



CAPITAL PROJECT REPORTING

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TABLE OF CONTENTS

Abstract/Executive Summary	3
Introduction	4
Background/Problem Statement	4
Solution	5
Project Schedule Performance	6
Project Risk Management	6
Project Resource Management	7
Conclusion	7

CAPITAL PROJECT REPORTING



ABSTRACT/EXECUTIVE SUMMARY

Regular reporting on the status of a capital project is an essential part of capital project management and governance. It serves to communicate the health of the project to key stakeholders and aids in identifying problems early enough for remedial actions to be taken.

There are four key elements to a capital project report covering cost performance, schedule performance, risk management and resource management. These elements should be reported at a regular cadence until the project is completed.



INTRODUCTION

The information provided in the capital project helps identify problems and provides the business with necessary information to aid in governance of the capital project portfolio.

Robust project controls must be established during the conceptual development phase of the project and maintained throughout the project.

Strong project controls require all personnel associated with the project to understand and report critical project metrics. It is not solely the responsibility of the Project Controls function or the Project Manager.

BACKGROUND/PROBLEM STATEMENT

Capital project reporting provides essential information about the health of a project both from a cost and schedule perspective.

Whilst capital project reporting and its cadence may take on many different forms depending on the organization and/or specific project they are several key elements that should form any Capital Project Report. **These key elements include:**

- Project Cost Performance (Cost baseline)
- Project Schedule Performance (Schedule baseline)
- Project Risk Management (Risk Register)
- Project Resource Management (Resource Plan)

Whilst putting the infrastructure in place to generate meaningful data can be a formidable challenge, regular project reporting is imperative to identify problems early when they can be remediated without impact on the project budget and schedule.

SOLUTION

Since cost and schedule progress comprise two thirds of the cost/schedule/quality continuum, they are the primary focus of capital project reporting.

PROJECT COST PERFORMANCE (COST BASELINE)

Project cost performance is one of the four basic elements to a capital project report. The cost baseline is the approved funding for the project and forms the basis by which cost performance is monitored and reported.

A typical cost report will comprise the following:

Reporting Element	Description
Performance to Date (<i>Earned Value, EV</i>)	Value of work completed
Cost Performance Index (<i>CPI</i>)	Function of actual value of work complete (EV) and planned value of completed work
Cash Flow (<i>Work in Place- WIP</i>)	Actual value of all work completed on a project
Cost Variance (<i>Estimate at Completion – EAC v's Budget at Completion- BAC</i>)	Based on cost of work completed and remaining budget
Contingency/Management Reserve	Use of any budgeted contingency or management reserve
Change Management	Documentation of any approved changes and subsequent updates to the cost baseline

Any cost variances identified during the cost reporting need to be analyzed and corrective actions identified and applied to bring the project back to the cost baseline. The cost baseline should only be updated if approved by the governance body or as established at funding stage gates.

The reporting cadence will vary from project to project but typically will be monthly.

