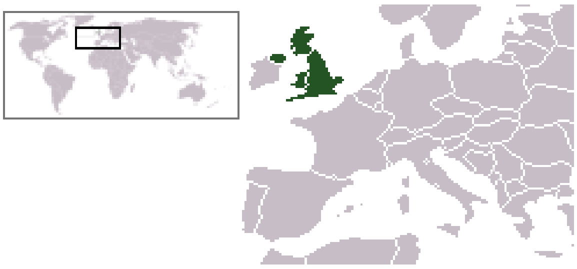
UK Project Management Round Up



By Miles Shepherd
Executive Advisor & International Correspondent
Salisbury, England, UK

INTRODUCTION

As I note below, UK is emerging from its annual Silly Season, when little of significance is reported. However, that does not mean that nothing is happening. Rather like the famous Windmill Theatre in London's West End, the project world never closes. So despite the impact of the summer, a Bank Holiday and Brexit, the project world continues. In this report, I will return to BREXIT as it overshadows much future project activity but will spend more time on the British Government's infrastructure project report.

BREXIT UPDATE

Almost two months have passed since the voting population of the United Kingdom of Great Britain and Ireland (UK) voted, by a small margin, to leave the European Union. Despite various alarmist newspaper reports, the sky has still not fallen in, nor have there been marches in the streets or civil unrest. You could be forgiven for thinking that not much has changed but then this is the end of the Silly Season, when most reputable journalists take off for their summer holidays and professional politicians (an oxymoron, I know, but they do get paid for what they almost never do) escape to whatever rock they have crawled out from under. Normally this is the time when the Great British Press focus on almost anything they can twist into a headline but this year, there has been little sign of such traditional activity. Instead, what we have seen is a more adult view of Britain post BREXIT and a general concern about just what the vote will eventually bring. The impact on the project world is not obvious yet and we seem to be carrying on much as usual.

The financial numbers are, at first sight, holding up quite well. The FTSE 100 is riding reasonably high despite the fact that almost all its members report in US$ and so the weakness of the £, which is about 20% lower than pre-Brexit. So long as they bill in US$ and do not change the rate they charge out, this means there will be little impact. However, if they calculate rates in £ then they will take a hit. It is probably too soon to see the impact of higher raw material costs but that will kick in next month.

For UK firms in the FTSE, who almost exclusively bill in £, incomes will drop soon but how soon depends on how long their creditors take to pay their bills.

At the political level, there has not been much impact although keen observers of the international business scene will have noted with dismay the probable loss of the new patents watchdog. It was widely expected that the Unified Patents Court would open next year with main offices in London, Paris and Munich. However, Brussels has warned that the launch is likely to be delayed or even cancelled as it relies on UK approval. The life sciences and pharmaceutical division, which was to be based in London is now likely to be merged with one of the other offices. Clearly it all depends on Brexit decisions by the UK Government.

Photo: Boeing Aircraft

The upside of Brexit is the low value of Sterling. This has encouraged many overseas visitors and they have spent a great deal of money in shops in London and the main tourist centres. The downside of Brexit, so far, is the low value of Sterling! Newspapers are reporting the increased cost of major military equipment programmes such as the purchase of 50 Apache AH-64E attack helicopters. The drop in the value of Sterling increased the original cost of £1.53 bn to £1.77 bn. To add insult to industry, the aircraft will be built in USA rather than at the Finmeccanica plant in Somerset which will only get some of the support and training contracts.

On a totally different front, cheap Sterling has allowed one of the most important science and technology firms ARM Holdings to be sold to Soft Bank of Japan for £24 bn. While some, including the British Government, see this as a sign that UK is still open for business, others view it with dismay. According to the Financial Times, the new Government plans "*to review future foreign deals under the umbrella of an industrial strategy. Some would like these to be subjected to a wider "public interest" test*". There is a fair bit of interest in various infrastructure projects too.

INFRASTRUCTURE PROJECTS

Regular readers will recall that the Major Project Authority merged in January with Infrastructure UK to form the Infrastructure and Projects Authority (IPA – note this is nothing to do with the rather more famous India Pale Ale!). IPA is responsible for providing expertise, knowledge and skills at managing and delivering major economic projects for the government. They are also committed to providing transparent reports on Government infrastructure projects which they achieve by publishing an Annual Report supported by detailed breakdowns of supporting project data.

All of this is available from their website
www.gov.uk/government/organisations/infrastructure-and-projects-authority.

The latest report was published shortly before the Brexit vote and so has attracted little attention. Sadly, this lack of attention seems to demonstrate that good news is not 'news' so far as some parts of the media are concerned.

The latest report is the 4th such and covers a total of 143 projects with whole life costs of some £405 Bn. Reporting is by Department and categorised into four areas:

Category	Number of Projects	Whole Life Costs £Bn
Government Transformation and Service Delivery	53	£116
ICT	36	£16
Infrastructure & Construction	29	£172
Military Capacity	25	£102

Government Major Projects Portfolio as at April 2016

Movement within the portfolio seems pretty constant although some might think project activity is slowing with fewer new projects and increased completion. The totals since these reports are shown in the table below.

