

UK Project Management Round Up



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INTRODUCTION

After the rather quiet time reported last month, May has proved to be pretty active; perhaps the hope of Spring has nurtured optimism and activity on the project scene. Consequently, I have picked some of the optimistic forecasts as a focus this month. We also take a look at the Government's portfolio of projects and the latest major property development projects in the capital.

Hope Springs Eternal

While the headlines in many newspapers proclaim a continuing squeeze on the British economy, there are some signs of optimism buried on the business pages. First comes a report from the Confederation of British Industry (CBI), perhaps the major leading business lobbying group.

According to the CBI's quarterly Service Sector Survey, there has been an upturn in activity with consumer services showing a sharp turnaround in business volumes. The news is not uniformly good as the business & professional service sector, which includes project management specialists as well as accountancy, legal and marketing firms, saw activity staying broadly flat over the quarter. Even this is not seen negatively since optimism regarding the business situation rose at its fastest rate since February 2010, as expectations for the next quarter are somewhat brighter. While overall profitability fell, confidence seems to be growing – and this is broadly in line with other surveys such as Arras People's PM trends survey. Other good indicators include the Bank of England's upgraded its growth forecast and cut back its inflation forecast.

Perhaps this increase in confidence has prompted a couple of new major developments in London. First, a contract has been signed that will see a new business park developed next to London City Airport. Beijing based ABP (Advanced Business Park) is expected to invest £1 billion in a 2 million sq ft park to the north of the Royal Albert Dock, in the heart of the Royal Docks Enterprise zone. The 18th



century dock was at the heart of old London economy and is close to the major new developments around Canary Wharf. Widely reported in the Press, the development promises to be one of the largest investments in UK by a Chinese company as well as one of the first Chinese direct investments in property in London. There is extensive Chinese investment in property holding companies such as Songbird Estates which owns Canary Wharf.

Some see this project as establishing an Asian gateway into Europe and act as a gateway. London Mayor, Boris Johnson, said the new park would act as a beacon for Asian investors and give “tiger” economies a home in the West. He also speculated that the 35-acre site at the Royal Albert Dock could become London’s third financial district after the City and nearby Canary Wharf. Despite “strong” interest from 20 Chinese banks and a site visit by the country’s ambassador, there are however, some concerns over the viability of the investment. According to the Times (28 May) ABP has completed a major (7 million sq ft) development in Beijing but it is almost derelict in places and has a low occupancy rate. Some will see the development as lending force to the Mayor of London’s argument for a Thames based replacement for London’s crowded Heathrow.

Another derelict site in the headlines is Battersea Power Station. Owned by a Malaysian consortium, the iconic Art Deco building has been derelict since it was decommissioning in 1983. The Grade II* listed building features on English Heritage’s Heritage at Risk Register. Original redevelopment plans were drawn up by Rafael Viñoly but have recently been modified. Work is scheduled to start in October in a 3 year, £100 million renovation project.



Turner & Townsend has been appointed as the project manager and employers' agent for the initial phase of the redevelopment, known as Circus West. The development will deliver 800 mixed-size residential units served by offices, retail and cultural spaces, and designed by Manchester-based Ian Simpson Architects and the Dutch practice de Rijke Marsh Morgan. The first residential occupancy is expected to be in 2016.

Buro Happold and Purcell are to provide structural engineering and facade repairs advice, while Wilkinson Eyre is to complete the detailed design. Repairs cost consultancy will come from Gardiner & Theobald.

The overall programme is expected to take some 15 years to complete and will comprise a total of 3,400 homes, a theatre, offices, gym, shops and spa. It is expected that some 25,000 new jobs will be created once site opens.

Transport for London (TfL) has meanwhile applied to the Secretary of State for Transport for planning powers for a £1 billion extension to the Northern Line serving Battersea Power station and Nine Elms.

There is some hostility to the plans which include the removal of the four towers which form a key image of this reach of the River Thames prior to their replacement. The towers are said to be beyond repair but a campaigner, Keith Garner, claims that a report commissioned in 2005 shows 'on the available evidence they can be repaired far more cheaply and quickly'. The current plans require the towers to be reinstated.

Government Portfolio

It seems that the Government has taken the management of its central projects to heart. The projects managed by each Department have been assembled into portfolios and progress on each project is reported through the Major Projects Agency (MPA) to Central Government. The MPA publishes quarterly reports which are 6 months in arrears on the Internet so there is transparency in funding, management and progress. The most recent report is for Qtr 2 2012 – 13 and the annual report has just been issued. The report shows that the 20 Departments have a total of 191 projects of which 22 are exempt from public reporting. The cost of the 191 projects comes to about £350 Billion.

