What an Owner Cannot Outsource: Project Information Obligations for Developers and Early-Stage Infrastructure Ventures

Delivery can be contracted out. The obligation to know what was delivered cannot.

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ABSTRACT

Developers and early-stage infrastructure ventures routinely decline to establish project management and control systems, on two grounds: that delivery sits with contracted consultants and contractors, and that a capable accounting system is sufficient. This paper takes both positions seriously, identifies the substantial part of each that is correct, and sets out what remains with the owner regardless of how much of the work is contracted out. It distinguishes between the contractor's delivery controls, which an owner should not duplicate, and the owner-side layer, which nobody else is engaged to maintain. It argues against enterprise tooling for small organisations and proposes a minimum viable control set of four objects, implementable without procuring a system, together with a short readiness test.

1. Two reasonable objections

Anyone who has proposed introducing project controls to a lean development business has met these two positions, usually in this order:

> *"We do not need a project management system. The work is delivered by consultants and contractors. They manage their own delivery, and we hold them to their contracts."*
>
> *"We already have an accounting and financial system. It records every dollar committed and spent on this project. What would a second system tell us that it does not?"*

These are not naive positions, and treating them as naive is why the conversation usually fails. They are held by capable people who have correctly identified that overhead is the enemy of a small organisation, and who have seen project management systems imposed elsewhere at considerable cost and negligible benefit. The argument that follows concedes a great deal to both before it disagrees with either.

2. What the objections get right

The first objection is correct that execution is genuinely transferable. A competent engineering consultancy or EPC contractor runs scheduling, progress measurement, quality and site controls to a standard a five-person developer could not replicate and should not attempt to. Duplicating a contractor's delivery controls is waste, and it is the specific form of waste that gives project controls a poor reputation among owner organisations. An owner that builds a parallel schedule to second-guess its contractor's schedule has bought an argument, not an assurance.

The second objection is correct that the accounting system is authoritative for what it covers. It is the system of record for transactions, it is auditable, and it is maintained to a standard driven by statutory obligation. Nothing proposed here replaces it or competes with it.

The disagreement is narrower than it first appears. It is not about whether contractors should deliver, or whether the ledger should remain the financial record. It is about a specific set of obligations that remain with the owner, that no contractor is engaged to discharge, and that the ledger was not built to answer.

3. The ledger records cost; the owner's exposure is commitment

An accounting system becomes aware of cost when an invoice exists. Until then, a signed contract is, to the ledger, nothing at all.

For an operating business this is immaterial, because trading obligations are short and recurring. For a development project running towards a final investment decision it is the central distortion. Contracts are executed months before the work is performed, and the work is performed weeks or months before it is invoiced. At any point in the run to FID, the owner's contracted obligation is materially larger than anything visible in the ledger, and the gap is widest at precisely the moment the investment decision is being prepared.

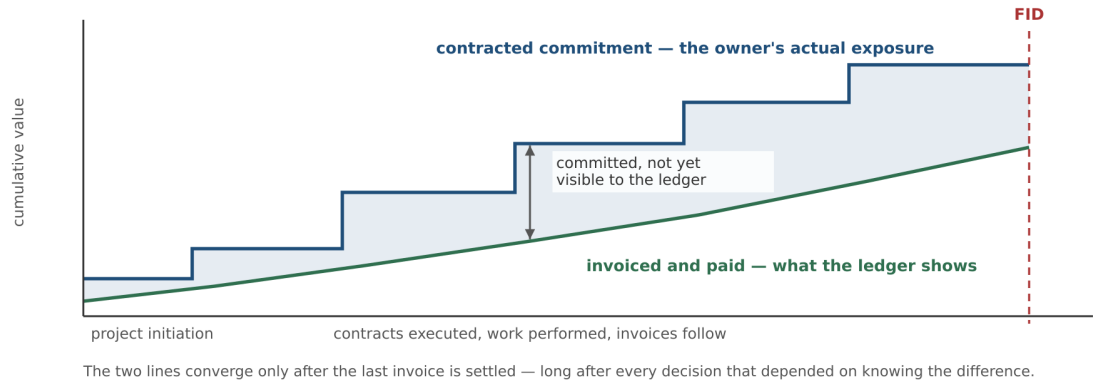


Figure 1. A ledger is authoritative for transactions and silent on commitments. The gap between contracted obligation and recorded cost is widest in the period when the investment decision, the funding case and the board position are being prepared.

Three consequences follow for a developer. The cost-to-complete presented at FID is built on a figure that understates committed position. The board and investor reporting describes expenditure rather than obligation. And when a contract is varied, which happens constantly in the pre-FID period, the variation is invisible until it is invoiced, by which point it is no longer a decision.

4. The contractor manages delivery; nobody manages the owner's position

This is the heart of the first objection, and it deserves a precise answer rather than a general one.

A contractor's controls are built to manage the contractor's scope, to the contractor's obligations, on the contractor's reporting cycle, in the contractor's format. That is exactly right, and it is what they are paid for. What no contractor is engaged to produce is the consolidated owner-side position across all of them.

With six consultants and a licensor, an owner receives six or seven accurate reports describing seven different things on different dates. Assembling them into a single view of the project is work. If no one is doing that work deliberately, it is being done implicitly and badly, usually by one person, in a spreadsheet, under time pressure, immediately before a board meeting.

