

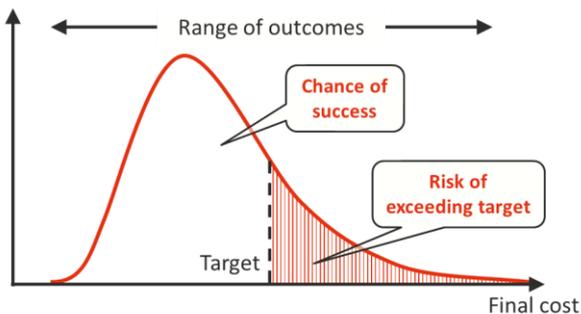
Broadleaf

Cost contingency analysis for small projects

Introduction

No matter how large or small a project may be, there is always a chance that costs will exceed the base estimate. The actual cost is never known until a project is complete.

A risk based contingency shows project owners the range of possible cost outcomes they face and how likely they are. This can be used to weigh up funding requirements and understand how much confidence you can have of staying within the approved budget.



Building on methods developed with major clients, Broadleaf has distilled the core components of a cost contingency assessment into an effective and economical process for small projects. Many small projects have a simple work breakdown structure and, given suitable guidance, estimators and subject matter experts can assess the uncertainties associated with them using a straightforward analysis process.

We will work with you to understand and quantify the sources of uncertainty affecting your project and use that information in a model to help you decide how much contingency you need.

Process

1. You provide us with an outline of the project scope, estimate and schedule.
2. We generate templates in which you describe the scope, assumptions and work undertaken to prepare each part of the estimate.
3. We facilitate a half day workshop to assess the uncertainty in the estimate.
4. We produce a model of the cost uncertainty and a report that describes the process and the main outcomes.

Our report

Our final report will provide a rational basis on which to determine a contingency allowance, as well as a means of justifying this and explaining the project's risks to others.



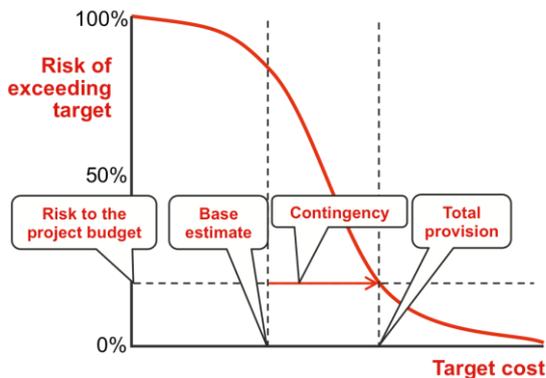
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Our report will contain:

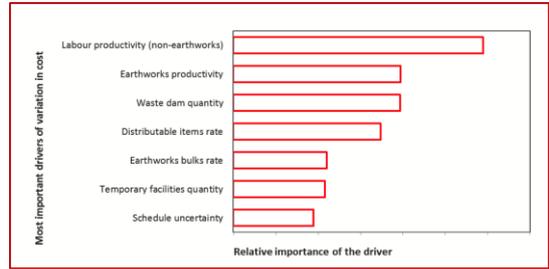
- Information about uncertainty in your project and the estimate, based on the templates you will begin to fill in before the workshop and will complete in the workshop

Data table 1:		
Date	Participants	
Scope & Assumptions		
Status of work to prepare estimate and plan		
Sources of uncertainty		
Pessimistic scenario description		
Optimistic scenario description		
Likely scenario description		
Range estimate		
Scenario	Forecast	Notes
Worst		
Best		
Pessimistic ($\frac{1}{2}$)		
Optimistic ($\frac{1}{2}$)		
Likely		

- The distribution of total cost



- The main drivers of uncertainty in the total cost, and their relative importance



- A table of contingency amounts that will provide you with various levels of confidence in the adequacy of funding.

Confidence	Contingency amount
...	...
80%	\$ 6.9 M
85%	\$ 7.6 M
90%	\$ 8.5 M
95%	\$ 9.8 M

Fees and deliverables

We offer a fixed price for this service, within which a limited amount of review and revision of the model and the report can be accommodated.

Our primary deliverable is our report. A major intangible benefit is improving the team's understanding of their project and estimate.

Contact

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If you would like further information about this service please contact us. The principles of the process we use for analysing uncertainty in project costs and schedules, and additional technical details, are provided [here](http://www.Broadleaf.com.au). See www.Broadleaf.com.au for more general information and [case studies](#) about our work.