

## REGIONAL REPORT – UNITED KINGDOM – JULY 2010



## UK Project Management Round Up

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**Introduction**

Attention in UK has shifted from the General Election with its unexpected outcome to the position the new administration intends on major projects so this report looks at the recently announced Budget and its impact on projects. The past month has been dominated by the Gulf of Mexico oil disaster and the efforts to recover the position, which prompts a look at some legal aspects of projects. We also comment on development with the 2012 Olympics whose management team has just announced new appointments and reported performance against targets.

**Government Priorities**

The incoming Conservative – Liberal Coalition has consistently claimed that it has inherited a disastrous fiscal position for the discredited labour regime. So bad is the state of the nation's economy claimed to be that one of the early acts of the new Administration has been to axe £11.5 billion of planned and in some cases, approved, government spending. This first hack at the £155 Billion deficit may seem a drop in the ocean but many pet Labour programmes in what were marginal election constituencies have been hit, including the roll out of the future jobs fund, 6 months worth of recruitment subsidies, the dropping of young person's guarantee and the loss of 2 years worth of Jobseekers allowances: this bundle totalled some £1.3 Billion.

Headline projects slashed include the £25 million Stonehenge Visitor Centre, a £450 million hospital new build project, and a land purchase scheme costed at £13 million. A wide range of new provision of roads, schools and prison builds has also been affected as contractors claim a 'complete capital famine' according to a Times report (18 June).

In addition to the abandonment of many projects with the expectation that more project cuts are to follow, Ministries were tasked last week with full spending reviews with targets of up to 30% reductions in operational in-year budgets. Only the Ministry of Defence and the National Health Service were exempt. Quite how the Government expects to pull back the enormous cost overruns on Defence procurement projects reported by the National Audit Office is anyone's guess but rumours that the Navy's new flagship procurements, the Queen Elizabeth class aircraft carriers, are safe seem like wishful thinking. Perhaps the penalty clauses and sunk costs involved present a hedge against premature abandonment.

## **Legal Sanctions**

In addition to all the forecasts of economic doom, a major new Act of Parliament has been reported. The Bribery Act 2010 was rushed through Parliament in order to meet UK commitments to the OECD on the prevention of international bribery. Readers will recall the long running saga of the BAE contracts in Saudi Arabia in which claims that BAE had bribed various key figures in order to win the highly lucrative contracts. The new Act defines four new criminal offences:

- offering or paying a bribe
- requesting or receiving a bribe
- bribing a foreign public official.
- a corporate offence of failing to prevent bribery being undertaken on its behalf.

Press reports claim that the last offence will cause chaos in the overseas contracting market as acts of bribery committed by overseas representatives will have criminal repercussions to UK based staff. It will not be sufficient to put in place processes to avoid criminal convictions according to lawyers and active policing of all Company policies will be essential. The act is seen as the most aggressive of all reactions to the OECD convention on prevention of bribery and its impact when it comes into force in October is difficult to predict. Managers of overseas projects will need to take particular care to ensure that they do not fall foul of the new Act.

In addition to new Acts of Parliament, other, more traditional laws continue to require the careful attention of Project Managers. The recent oil rig disaster in

the Gulf of Mexico brings the issue of sub-contracting into sharp relief. BP's responsibility for the overall management of the Deepwater Horizon drilling rig destroyed by an explosion and subsequent fire was operated by a US company and manned by US staff yet the financial liability lies with BP according to reports in the press in UK and USA.

According to **David Uhlmann**, Director of Environmental Law at the University of Michigan, reported in the Times on 14 June, it seems unlikely that top executives in BP, Transocean and Haliburton might not face criminal charges because they were not directly involved in the decisions that lead to the disaster, nor would lower level rig workers as the US government would view that as unfair. So it looks like mid level managers would be most at risk. Where does this leave the project managers?

## **New Projects**

Despite all the doom and gloom there are still new projects emerging and one that should be close to the heart of most UK residents is one that is seeking to help the beleaguered Bee population. The UK bee population has literally been decimated in recent years by a variety of viruses, diseases and loss of habitat so that a reduction 20 – 30 % in the UK bee population has been reported in recent years. While scientists are not entirely sure that this decline has been accurately identified, there is a notable lack of bee numbers in gardens according to TV reports (BBC Nature Watch).

Many causes have been blamed for the decline in numbers, with pesticides being the obvious target for many observers. One theory is that bees are becoming disoriented by the toxic cocktail of chemicals and so cannot point to the food sources they rely on to provide honey to sustain the growth of hive populations. A £10 million project has been announced to investigate the extent and possible causes of bee population decline.

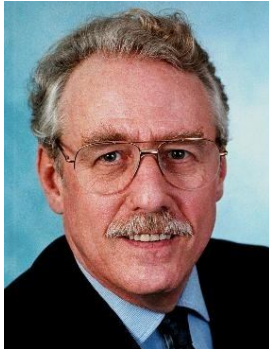
According to a report in the Times, scientists will monitor the brains of some 2500 bumblebees and honey bees over a 4 year period to discover whether pesticides are causing disorientation. It is thought that the scout bees, whose role is to find food sources and then describe its location to others from the hive by means of a 'waggle dance', are less able to pass on the required information as their dance may be affected by pesticides.

The value of bees to the economy is often overlooked. DEFRA estimate that £440 million a year is value of pollinators such as bees to the UK farming and food industry while others put the global value at £128 billion, so the outcome of the project is important to UK and to many other countries. Problems such as sudden hive collapse and viral diseases have wiped out bee populations in some

regions and these populations are only capable of recovery by the importation of bees, typically from New Zealand.

## **The Knowledge**

Project managers have traditionally relied on a formal 'body of knowledge' and readers will surely be familiar with the UK document prepared by the Association for Project Management (APM) who have based their version on research work by Prof Peter Morris. The last issue of the book came in 2005 when the 5<sup>th</sup> version was published. News comes that apm have taken the first steps to refresh this significant publication and early consultations have been made with UK thought leaders and academics. No details of the work programme or schedule have been made available but it is expected that the new version will take greater account of programme and portfolio management.

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**Miles Shepherd** is a global advisor and International Correspondent for PMForum 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 current chair of the Executive Board of the International Project Management Association (IPMA). He is also Chair of the ISO committee that is developing the new ISO 21500 Guidelines for Project Management. He was also involved in leading APM's guidelines for project management oversight and governance. Additional information about Miles can be found at <http://www.pmforum.org/ambassadors/ambassadors.htm#Shepherd>. Miles Shepherd is based near London and can be reached at [miles.shepherd@msp-ltd.co.uk](mailto:miles.shepherd@msp-ltd.co.uk).