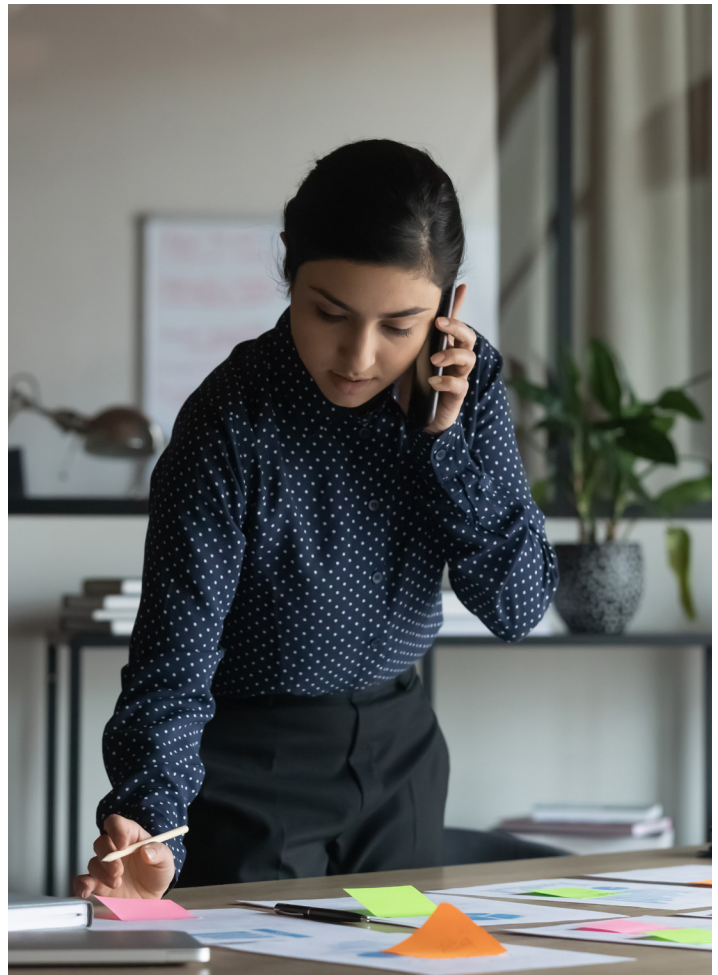
PROJECT SCHEDULE PERFORMANCE (SCHEDULE BASELINE)

Project schedule reporting goes hand in hand with project cost reporting with respect to regular reporting of capital projects. The project schedule provides a baseline for cash flow management, and ensures alignment with team and project sponsors, it also allows for the evaluation of potential alternatives and provides visibility to the schedule impact of change orders.

Key Performance indicators in relation to reporting schedule performance are:

- Schedule performance index (SPI)
- Schedule Variance
- Quantity of Schedule adjustments
- Percentage of overdue project tasks
- Percentage of missed milestones.

The regular schedule performance reporting allows for the assessment of status and gives management data they need to keep the project on track.



PROJECT RISK MANAGEMENT (RISK REGISTER)

Risk planning is the formal activity of the project team to identify risks and to formulate strategies for managing the risks. **The typical risk management steps to be included in a Capital Project Report are:**

- Risk Identification
- Analysis of the risk
- Risk mitigation plan
- Required risk mitigation due date

As the project is monitored and reported for progress, known risks are watched, and new risks are identified. Use of any additional funding required as known risks occur is also reported.

Inclusion of project risks in the capital project report informs stakeholders as new risks are identified, known risks are avoided, and risk reserves are spent.



PROJECT RESOURCE MANAGEMENT (RESOURCE PLAN)

Typically, the necessary resources are identified in the Resource Plan. The resource plan and status is then included as part of the capital reporting process and any additions/modifications to the Plan communicated on an ongoing basis.

Practically, resources reported in the capital project report might be limited to the core team members with communication of any additions and/or changes in the period. A more sophisticated approach might include details of the resourcing plan such as a resource loaded schedule identifying instances where the project becomes resource constrained.

CONCLUSION

Measuring progress accurately requires a detailed project plan with agreed baseline cost estimates and schedule. It also requires a systematic, disciplined, attention to detail. This determines whether problems will be identified early when they are small and there is sufficient time and options to solve them or if the problems are ignored until they affect the success of the project.

CAI has extensive and in-depth experience managing and reporting of capital projects to deliver projects effectively and efficiently and within the constraints of cost, schedule, and quality.

Fast Forward MBA in Project Management, Eric Verzuh, Third Edition, 2008.

For more information or support in developing your Capital Management Program, please contact robert.lucas@cagents.com



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Robert Lucas is a pharmaceutical industry professional with a broad and in-depth experience in many aspects of the therapeutic product life cycle. Robert has a BS in Biological Sciences and a Master's in Business Administration and is adept at the delivery of complex projects within a regulated environment. With significant experience in Commissioning and Qualification, cGMP Operations, Engineering, Technology Transfer and Change Management.

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