

Avoiding false performance & cost data for at risk work before formal contract change

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Introductions

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Presenters

Russell Berkeley

Russell is Head of Performance Measurement and Reporting with a strong background in programme management and project controls environments.

He utilises his global experience in highly regulated industries including construction (UK and Finland), rail, pharmaceutical, defence (UK, USA, Australia), steel industry, and government. Russell embeds an understanding of supply data and guides reporting to drive decision making. He has directed the strategic goal setting within organisations, driving international business development and planning to achieve goals.

Russell has led the development of processes and data analysis on projects identifying gaps and creating digital solutions to support project success. He is recognised as a cross-functional leader, collaborating with stakeholders, regulators, and governmental authorities. He constructively challenges boards to ensure effective governance structures and strategic direction.

Danny Alexander

Danny is a Senior Estimator at Gleeds, currently working on cost modelling projects throughout the UK.

He comes from a specialist sub-contractor background, having worked on major UK electrical transmission upgrade contracts. Previously he has driven projects across Europe in infrastructure, residential, industrial & renewable energy sectors.

He is currently studying towards a data analytics apprenticeship with a view to improving the way in which technology & data is used within the construction industry.

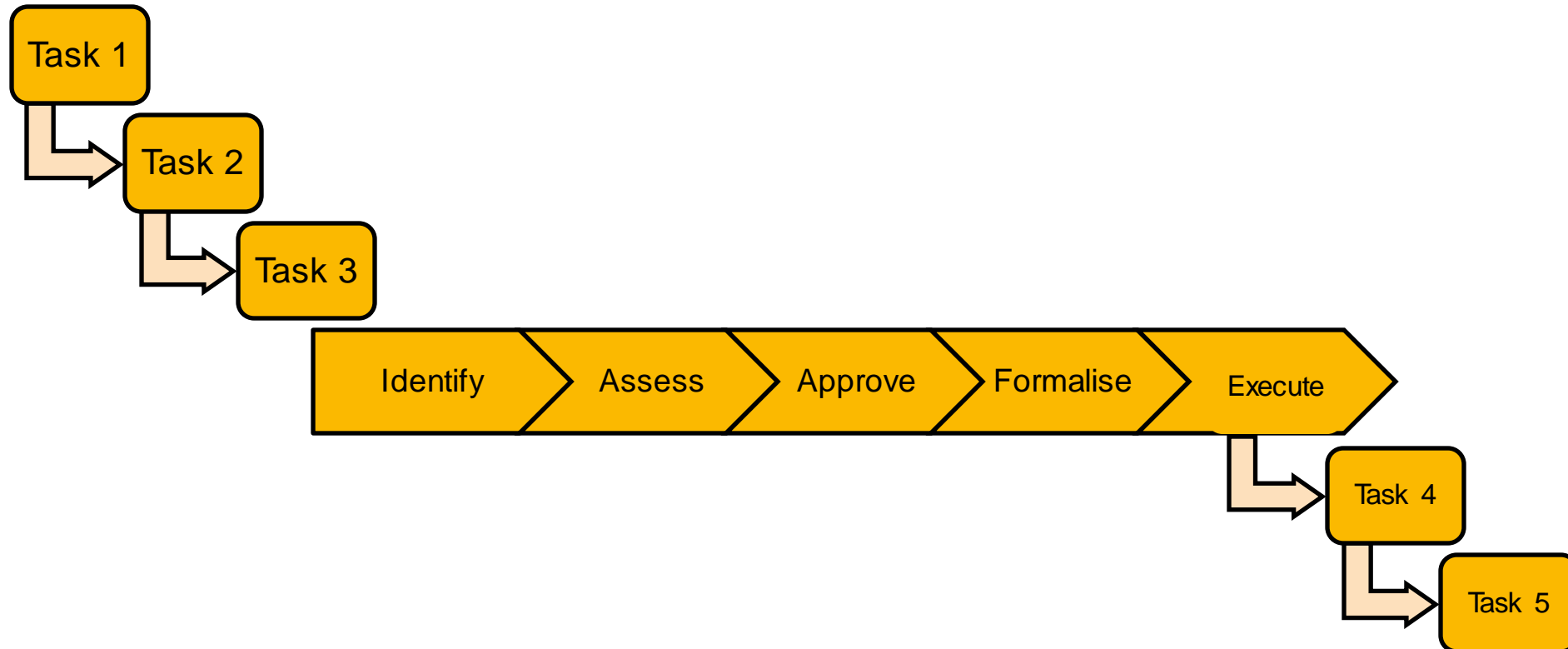
Challenge
Solution
Benefits
The Future

During most contracts the only thing that can be said to 100% is the need for change. Whether this is the impact of a risk or the addition/reduction of scope.

