

## Fundamental Failings in Project Reporting

### A SHORT SUMMARY

History shows us the construction industry is very well known for poor media coverage of delayed project completions and original budgets being significantly exceeded. Whilst there are very important and recurring reasons for this, the late delivery and cost overruns of projects is not helped by inadequate and wrong project progress information and reporting, and contracts largely focused upon reporting historical performance, and little focus on forecasting.

Site reports are only available some considerable time after progress performance to which the reporting relates, and invariably contain second-hand (and sometimes adapted) information from sub-contractors and suppliers. Moreover, sufficient information is rarely available to comply with the requirements for a contractor's initial programme, and many subcontractors and suppliers fail to prepare programmes to the quality and using the software often specified in contracts. The issue with these initial programmes is compounded by contractors often submitting amended programmes with only those delays caused by the owner. Any delays by the contractor are regularly shown as being absorbed within the remaining work leading to increasing reductions of periods for later critical completion activities (such as testing and commissioning).

This inevitably results in:

#### At Site Level

- *greater costs in completing the project for all project participants*
- *significant wasted costs in claims justification being based upon incorrect facts and, therefore, biased interpretations of entitlements and liabilities*

#### At Corporate Level

- *a severe lack of certainty and predictability in project outturns*
- *executives being ill-informed and unaware of the true issues affecting the project and their financial expectations*
- *regular surprises for investors, directors, shareholders, and the public*

Poor reporting leads to sub-optimal or incorrect decision making at site and bad corporate reporting.

It is clear site reporting and programming demands additional and different considerations. Changes can, and should, be made. The requirements specified in contracts should reflect their ultimate purpose so that site reports and programmes deliver integrity in information, integrity in communication, and integrity in forecasts.

**THE BEST INFORMATION WOULD ENABLE OPTIMUM DECISIONS TO BE MADE AND THE CORRECT DIRECTIONS AND INSTRUCTIONS TO BE GIVEN - VITAL IN AVOIDING THE PURSUIT OF LENGTHY, COSTLY, AND UNCERTAIN RESOLUTION THROUGH THIRD PARTIES**



## Common Project Reporting Requirements

The conditions of contract for projects always include provisions for reporting by the contractor. These provisions invariably require:

- a meeting to be held, usually monthly, attended by the owner's representative and the contractor (and sometimes also attended by major subcontractors and suppliers)
- a detailed written report to be submitted by the contractor within a specified number of days (often 7 days) of the end of each month (the content of these reports is usually specified by the owner)
- a 'programme' showing the order and timing of work activities required to complete the project (usually required to be submitted by the contractor within a specified period after the signing of the contract)
- revised programmes to be submitted (when the current programme does not reflect actual progress) showing the revised order and timing of work activities required to complete the project
- other reporting (in the form of written notifications) to be made, as necessary, by the contractor for such things as: a proposed amendment to a contractor's design, applying for an extension of the time for completion of the work, or applying for a "taking-over" certificate when the works are completed
- some contracts require the contractor to also notify the owner if there are circumstances which indicate the completion of the project might be delayed or the costs of completing the project increased.



### The Contractor's Monthly Report

The monthly written report usually requires details of such things as:

- project progress up to the end of the previous month (including site construction activities, manufacture of off-site equipment, delivery of materials to site, and testing)
- a review of the current programme (showing actual and planned progress)
- quality management documents (including work inspection reports, and test results of work, materials, or equipment)
- likely events or circumstances which might affect the completion of key activities or completion of the work in accordance with the current programme.



### The Contractor's Current Programme

Contracts usually require the contractor to:

- prepare and submit to the owner an initial programme within a specified period after the prescribed "Commencement Date" or after the contractor has received a notice to proceed with the project work
- submit an updated programme whenever a previous programme no longer accurately reflects actual progress.

Each programme submission is usually required to include at least the following:

- the prescribed dates for commencement and completion of the project work
- the dates for access and possession of the site



- the order in which the contractor proposes to carry out the work (including design, delivery to site of materials and equipment, construction, erection, installation, commissioning, testing, and operational start-up)
- periods for review by the owner's representative of submissions made by the contractor
- public or locally recognised holidays.

## Some Common Issues with Historical Project Reporting and Programmes

### Common Issues with Project Reporting

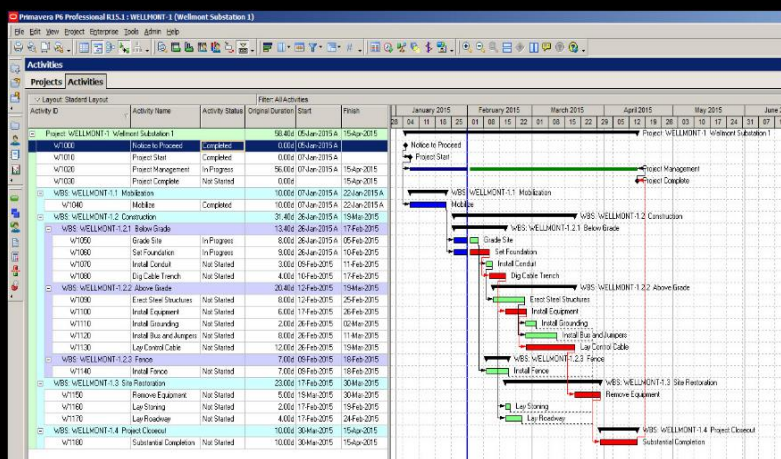
Common issues with project reporting are that it is:

