

MAJOR PROJECTS - OPPORTUNITIES FOR A NEW GOVERNMENT



Highlights from the Major Projects Association 2015
Annual Conference held on 23rd-24th September 2015

The UK major projects industry is entering one of its most buoyant periods. Projects such as Thames Tideway Tunnel, Crossrail and HS2 will be some of the largest projects ever undertaken, but they will be set against a backdrop of ever increasing cost scrutiny by the new Government. Through the 33rd Annual Conference the members of the Major Projects Association considered how Government could navigate a spending review without compromising the likely success of the Government Major Projects Portfolio. Discussions centred on five key topics: improving productivity; reducing costs; improving agility; incorporating innovation; and building a sustainable and professional workforce.

'I'd urge you all to be as quick and direct as you can in letting Ministers know when something is going wrong in the system. Direct feedback from the front line is hugely valuable, not least because the Civil Service machine doesn't always provide that feedback as quickly or directly to Ministers as you might think.'

Sir Danny Alexander, Former Chief Secretary to the Treasury

The conference was reminded that Ministers look for strong economic value when prioritising project spending during periods of fiscal constraint, and many projects over the coming months will be assessed purely on the basis of their **benefits-cost ratio**. The longer-term and wider economic benefits are not always captured as effectively as they could be.

There are two additional drivers alongside the financials: firstly to deliver the manifesto under which the Government was elected, and secondly to prioritise reforms which will save money.

“Invest to save” projects should be at an absolute premium at this spending round.’

Sir Danny Alexander, Former Chief Secretary to the Treasury

There is a recognition across government of the need to focus on project initiation; to create delivery bodies that have a clear purpose; to develop key skills in project leadership (and pay appropriately for those who have them); to learn from successful projects in the UK and globally; and to draw upon reference-class benchmarking.

OPPORTUNITIES FOR A NEW GOVERNMENT

Cross-sectoral insights and opportunities featured how an ambitious transformation programme has been successful through taking time to understand and align the objectives of all parties.

TRANSFORMING TO REDUCE COSTS – CASE STUDY

The **2008-10 Hooper report** talked about the need to modernise or decline, so Royal Mail undertook an ambitious transformation programme that touched every aspect of operations from optimised routing, car sharing to automated equipment, whilst continuing to operate. The cultural change was just as important as the technological. Improving industrial relations was key to this, and over 100,000 people were put through training schemes. The biggest learning point was the importance of telling the ‘why’ story.

‘In an organisation where people have spent most of their working lives doing the same thing in the same way, encouraging them to let go of the past was a challenge.’

Ian Jones, Chief of Staff – Operations, Royal Mail

The opportunities provided by advances in technology and more flexible approaches to working were set out. Big business can potentially leverage agile approaches by moving from waterfall to iterative management, by staying lean through adopting a modular approach, and finally through data-driven decision-making to increase operational efficiency .

Successful digital transformations fall into four categories: Conservatives, Beginners, Fashionistas and Digital masters. ‘Digital masters’, who combine what they do and how they go about it, achieved a 26% increase in profitability, predominantly through taking an inside-out approach, developing new relationships and understanding what their customer actually wants.

‘Seamlessly mesh digital and physical systems.’

Maggie Buggie, Global Head, Digital Sales & Marketing, Cap Gemini

Both the Civil Service and industry have been working hard to develop a project management profession. In the MOD, for example, there is now a centralised approach to development that takes a collegiate approach, utilises the Major Projects Leadership Academy and considers major project management as a profession not a function.

‘There is recognition at every level of the Civil Service now that doing big projects well is not for amateurs: that experience and understanding of big projects matters.’

John Kingman, Second Permanent Secretary, HM Treasury

'Governance structures are based on centuries of how we have always done things, and they will not be fit for how we will do things in the future, as technology completely changes our lives.'

Steve Fox, Chief Executive, Bam Nuttall Ltd

ENGAGING WITH INDUSTRY TO DELIVER A DIFFERENT ANSWER – CASE STUDY

James Barry explained how Rolls-Royce uncovered misalignment between their business model and customer needs. Whilst focus was traditionally on high revenues from engine sales, they have now moved to delivering lowest life cycle cost through their TotalCare agreements. This model delivers what the customer wants – reliability and reduced downtimes – whilst the benefit to Rolls-Royce is predictable returns on their products over the life cycle. They achieved this through spending time with the customers, having open and frank conversations and leveraging data to help customers manage their own operations more effectively.

'TotalCare has enabled Rolls-Royce to transform the business relationship it has with its customers.'

James Barry, Head of Customer Business, Rolls-Royce plc

At BAE Systems productivity improvements were driven by a requirement to improve performance to meet MOD expectations and avoid previous cost overruns. An in-depth benchmarking exercise was undertaken and a number of transformation work streams were set up to deliver the required changes. These were 'pop-up' projects, with 'pop-up' project managers, that followed agile processes.

From this basis, the participants felt it important to draw the following points to the attention of government:

- The economic and social significance of the construction and infrastructure sector needs elevating to a strategic level on a par with the defence, automotive and aerospace industries.

- Address the cultural divide between public and private sector, perhaps through the increased use of development and delivery vehicles that can be agile and – sometimes – fail. Further, there is a need to overcome the different perceptions of risk, to improve approaches to benchmarking, and promote the use of reference-class data to build confidence in predicted outturn costs. A forum could be established by the Major Projects Association to provide a mechanism for this.
- Approaches to procurement should be standardised across government, with a focus on outcomes, and emphasis on an affordability envelope and minimum performance criteria. The use of early contractor involvement and long-term frameworks have proven successful, as have the Crossrail and London 2012 Games models, and should be further encouraged.
- Delays caused by 'planning time' constraints are very disruptive. The situation could be improved by either improving the development consent order process to provide for more flexibility in the given consent, or increasing parliamentary time available for hybrid bills (by incentivising MPs to sit on committees).

Recent initiatives such as the [National Infrastructure Plan for Skills](#) and the productivity plan '[Fixing the foundations: creating a more prosperous nation](#)' are great platforms from which to reduce the skills shortage across the industry. The higher education sector could be encouraged to support these important plans.

POINTS FOR FURTHER DISCUSSION:

1. Should reference class benchmarking be extended/mandated?
2. How does the Government tackle the deficit when reviewing capital vs. current budget?
3. Who should be responsible for developing/improving skills across the industry?
4. How can the language barrier be bridged between HM Treasury and project promoters?

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