A simple traffic light reporting system is employed using Green, Amber/Green, Amber, Amber/Red and Red to illustrate progress against the Iron Triangle. The latest Quarterly Report shows status as

	Green	Amber/Green	Amber	Amber/Red	Red
Number	34	50	55	21	9
%	20	30	33	12	5

Performance in each Department can also be assessed and is subject to comment by the National Audit Office (NAO). Most news outlets commented on this aspect when the report was issued with some of the high profile projects coming in for sustained criticism. In particular, High Speed 2 came in for some strong comments on its business case with the NAO commenting that there is a £3.3 billion hole in the finance case. However, the NAO conceded 'faster and more reliable journeys' would result which will be very welcome to anyone who has used the old line. So it seems the project will go ahead. The inclusion of the hybrid HS2 Bill in the Queen's Speech

appears to confirm the inevitability of the project. Press reports indicate that HS2 is the closest thing the coalition has to a shovel-ready project to connect Britain and that previous controversial transport projects, such as the Jubilee Line, were quickly integrated into everyday life and so make their own business case through usage.

The Ministry of Defence also came in for criticism over a range of perceived failings of programme management. Few seem to appreciate the problems of major R&D projects, and most new weapon systems are at the cutting edge of technology, uncertain requirement specifications and changing national priorities pose for planners who have a short time in office as both civil servants and military staff change over at least every 3 years.

Tender Issued for Palace of Westminster Restoration

Following a report commissioned in 2012, a feasibility study for the renovation of the Houses of Parliament has been put out to tender. The report showed that the historic building has a number of major problems that include flooding, outdated



electrical and drainage infrastructure, is full of asbestos and has fire safety issues. It has been reported that the building would be demolished if it were not a protected heritage site. It is thought that work will not start before 2018 and may cost in the region of £1.5 billion. One of the major questions is how Parliament will work while the work takes place.

The tender requires advice to the parliamentary authorities whether to continue piecemeal repairs, as currently undertaken in Parliamentary

recesses or attempt a full renovation while Parliament is still sitting in the Palace, or find another venue for Parliament to sit in while the empty Palace is renovated.

The historic building was designed by Charles Barry with a major contribution from the Neo Gothic specialist Augustus Pugin, and built as a replacement for a previous amalgamation of buildings which burnt down in 1834. After a competitive tender, building of the New Palace commenced in 1840 and was completed some 30 years later after suffering great delays and cost overruns. The Commons chamber was destroyed in the blitz in 1941 and after some debate it was decided that it should be rebuilt in exactly the same style after the war.

Energy Wars

We seem to have many strategic problems on energy supply in UK. After privatizing the power industry back in Margaret Thatcher's time, the supply side has been bought up by foreign companies, some with little generating experience. After issues on new nuclear construction subsidy emerged between power generators and the Government, it should come as no surprise that alternative energy suppliers should raise similar issues and demand a hand out to offset set up costs. It seem that the huge increases



Photo from www.green-report.ro

in power costs to customers, which make UK consumers the most heavily charged in Europe, are insufficient to allow new developments to be funded without Government subsidy.

Latest on the list of those looking for a handout are Centrica which according to reports in the press is seeking an undisclosed subsidy to build the Race Bank Wind Farm. Apparently Centrica submitted a proposal to government on "the economic framework" for the up to 580MW project, which Centrica is planning to deliver with an as yet to be appointed financial partner. Recent press reports claim that the company played down reports that it had threatened to kill off the £2bn (\$3bn) project unless its subsidy demands are met.

Earlier this year, Centrica pulled out of a partnership to build new reactors at Hinkley Point, claiming that policy uncertainty and rapidly escalating costs forced the re-think. It is interesting that the original estimates should be found to be so optimistic that a major player in the nuclear world should pull out. Hinkley Point new build is already 4 years behind schedule while EDF, Centrica's partner in the original build, continues to negotiate subsidy to support the £14 billion project.

Concluding Remarks

Although this has been a mixed month, there is some light on the economic horizon with a series of encouraging surveys and results showing that projects, especially in construction, are adding to a small upturn. We can also look back at past successes as small businesses are now able to cite their successful links to the London Olympics while competing for business overseas. We can also look back 60 years to the first ascent of Everest as a highly successful project under Sir John Hunt. (*The 1953 Everest expedition was led by Sir John Hunt, a full Colonel in the Royal Engineers. Edmund Hilary and Sherpa Tensing were the lead climbers. The project manager does not always get the credit!*)

About the Author



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Miles Shepherd is an executive editorial advisor and international correspondent for PM World in the United Kingdom. He is also managing director for MS Projects Ltd, a consulting company supporting various UK Government agencies, nuclear industry organisations and other businesses. Miles has over 30 years' experience on a variety of projects in UK, Eastern Europe and Russia. His PM experience includes defence, major IT projects, decommissioning of nuclear reactors, nuclear security, rail and business projects for the UK Government and EU. Past Chair and Fellow of the Association for Project Management (APM), Miles is also past president and chair of the International Project Management Association (IPMA). He is currently the Chair of the ISO committees that are developing new ISO 21500 Guidelines for Project Management and for Program/Portfolio Management. He was involved in setting up APM's team developing guidelines for project management oversight and governance. Miles is based in Salisbury, England and can be contacted at miles.shepherd@msp-ltd.co.uk.