

UK Project Management Round Up



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INTRODUCTION



Big Ben (photo
Wikipedia)

The rush of events around the year end have at last subsided – at least sufficiently for me to be able to pen this report. I don't feel too bad about missing last month's report as the year end was delayed. The sharp-eyed of you will have noticed that New Year celebrations were delayed by one second – at least in UK! Apparently, the atomic clocks that keep track of world time coped easily with the extra second but Big Ben had a more complex problem to deal with as it is controlled by the pendulum. Traditionally old coins are used to moderate the duration of the swing but for such a small change (sorry!) getting the coinage right was a challenge. One old penny adds $\frac{2}{5}$ of a second over 24 hours. According to *The Times* (again, sorry!) some 4 old pennies might be needed. We cannot blame Brexit for this – the leap second is needed because of variations in the earth's rotation. However, think of the Clock Keeper who has a climb of 334 steps to get to the belfry to place

the coins on the pendulum.

What a year 2016 was! Brexit and Trump have distracted almost everyone and the world is certainly a very different place than many of us would have forecast. This just shows how difficult it is to estimate accurately, a major issue for those involved in the management of projects.

This month I am playing catch up so some of the 'news' are actually from last month but is, I think, still relevant. That means I will have to cover some of the BREXIT reports but there is also news of corruption in the project world. On a more positive note, major government project, construction news and a mention of nuclear projects.

BREXIT

This topic is hardly ever out of the headlines so I make no apology for mentioning some of the key points here. As I pen these words, the politicians at Westminster have just

voted to allow the Government to trigger the process of leaving the European Union. Many will have a heavy heart at the prospect as we see ourselves as European as well as British but ‘the people have spoken’ so the process will start shortly. As ever in UK, the final decision is not entirely final as there is consistent opposition from Northern Ireland, Scotland, and Wales and with it, the threat to the Union of Great Britain and Northern Ireland. We shall see but the signs are not good. Some of the lesser known Members of Parliament are pressing for a further referendum on any negotiated terms. Quite what the outcome of such a vote might be is far from clear – if ‘the people’ reject treaty terms, what would be the next step: simply walking out?

On the financial front, the £ remains weak which increases the cost of imports but makes exports cheaper. The weak £ also fuels overseas takeovers and one of interest to the project world is an attempt by CH2M Hill to take over WS Atkins. The pair are working together on the HS2 franchise and reports in *The Times* that the two had explored possibilities before Christmas sent WS Atkins share price sharply up. However, later reports in the *Daily Telegraph* seem to indicate that the US approach has been cold shouldered by the British company although no formal announcements have been made, which fuels speculation about any future link up.

On the positive side of BREXIT, Liam Fox MP, one of the ministerial Three Stooges for BREXIT, claims that £16 Billion has been invested in the UK economy since the Referendum. Less positively, there is the threat of many specially cheap EU loans for projects such as clean energy, off-shore wind farms, universities and some big infrastructure projects are threatened. UK is a 16% shareholder in the European Investment Bank (EIB) which in the last decade has made more than £42 Billion available at particularly cheap interest rates to hospitals, railways, social housing and many other projects. EIB made some £5.2 Billion available last year, including £200 million to Oxford University and £150 million to the City of Liverpool to improve its container port. There are also many projects in the pipeline that many consider will not be funded if UK leaves. This includes a 450 megawatt wind farm off the Scottish coast, a £300 million social housing project in London and a £400 million loan for a very large sewage and drinking water improvement project in the Midlands.

To cap the bad news, several of the towns that voted solidly for BREXIT have seen overseas owned factories closed. These include Foterra, the biggest brick maker in UK which has said it will mothball two plants and Lush Cosmetics who reacted to Poole’s 58% BREXIT vote by saying its 1,400 strong work force from 38 countries were ‘not welcome and not wanted in Poole’. The biggest worry remains the reaction of the City of London, one of the major financial capitals of the world. Several banks have already made plans to move staff to Paris (and not Frankfurt which is a major surprise). Despite all this gloom, the year closed with reports that businesses are more optimistic about their future than at any time in the past year according to the Institute of Directors (IoD).

ETHICAL ISSUES

Now that the Association has succeeded in placing project management firmly amongst the professions, the focus on ethical behaviour is of even more importance to project managers. Few seem to have associated project managers with the Volkswagen

Diesel engine scandal but there can be little doubt that project managers must have played a part – either they knew what was happening and did nothing to stop it or they did not know and so were not really ‘in charge’ of their project. Either way the profession suffers reputational damage.



On top of this global failure, UK has seen allegations of corruption at Rolls Royce who have been fined £671 million for what a senior judge called “the most serious breaches of the criminal law in the area of bribery and corruption”.

In mid-January, Rolls stated that it pay £671 million in fines and penalties to the Serious Fraud Office, the US Department of Justice and prosecuting authorities in Brazil.

In his judgement, Sir Brian Leveson allowed the engineering giant to avoid charges of criminal conspiracy in return for an out of court settlement. He highlighted corrupt practices going back 25 years in 12 countries: Indonesia (where Rolls bribed a senior figure with a Rolls-Royce Silver Spirit luxury car) China, Malaysia, Thailand, India, Iraq, Russia, Azerbaijan, Kazakhstan, Nigeria, Angola and Brazil. Several of the cases had not been reported previously. Investigations in several of these countries continue.