- focused upon historical progress of the work on-site and off-site
- available some considerable time after the events and performance to which the reporting relates
- contains second-hand information from sub-contractors and suppliers
- invariably subject to significant disagreement about factual accuracy
- often becomes the basis for poorly structured and inadequately justified claims
- based upon inadequate or incorrect information for decisions at site and corporate levels.

### Common Issues with Programmes

Common issues with programmes are:

- initial programmes cannot be prepared with the precision of information required by many contracts (because subcontracts and supply agreements for some of the works are not yet finalised)
- accordingly, there are many arguments about the contractor's programme never having fully reflected the requirements of the contract
- few subcontractors and suppliers have the skills or the experience to prepare programmes to the quality and using the software regularly specified in contracts
- the contractor often submits amended programmes with only those delays caused by the owner (and any delays by the contractor absorbed within the remaining work activities)
- this regularly manifests itself in increasing reductions of periods for later activities (including such things as testing, commissioning, and facility start-up).



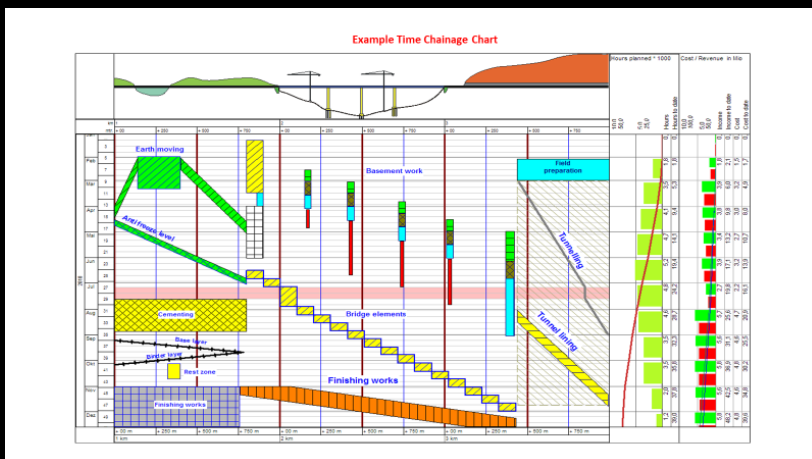
### Regular Underlying Bases of Issues

There are several underlying factors which affect (and often exacerbate) the issues with project reporting and programmes. These include:

- reports are prepared by individuals with some other primary function
- reports are prepared by individuals intimately involved in the circumstances being reported (and accordingly may represent a biased view of those circumstances)
- those individuals are, additionally, regularly emotionally tied to the position they have taken
- contractors have different systems for collecting factual site information and, therefore, there is little consistency with how information is reported



- the facts reported rarely include native information from subcontractors and suppliers and, therefore, are often presented in a manner to protect desired contractual positioning
- predictions for forward progress and project completion dates and costs to completion are accordingly invariably based upon incorrect data
- forward project programmes and schedules, and budgets, are highly unlikely to be informative or accurate



- site decisions (based upon incorrect or inadequate information) are commonly not the best to optimise the time and costs for project completion
- the incorrect or inadequate site reporting often leads to notifications of claims which cannot be factually justified
- corporate expectations are very often incorrect, and overly optimistic.

### Some Key Implications of the Reporting and Programme Issues

All of the foregoing ultimately results in:

- greater costs in completing the project at site level for all project participants
- significant wasted costs in claims justification being based upon incorrect facts and, therefore, biased interpretations of entitlements and liabilities
- a severe lack of certainty and predictability in project outturns
- executives being ill-informed and unaware of the true issues affecting the project and their financial expectations
- regular surprises for investors, directors, shareholders, and the public.



### Improving Project Reporting and Programmes

There are numerous important improvements which can, and ought to, be made to project reporting and programme submissions, but:

#### ABOVE ALL PROJECT REPORTING AND PROGRAMMES MUST DELIVER

- integrity of information
- integrity of communication
- integrity of forecasting

#### AND ULTIMATELY REPORTED INFORMATION MUST REPRESENT THE "PROJECT TRUTH" ACCEPTABLE TO ALL

It is clear from many historical examples there are very significant advantages in providing accurate contemporary information to permit both site and corporate decisions to be made with confidence. This information must be clearly communicated and at a time which is best for the organisation receiving it. That information and proper communication of it should ensure much better accuracy in forecasts of completion dates and final project entitlements and liabilities, and significantly reduce the costs of resolving claims and disputes.