> **The contractor owns delivery of their scope. The owner owns the question of whether the scopes, taken together, constitute the project, and whether anything has fallen between them.**

The gaps between contracted scopes are the owner's exclusive responsibility, and they are where owner-side projects most often fail. No contractor will report a gap in someone else's scope. Each party reports complete delivery of its own obligations, every report is accurate, and the project is still incomplete.

5. The obligations that do not transfer

Whatever proportion of the work is contracted out, the following remain with the owner in every case. None of them is answerable from an accounting system, and none of them appears in any contractor's scope.

OWNER OBLIGATION	WHAT IT REQUIRES THAT A LEDGER DOES NOT HOLD
Funding and grant compliance	Evidence that work was performed within an eligible period, mapped to a defined scope. Transaction dates do not establish this.
Board and investor reporting	Committed position, forecast to completion, and the basis for both, not expenditure to date.
The FID decision pack	A defensible cost base, a traceable basis of estimate, and a documented record of the decisions that produced it.
Commercial position against each contract	What has been instructed, what has been delivered, what has been accepted, what remains, and what is in dispute.
Scope integrity across contracts	A single view of total project scope against the sum of contracted scopes, and the gaps between them.
The asset and project record	Deliverables, decisions, approvals and design basis, surviving the departure of the individuals involved.

A useful property of this list is that none of these obligations is discretionary and none is created by adopting project controls. They exist from the day the project does. The only question is whether the organisation discharges them as work proceeds, or reconstructs them under pressure when an external party asks.

6. The reckoning is external, and it is never scheduled

Organisations rarely discover an information gap through internal reflection. They discover it when someone outside the business asks a question that assumes the records exist. The common triggers are a funding or grant claim; investor or lender due diligence; the FID submission itself; a contractual dispute or variation claim; a regulatory or audit request; and most frequently in small organisations, the departure of a person in whose head the project history was held.

The last of these deserves particular attention in early-stage ventures, where the project's institutional memory may genuinely reside with two or three people. In a larger organisation, a departure degrades the record. In a five-person developer, it can end it.

One such reckoning, a 12-month cost recovery claim on an externally funded Australian project, illustrates the point precisely. Of the costs incurred before a controlled invoice intake existed, substantiation required four months of forensic reconstruction, and a portion of the claim was abandoned as unprovable. Of those incurred afterwards, substantiation was a by-product of records already held. Same project, same people. The only variable was whether the information had been captured when it arose.

7. What this paper is not arguing

It is not arguing for an enterprise project management system, a PMO function, or a dedicated controls hire in a business of ten people. Imposing enterprise tooling on a small team is a genuine failure mode, and arguably a worse one than having nothing. A system the team routes around produces the appearance of control without its substance, which is more dangerous than an acknowledged gap, because it is believed.

It is also not arguing that the owner should replicate contractor controls. An owner-side schedule that duplicates a contractor's schedule creates a disagreement to be managed rather than information to be used.

The proportionate position is that a small organisation needs a small number of things to be true, maintained deliberately. What follows is that minimum.

8. A minimum viable control set: four objects

Four objects, each with a single named owner, each updated as events occur rather than reconstructed later. This is a discipline, not a procurement.

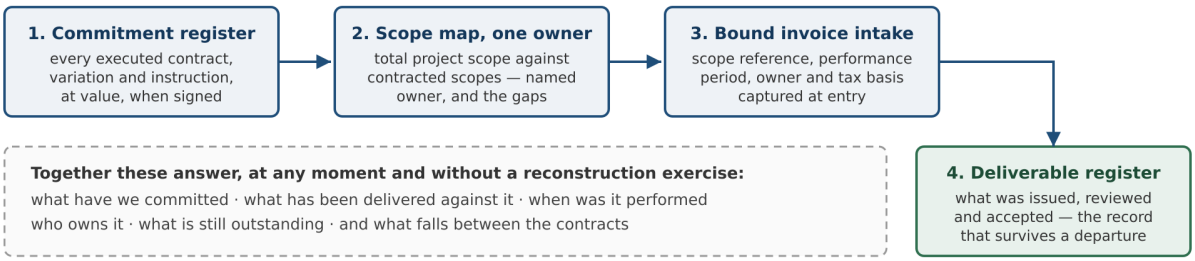


Figure 2. The minimum viable control set for an owner organisation. None of it duplicates contractor delivery controls, and none of it requires a particular system, the four objects can be maintained in a spreadsheet if that is proportionate to the organisation. What cannot be deferred is capturing them when the event occurs.

The cost of maintaining these four is measured in hours per week. The cost of reconstructing them is measured in months, and parts are not recoverable at any price, because by the time the question is asked, the records either exist or they do not.

9. A readiness test

For a developer or early-stage venture wishing to test the position rather than accept the argument, the following questions can be put to the organisation today. Each should be answerable within an hour, from records rather than recollection.

1. What is our total contracted commitment on this project, including executed variations, as distinct from what we have paid?
2. For any invoice paid in the last six months, which scope item did it cover, and in what period was the work performed?
3. Which named person owns each contracted scope, and who owns the scope that sits between two contracts?
4. If our most knowledgeable team member left tomorrow, what would we be unable to reconstruct?
5. If a funder, lender or auditor asked for substantiation of project costs over a defined 12-month period, how long would it take us to produce it, and what proportion would we fail to support?

An organisation that can answer all five does not need to change anything, and should not be persuaded otherwise. An organisation that cannot answer the fifth has not avoided the cost of project controls. It has deferred it, at an exchange rate it does not yet know.

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