When large changes are required, the negotiation between the customer and supplier can take a while, however the work may need to be started quicker than the decision can be made.

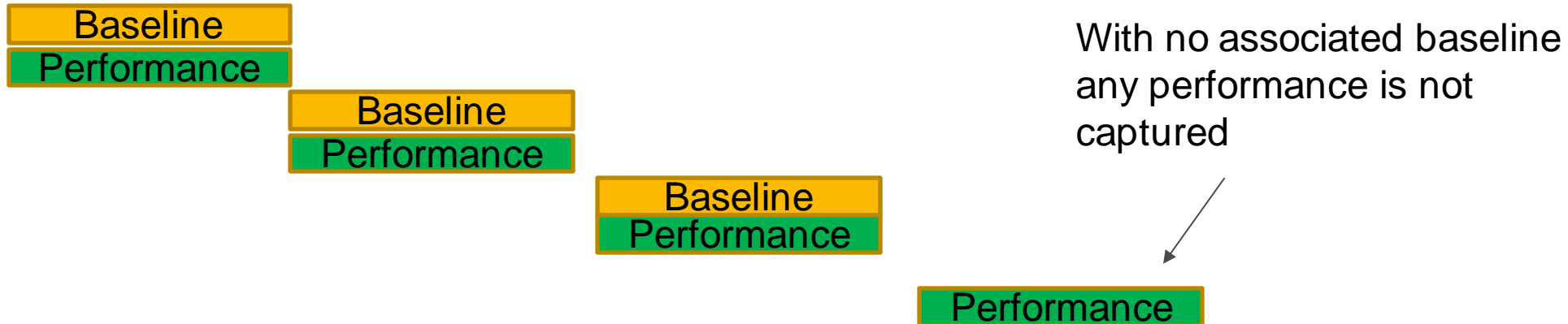
As performance can only be claimed if the work is allocated to the baseline, if the work starts before the contract change is negotiated then no performance can be claimed and the associated cost will create a false variance.

Timing Challenges with Change



Explain false performance variances

- You can only claim performance on work that is within the baseline as
 - $\text{Earned Value} = \% \text{ complete} \times \text{baseline}$

