Contingency Budget and PM Discretionary Budget Policy

Definition
Plan 1 in SAP shall contain the BOQ as per the Final Design Development (FDD) and the Final Budget shall be based on this BOQ.

Plan 2 in SAP shall contain the BOQ and updated version of budget, as updated by the VFC drawings.

Contingency Budget
The contingency budget shall be 4% of the value of the Final Budget (prior to contingency). This shall be used to deal with the change in cost arising out of any changes between Plan 1 and Plan 2 on items which are included in the WBS. These changes shall primarily arise out:

a) Change in Design or specification
b) Change in unit price of specified materials / services
c) Change in BOQ quantity on account of the change in details from the information available at the time of Final Budget upto the issue of VFC drawings.

The contingency budget shall have no expenses debited against itself. As and when the estimated total cost (incurred cost + cost to complete) a particular line item exceeds the cost as per Final Budget, the additional amount so required shall be added to the Plan 2 of the said line item and reduced from contingency. Similarly, if any particular line item is completed at a cost less than the Final Budget, the balance amount shall be added to the contingency and reduced from the Plan 2 budget. The authorizations required for the same are as follows:

% increase in Activity cost over Final Budget estimate	Approval Required By
Upto 5%	Level 1 – Cost Management
More than 5% and upto 10%	Level 1 – Cost Management with any of of: **a)** Level 1 or 0 of Design **b)** Level 1 or 0 of Contracts **c)** Level 1 or 0 of Purchase as appropriate, based on the key cause of the change
More than 10%	Level 1 – Cost Management with Director

Construction Management Discretionary Budget

The CM discretionary budget shall be maximum of 1% of the Final Budget (prior to contingency). This shall be used to deal with the change in cost beyond Plan 2, on account of changes unforeseen at time of issue of VFC drawings. These changes shall primarily arise out

of:

a) Activity not being included in the WBS (either of Plan 1 or Plan2)
b) The actual consumption of the material or service required exceeding the estimate as per Plan 2.
c) Other discretionary expenditure at site (eg. material shifting, temporary works, procurement of materials directly at site for emergency use etc.)
d) Petty cash expense at site

The expenses against this CM Discretionary budget can be used both for Site Purchases and Site Work Orders, which fall in the aforesaid category.

The limit of 1% of the Final budget shall be divided equally over the initially estimated project duration in monthly installments. This shall be a rolling budget but the usage in any month cannot exceed the amount specified for a given month + any carry forward from the previous months.

The approval limits for expenses under the CM discretionary budget are as follows:

Value of work order / purchase order* as % of monthly limit for the given site (on any one given activity / material in one month	**Approval Required By**
Up to 50%	Level 2 of CM
More than 50% upto 100%	Level 2 of CM along with Level 1 / 0 of CM

* If work order / purchase order is not available, the maximum value of the bill which can be cleared is Rs. 5000/-, with maximum cumulative monthly limit of Rs. 25,000/- for any site. All such bills require dual approval of Level 2 and Level 0/1. This amount also forms part of the CM Discretionary.

If associate of a given level is not available, authority will be delegated to next highest level.

If any amount if left balance out of the CM Discretionary Budget or Contingency Budget at end of a project, same shall be credited to the company contingency account to be maintained by Accounts department. Any credit amount in the said account shall be carried forward for maximum of 36 months and can be allocated towards any ongoing project with approval from Level C / Director.