There are several practical improvements which could be made to the information to be presented for site reporting or programmes:

## Improving Project Reporting

- employ a site team dedicated to collecting contemporary evidence
- have native information available for all
- have a detailed section focused on the predicted date(s) for completion of the project, including:
  - a clear explanation of any activity assumptions made (including where information remains outstanding)
  - a clear explanation of all assumptions made of entitlements, responsibilities, and liabilities regarding time for completion of the work
  - detailed definition of the risks associated with the predicted dates, and the responsibility for and the means of managing those risks
  - a statement of the reviews made of the forecast, and signed off
  - a statement (from the owner's representative) setting out comments of any amounts presented by the contractor
- have a detailed section focused on the predicted 'Contract Sum'/'Contract Price' for completion of the project, including:
  - a clear explanation of any assumptions made (including where information remains outstanding)
  - a clear explanation of all assumptions made of entitlements, responsibilities, and liabilities regarding costs for completing the works
  - detailed definition of the risks associated with the predicted amounts and the responsibility for and the means of managing those risks
  - a statement of the reviews made of the predicted amounts, and signed off
  - a statement (from the owner's representative) setting out comments of any amounts presented by the contractor



## Improving Programming

- provisions for the gradual progression of a fully developed programme to reflect:
  - the timing for the closing out of key subcontractors and suppliers
  - the timing for the supply of any outstanding critical information from the owner
  - any uncertainty in works by utility companies, or the timing of those works
- specified presentation of programmes to reflect the capability of subcontractors and suppliers (especially where local content for key works is a requirement under the contract)
- provisions to prevent unjustified reductions in later activities (where this is used to avoid the currently submitted programme showing delays to completion).



## Delivering Improved Decision Making and Corporate Reporting

Implementing the changes to project reporting and programming noted above should deliver the following improvements to decision making at both project and corporate levels:

- all site management and corporate executives have access to the same key information
- that information is produced by a focused team and is complete and factually accurate
- any interpretations or assumptions are fully explained

- the strategy for completing the project in the most effective and efficient manner is fully described
- there are clear statements and justifications for all responsibilities, liabilities, and entitlements
- the commitments to be made by each project participant are clearly defined and acknowledged as being fully understood
- the risks associated with the agreements reached, or commitments made, are explained and the responsibility for, and means of, managing those risks fully defined
- there is improved knowledge and understanding for all current project performance
- there is clarity in the forecast completion date and forecast financial outturn
- damaging surprises for investors, lenders and shareholders are reduced or eliminated.

**Executives must be provided with the best opportunity to engage, or intervene, at the correct time and to have the best information available to enable optimum decisions to be made and the correct directions and instructions to be given - vital in avoiding the pursuit of lengthy, costly, and uncertain resolution through third parties.**



## The High-Point Experience

### POWER GENERATION

350+

POWER GENERATION PROJECTS



Combined-Cycle  
Hydroelectric  
Nuclear  
Renewable  
Thermal

### TRANSPORTATION

250+

TRANSPORTATION PROJECTS



Airports  
Bridges  
Highways  
Maritime Facilities  
Rail Systems  
Tunnels

### OIL, GAS AND INDUSTRIAL

450+

OIL, GAS AND INDUSTRIAL PROJECTS



Manufacturing  
Mining  
Oil & Gas Processing  
Pipelines  
Utilities

### COMMERCIAL AND PUBLIC BUILDINGS

300+

BUILDING PROJECTS



Hotels & Resorts  
Institutional Facilities  
Offices & Retail  
Sports & Leisure

#### PROCUREMENT TYPE

PPP, PFI, IPP, IWPP and PROJECT PARTNERING, EPC, EPCM, DESIGN AND BUILD, DESIGN, BUILD and OPERATE, EARLY CONTRACTOR INVOLVEMENT and many HYBRID FORMS

#### TYPICAL CLIENTS

INSTITUTIONAL and PRIVATE FUNDERS, GOVERNMENT AGENCIES, PRIVATE SPONSORS, INVESTORS and DEVELOPERS, INSURERS, MAJOR INTERNATIONAL CONTRACTORS, EQUIPMENT VENDORS/SUPPLIERS and OPERATORS

If you require any further discussion or explanation of the matters described above, then please let us know.

**Kelvin Hingley**  
**Managing Partner**

**High-Point Partnership LLP**

E: [kelvin.hingley@highpointpartnership.com](mailto:kelvin.hingley@highpointpartnership.com)

M: +44 7774 224 895

**Nigel Bell**

**Managing Partner**

**High-Point Partnership LLP**

E: [nigel.bell@highpointpartnership.com](mailto:nigel.bell@highpointpartnership.com)

M: +44 7887 501 624

**London Office**

E: [valerie.howell@highpointpartnership.com](mailto:valerie.howell@highpointpartnership.com)

M: +44 7827 927 795

O: +44 203 019 3830

[www.highpointpartnership.com](http://www.highpointpartnership.com)