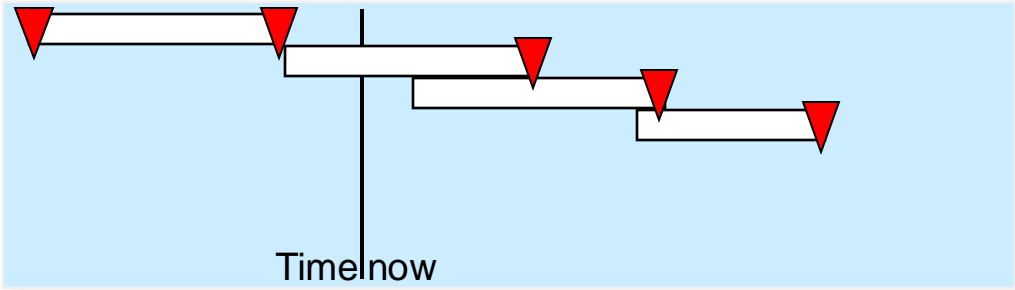


Explain false cost variances

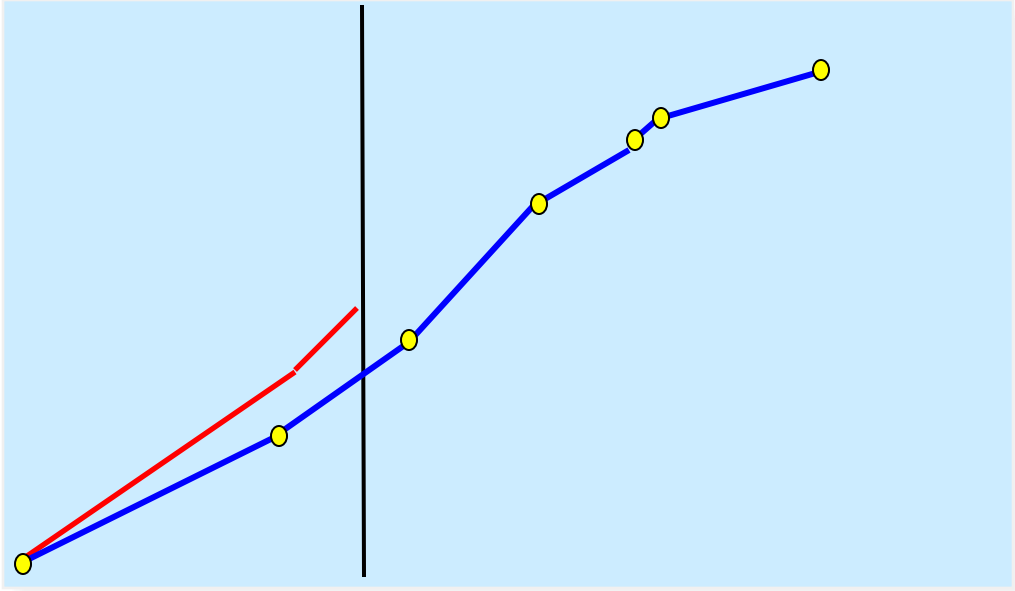
- The project needs to collect cost that have been incurred doing any work.
- If this work cost is just added to an existing WBS element that that element will incur additional cost with no associated performance and could make that work appear over to be over spending
- It also becomes difficult to remove the cost associated with the change later.



Baseline Plan



Budget ↑



Authorised unpriced work – Definition

A contract scope change which has been directed by the government contracting officer but has not yet been fully negotiated/definitized. It includes a value, excluding fee or profit, typically associated with the authorized, unpriced change order.

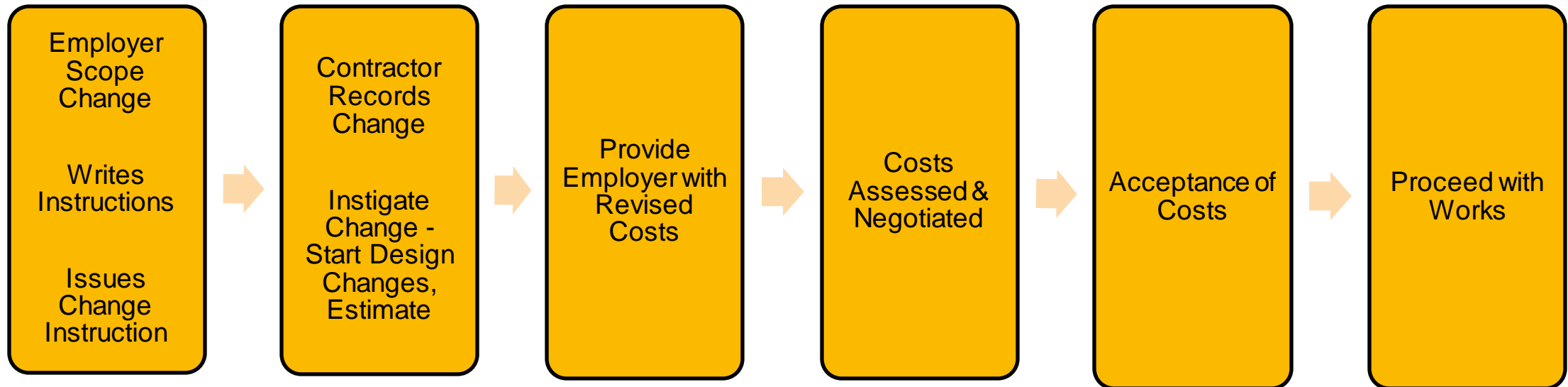
(Source:https://www.ndia.org/-/media/sites/ndia/divisions/ipmd/division-guides-and-resources/ndia_ipmd_guidesmasterdefinitionslist_dec182018.ashx?la=en)

What does this mean in real terms?