As if this was not enough, there are also allegations of corruption in other sectors of the British economy, according to accusations from the Ministry of Defence (MoD). Officials reported that MoD has referred 44 allegations of bribery since 2011. Watch dogs are concerned that MoD has taken no action to exclude companies from bidding for contracts under procurement law, on the basis that none has been found guilty of bribery or corruption. Susan Hawley, of Corruption Watch, reported in the Times, said: “The lack of any effective action against contractors alleged to have been involved in bribery and corruption is deeply worrying. It is time that the MoD used its powers to deny companies involved in wrongdoing the right to bid for its contracts.”

CONSTRUCTION PROJECTS

I was in London at the end of the month on a domestic trip to see the City lights – and spectacular they were too as Soho braced itself for the Chinese New Year. On the way up, I noted the very large number of new apartment blocks that line the approach to Waterloo Station, the many constructions cranes marking working sites, particularly the Battersea Power Station transformation which is quite advanced now. This reminded me that plans for 14 new English garden villages have been approved.



Battersea Power Station complex (photo – Spectacle Productions)

According to press reports, up to 48,000 new homes might be created at a cost of some £6 million.

In an expansion of the existing garden towns programme, these smaller projects of between 1,500 and 10,000 homes continue the government's commitment to support locally-led development. The 14 new garden villages have access to a £6 million fund over the next 2 financial years to support the delivery of these new projects.



Picture: Homes and Property

This money will provide funding for additional resources and expertise to accelerate development and avoid delays.

The government also announced support for 3 new garden towns – and a further £1.4 million of funding to support their delivery. Together with the 7 garden towns already announced, these 17 new garden settlements have the combined potential to provide almost 200,000 new homes across the country.

The elephant in the construction room is the refurbishment of the Hoses of Parliament. I reported this in December but Members of both Houses have now had a chance to react to the old news (readers will recall reports over 18 months ago concerning this project) with many concerned that they will need to move out of their familiar territory for several years while the work goes on. Now, plans are threatened by a reluctance to take the shorter and cheaper option (a snip at about £3.5 Billion and 6 years). Members are concerned that they will not be able to justify this trivial expense to the great British public on the information presented to Parliament. The cynical might think that anyone who swallowed the information on BREXIT will swallow anything but the Deloitte report is deemed insufficient. As one Member said, "Parliament ... is going to have to decide whether to spend £3.5 billion on itself at a time when it is saying that it cannot afford to give any money to the health service and we are running a deficit".

We learned last week that one in four voters think the cost of restoration is too high and that the building should be demolished or sold off. A YouGov poll for The Times shows that 57% believe that the buildings should be saved. I'm not entirely clear that these reports show anything other than the answer you get depends on how you ask the question. Perhaps Members should note that HM The Queen has already bagged most of the available stone masons for work on Buckingham Place which is undergoing much delayed renovation a little earlier than Parliament!

NUCLEAR

No, this is not about new nuclear power stations, although there is lingering doubts about the viability of such mega projects in the light of BREXIT. No, this is that old chestnut – clean up of old nuclear sites. The Times claimed an exclusive in a report that Cavendish Fluor Partnership (CFP) who won a disputed tender process has reported a cost increase of £1.6 billion. Then in May last year that cost had risen to £8.7 billion due to technical issues such as the discovery of large amounts of asbestos at Trawsfydd. To be fair, original estimates were based on limited access to the 12 Magnox reactors and since the tender process was completed it was found that Wylfa

will need to continue to generate electricity after its expected end date. It seems that costs will be dwarfed by legal costs when the various challenges have been concluded. Concerns over the Nuclear Decommissioning Authority's handling of contract award have been expressed and the Treasury has launched an investigation into the decision to seek a strategic partner. Reports claim this will lead to delayed contract award. These reports indicate that there is significant interest from US companies such as CH2M Hill, Bechtel and Fluor – all of whom have had mixed results in their decommissioning work in UK.

CLOSING COMMENTARY

Here are a few snippets I came across in the last few days:

- The DeltaStream project, an £18 million tidal energy scheme has been branded a “wet elephant” after breaking down after only 3 months in operation. Its operator has gone into administration and is seeking a buyer. This project received £8 million of EU funding. Apparently, the sophisticated sonar system used to identify wildlife and shut off the turbine if they came too close developed an intermittent fault.
- A colony of nesting bats has halted work on a £250 million housing project. Eight brownfield sites in Stoke on Trent Residents complained that after waiting 5 years for demolition of existing houses the bats have stopped the work.
- HM Revenue and Customs has warned that a new £70 million computer system will not be able to cope with the consequences of BREXIT according to a report in The Times. The new system, which is not yet in service, replaces an old system with a capacity of 50 million filings annually. The new system is designed to handle 100 million filings and is due to be commissioned in 2019. Brexit complicates the project as trading conditions will not be known for many months if not years.

And finally, a North Sea Union should be established post BREXIT according to the leader of the Flemish faction in Belgium. Now that would be quite a project to manage!

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