet we often find that clearly articulating these benefits is difficult, poorly evidenced and rarely followed through. It is critical that any gaps in methodologies are addressed. The Major Projects Association believes that, even though the **HM Treasury Green Book** benefit-cost ratio (BCR) calculations allow the capture of all costs and benefits, published benefits and costs of projects do not fully capture the **wider benefits that can accrue to the very largest projects**. The Association held a one-day seminar to look at how benefits are currently determined and delivered so that these gaps in approach can be highlighted.

more ➤ Major Projects Association debate: What is the true value of major projects?

ALIGNING BENEFITS AND STAKEHOLDERS

Public acceptability of a major project is greatly enhanced when all of the stakeholders are aligned. This in turn can bring about even greater benefits, as the efforts of all concerned can be harnessed for the greater good. And projects which work hardest at clarifying and articulating benefits find it easier to engage with a wide range of stakeholders.

'Engagement is much more flexible [than consultation]...It allows you to have meaningful conversations and dialogue with communities and stakeholders. If you're carrying out consultation, don't think you've necessarily carried out engagement.'

Linda Taylor, Director, Copper Consultancy

BENEFIT DETERMINATION – CROSSRAIL

Crossrail is a good example of the increased societal benefit that can accrue from major projects. The benefits once Crossrail is operational are clearly set out in the business case. In addition to the obvious benefits of faster travel across London and increased capacity, Crossrail will also bring 1,000 new operational jobs, 57,000 new homes, reduced train noise and station energy consumption.

Additionally, a number of unexpected benefits have already been realised during the construction phase. For example, Crossrail's 'Target Zero' objective for health and safety incidents has set a benchmark for the construction industry, and compulsory heavy goods vehicle driving training has supported the safety of cyclists on London roads. Similarly, the reputation of subcontractor companies involved in major projects has been enhanced globally, and strong supplier networks have been facilitated. All of these societal benefits are hard to measure.

BENEFIT DELIVERY

The role of the UK National Audit Office (NAO) is to scrutinise public spending and to report this to the Public Accounts Committee. Of the reports written about major projects one third raised concerns on what the projects were trying to achieve, and it was noted that 50% of major projects have inadequate frameworks for evaluating benefits.

These reports have found :

- **A project** with a benefits underachievement of £73 million and a lack of benefits tracking.
- **A project** that tightly defined its output, but limited the specification in such a way as to make the commercial proposition untenable.
- **A programme** that made technology improvements, but failed to appreciate the integration issues or existing work culture, resulting in efficiencies not being delivered.

THE NEED FOR BENEFIT EVALUATION

The NAO set out how to conduct an evaluation in their 2013 report *Evaluation in Government*. Although, historically, it has been difficult to drum up enthusiasm for a full evaluation after a project has been delivered

A NAO survey of capital projects worth nearly £160bn found that the UK Government intends to evaluate just 58% of these. An external assessment by the LSE of 34 evaluations noted that the relationship between the robustness of the evaluation methodology and the claimed impacts was weak. The total amount of money that is dedicated to conducting evaluations on major UK projects is just £40 million, against an overall government spend of £700 billion.

The **UK Government's Public Services (Social Value) Act of 2012** looked at how much of local authority spending benefits the local community, and work is underway to solidify the measurement of social benefit.

LESSONS TO BE LEARNED

1. Lack of a clear project vision can lead to problems in achieving the buy-in needed to get it going, or issues with delivery.
2. Focusing on delivering short-term outputs can impact negatively on the delivery of long-term objectives and benefits.
3. The behaviour and process changes needed to realise benefits are not always well addressed, and may require change outside the direct control of the project.
4. Contractor involvement at the planning stage of a project can help to facilitate innovation and creativity coming from practitioner experience.

'There's the textbook definition of sponsorship, but there's other stuff – perhaps not surprisingly the more intangible stuff, dependent very often on soft skills and relationship management, which I would argue are critical to successful sponsorship.'

David Hughes, Transport for London

5. Without good sponsorship there is no chance of the project realising its benefits, but there is no 'one-size-fits-all' list of attributes. A clear project vision is needed, alongside political courage.

POINTS FOR FURTHER DISCUSSION:

1. Will it ever be possible to develop a model to make an evidence-based decision between the investments of a national significance or will they always, ultimately, be political decisions?
2. Is it possible to put too much effort into benefit definition and measurement?
3. What would you include in a benefits evaluation which currently is not included that would help to understand the full contribution of major projects?

A WAY FORWARD

The Major Projects Association has been clear in their recommendation that government departments develop a hierarchical map of their policy objectives and supporting strategies, against which the contribution of projects can be assessed. The NAO strongly supported this recommendation and added that, to counteract the effect of a UK government policy changing mid-project, business cases need to be seen more as living documents subject to change rather than fixed points.

Increased use of formal evaluation techniques, as recommended in the **Magenta Book** will assist major projects in understanding the broader benefits and whether these benefits being delivered represent the best use of resources. The Major Projects Association is now developing a framework which aims to:

- Strengthen the business cases for major projects by ensuring a comprehensive assessment of all economic and social impacts. Help to overcome benefit 'pessimism bias'.
- Improve public understanding of the need for, and benefits arising from, delivery of major projects.
- Reduce the potential burden on customers and suppliers by creating a single common approach to data collection, rather than having bespoke approaches on each project. Over time this should provide a baseline to inform subsequent appraisals of similar major projects.
- Enable comparisons between projects to identify best practice.
- Set benchmarks to allow a focus on improving outcomes on future projects.

KEY CHALLENGES FOR A MORE EVIDENCE-BASED APPROACH:

- Quantification (when there are often qualitative reasons for doing projects)
- Poor data quality
- The inherent delay in the realisation of much of the project's benefits
- Cross-organisational dependencies

Seminar chairman:

Tim Banfield, Major Projects Authority

Speakers:

Simon Adams, Crossrail Limited
Said Hirsh, KPMG LLP
David Hughes, Transport for London
Bridget Jackson, National Audit Office
Michael Kell, National Audit Office

Nick Pollard, Balfour Beatty
Dr Paul Rice, NHS England
Chris Smith, Argent
Linda Taylor, Copper Consultancy
Dr Paul Toyne, Balfour Beatty

Participating organisations:

Amec Foster Wheeler
Amey
Argent
Atkins plc
BG Group
BP Exploration Operating Company Ltd
Balfour Beatty plc
Berkshire Consultancy Ltd
CH2M HILL
CI Associates
Capita Property and Infrastructure Ltd
Chanctonbury Associates
Chiltern Railways
Clyde & Co
Copper Consultancy

Crossrail Limited
Department for Transport
Department of Energy & Climate Change
HS2
Jacobs Group
KPMG LLP
Laing O'Rourke plc
London Legacy Development Corporation
Major Projects Association
Major Projects Authority
Manchester Business School
National Audit Office
Network Rail Ltd
New Civil Engineer
NHS England

Outperform UK Ltd
Ove Arup & Partners International Ltd
Parsons Brinckerhoff
PwC
Risk Solutions
Rolls-Royce plc
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