Estimating process



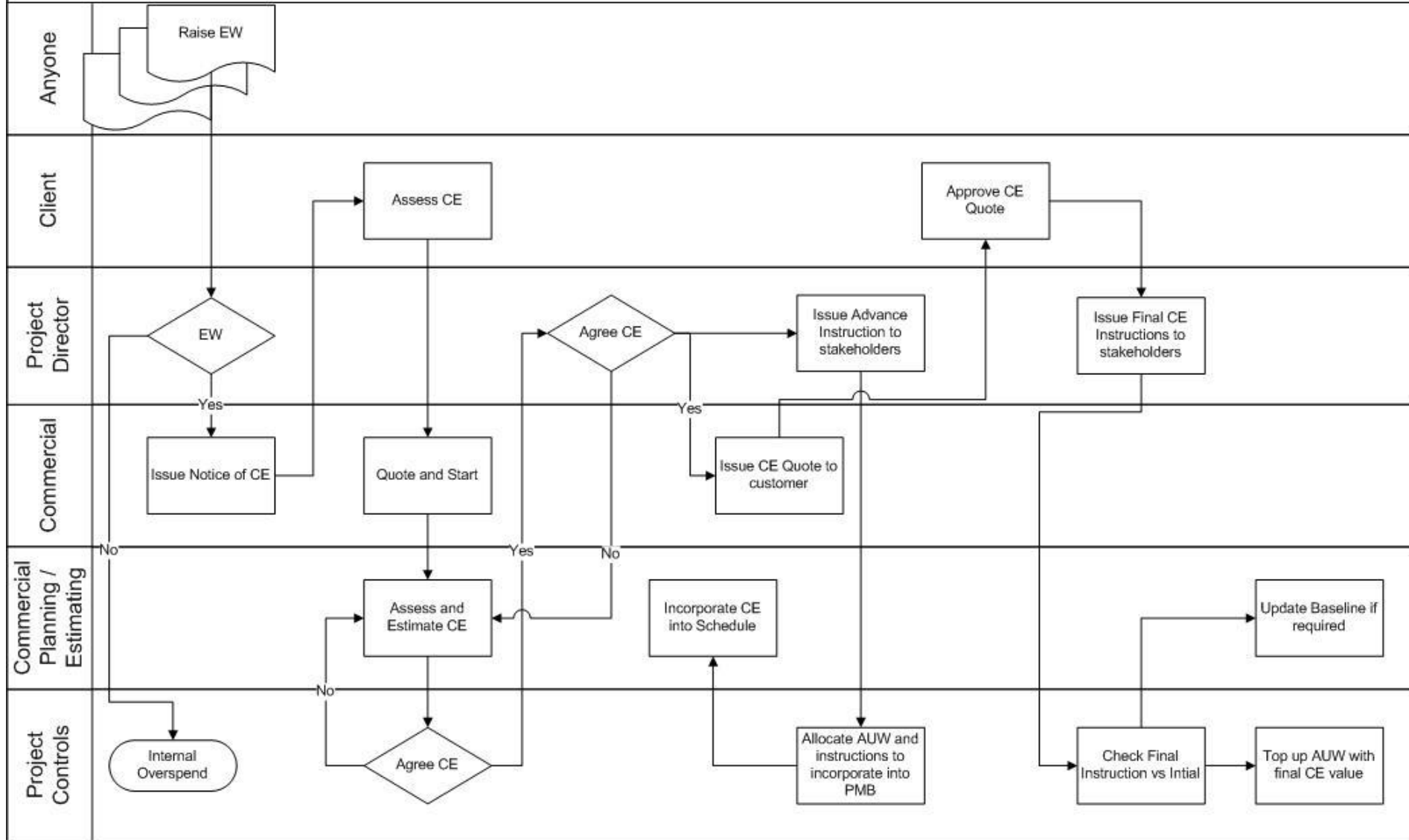
Actual Estimating process and timing



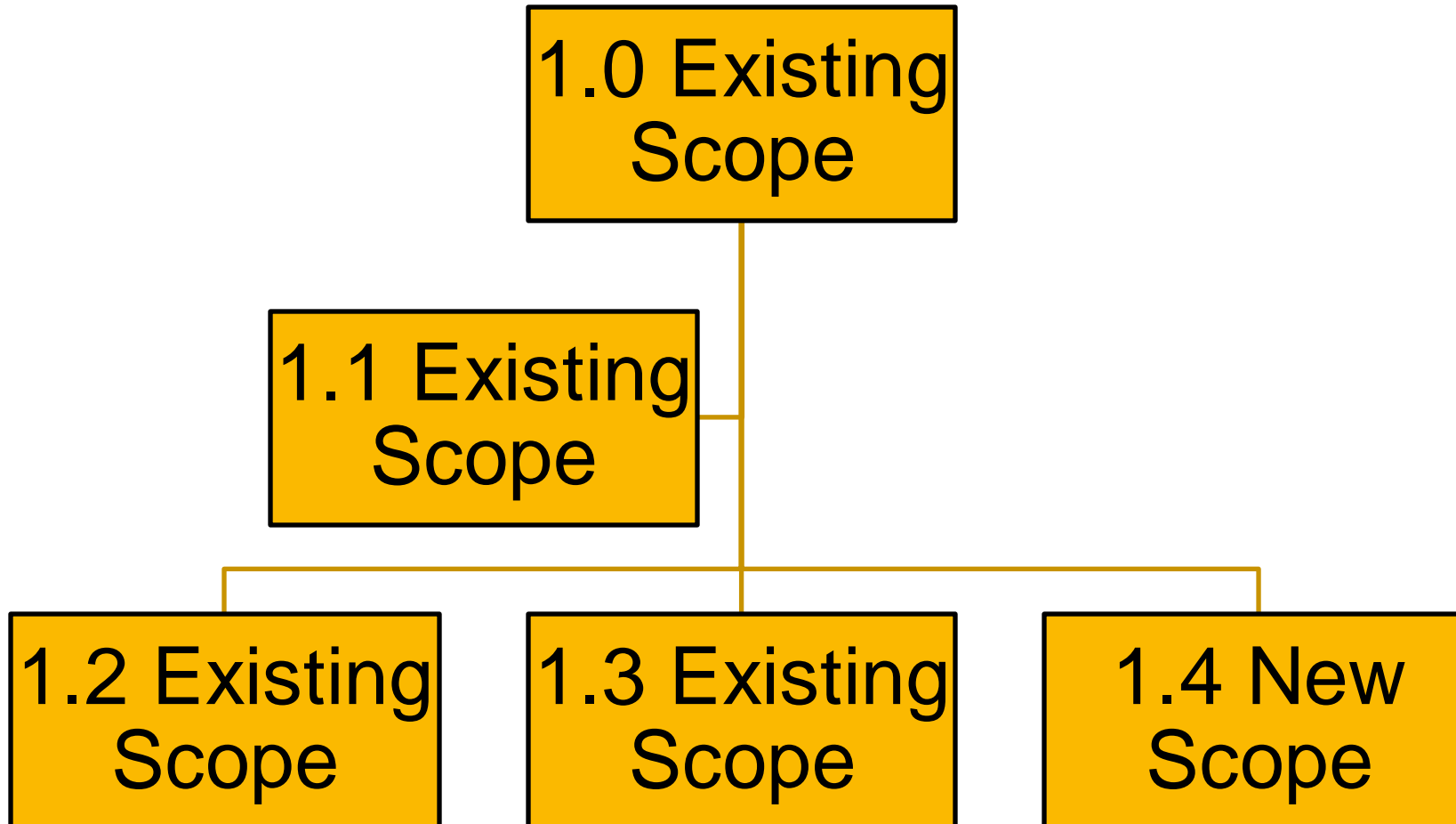
Release of AUW

- So how does it work?
- At the point of the change being recognised that it will need a longer than normal time to process (this could be due to understanding the change, contract negotiation etc) an initial AUW budget is allocated.
- A new WBS element for the change is created and the short term work budget is agreed with the Project Director and Customer.
- The budget is allocated to the new WBS element and a schedule of the short term work is added to the baseline, and a cost number is allocated to this discrete WBS.
- This now creates a true performance measurement WBS to capture the performance and cost associated to the change.
- Once the change has been formally agreed the baseline for the WBS is increased and the schedule updated accordingly

Authorised Unpriced Work Process (Quote and Start)



New / Additional Scope added into WBS



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No issues with identifying scope at a later date

Avoid delays

Reduce risk

Compartmentalises work

Progress can be measured for new scope

No false variances

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Discuss with your organisation if this can solve your issues

Assess current change process and how it fits within your business

Train staff on new process

Thank you