Year	Original Portfolio	New Projects	Completed	Balance
2013	191	-		191
2014	155	44	36	199
2015	144	38	49	188
2016	60	31	76	143

The largest rate of completion comes from the Department of Health.

Of more significance is the management. As a visible means of showing progress, a simple traffic light report is listed in the Annual report. There are several breakdowns that take into account all possible grades. For simplicity, The overview of Delivery Confidence Assessment is shown in the table below.

Year	Red	Red/Amber	Amber	Amber/Green	Green
2013	8	23	58	49	32
2014	4	37	63	54	17
2015	8	40	64	44	28
2016	6	38	55	29	15

An analysis) shows that, of the £405bn total, less than £1bn relates to projects that were rated red at September 2015. Over 78% is represented by projects whose rating is amber or better.

The report shows the number of projects rated red or amber/red has reduced from 48 to 44 since the last report, which represents a whole life cost of 22% of the portfolio. This is a slightly larger share of the portfolio compared with 2015 year, because the portfolio has reduced in size from by 49 to 143 projects. The rise in lower DCA projects reflects the number of projects that have left the portfolio. As the project completion draws closer, forecast completion estimates are more accurate and similarly, new projects have a lower confidence level. The report shows, also that of the 76 projects which left the portfolio, 52 were rated green or amber/green at the point of exit and 12 were rated amber/red or red.

One new data set is the timelines for several case studies. One aspect is the impact the Major Projects Leadership Academy (MPLA) is having. The change in Delivery Confidence Assessment for one of the largest infrastructure projects, the Thames Tideway, has improved from Red/Amber to Green/Amber since the Senior Responsible Officer and the Project Director graduated from MPLA. Interestingly, **Fiona Spencer**, the Chief Portfolio Officer and Head of Project Delivery Profession in the Home Office is an MPLA graduate. In this role she has oversight of all Home Office projects.

Fiona Spencer

The bottom line is shown in the impact IPA (and before that, MPA) scrutiny is having in on Government projects. The report shows that of the 206 projects that have left the Portfolio, 45% (93 projects) improved their DCA rating while 31% or 63 projects remained at their original DCA. Disappointingly, 50 projects or 24% of the total worsened. There could be many reasons for this but the most likely is that early leavers were further down the development cycle at the start of reporting and were already in a poor way, and had little time to improve – let's hope so anyway.

MAJOR PROJECTS IN THE NEWS

The Government and Parliament may have been on their vacations but some significant decisions await their return. The decision on Hinkley C was unexpectedly delayed when the new Prime Minister pushed the response date to September, after the much delayed French confirmation that they were ready to proceed with the deal. The Chinese financiers were not pleased and are expected to be pretty frosty at the G20 Summit later this month.

Then there is the decision on the Third Runway: is it to be Heathrow or Gatwick? The long awaited official inquiry carried out by Sit Howard Davies recommended Heathrow as the most logical but there is extensive opposition from senior Conservatives, ranging from the new Foreign Secretary, BoJo, the newly appointed Environment Secretary and other backwoodsmen. The Prime Minister's constituency lies under the flight path for Heathrow. Either way, Mrs May will chair a cabinet committee to make the final decision in order to push for a resolution by the autumn.

The much-delayed decision will be made by the economic affairs (airports) sub-committee by October. The government's latest target and full membership of the committee was set to be announced shortly, Downing Street said. This will be a tricky decision as the £17.6bn expansion plan would mean 250,000 more flights a year, providing a £150bn boost to GDP over 60 years and 70,000 new jobs – but would mean demolishing 783 homes, including most of the neighbouring village of Harmondsworth.

And then there is HS2! In the Cabinet kerfuffle post Brexit, George Osbourne, then Chancellor of the Exchequer and one of the main protagonists lost his place. Without his strong support, the case for HS2 looks to be seriously weakened. Antagonistic press reports claim that "£1.4 bn has been spent on the project before work starts". Well, I don't see that as a criticism – it has been spent largely on stakeholder engagement, planning and contract work. Still, the project will have a tough time as again it has plenty of enemies who see the whole thing as a waste of effort, money and a despoiler of the pristine countryside of the Home Counties – another example of the Southern Elite riding roughshod over the economic needs of an economically disadvantaged North? So far, all we have seen is a rerouting of the Sheffield extension to save an estimated £800 million.

CONCLUSION

So, welcome home HM Government, you have a tough time ahead so far as projects are concerned. Luckily, we look like we have an improving National Programme Office to keep a wary eye on matters, to say nothing of the National Audit Office and the Public Accounts Committee. Now, I wonder whether they will be treating the Brexit negotiations as a project…hmm!

About the Author

MILES SHEPHERD

Salisbury, UK

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 and overseas 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 a Director of PMI's Global Accreditation Centre and the Chair of the ISO committee developing new international standards 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.

To view other works by Miles Shepherd, visit his author showcase in the PM World Library at http://pmworldlibrary.net/authors/miles-shepherd/.