

Commitments and Forecast Confidence in Plain English

A simple internal guide for PMs, accounting, and leadership

What commitments are	Why they matter	Core idea
Executed subcontracts, issued purchase orders, and other bought-out obligations expected to hit the job.	They help the team see how much of the forecast is backed by real pricing versus assumption.	A polished forecast is not the same as a confident forecast.

What leadership should be able to answer

- 1) What has been committed?
- 2) What still needs to be bought out?
- 3) Where are the scope gaps or pending exposures?
- 4) Where is the biggest uncertainty?
- 5) What action is required now?

What reduces forecast confidence

- Large portions of cost remain uncommitted
- Scope gaps are known but not quantified
- Pending commitments are real but not surfaced clearly
- Commitment data is stale
- The forecast does not move even though commitments changed

What a useful commitments view should include

- Trade / cost code
- Budget
- Committed amount
- Pending commitments
- Forecast cost-to-complete
- Exposure / variance
- Scope gap or risk notes
- Next action / owner

Why commitments matter to the forecast

A forecast may look precise, but if major scopes are not bought out, scope gaps are unresolved, or pending commitments are not visible, the forecast may be carrying more uncertainty than leadership realizes.

Red flags

- Buyout is incomplete on major scopes.
- Commitment data is stale or not trusted.
- Scope gaps are discussed but not quantified.
- Pending exposure is real but buried in notes.
- Forecast confidence is high even though commitment visibility is low.

Best practice

The commitments discussion should not live off to the side as a procurement detail. It belongs in the job story because it directly affects EAC confidence, variance analysis, buyout discipline, and forecast credibility.

Bottom line and best practice

Bottom line: Forecast confidence comes from knowing how much of the job is truly backed by real commitments — and where the remaining exposure still sits.

Best Monthly Job Review use: Review commitments alongside EAC, job cost variances, and change orders so leadership can see how much of the forecast is grounded in reality.