

Department of Municipal Affairs and Environment
Capital Works Cost Contingency Allowance Policy
(Last updated October 2017)

Overview

Municipalities and local service districts are expected to include cost estimates that are as complete and as accurate as possible in their Capital Works applications. Despite these requirements, a variety of risk factors can delay a project and lead to unplanned cost overruns.

This policy establishes clear guidelines for estimating and incorporating cost contingency allowances into project cost estimates, to assist applicants in implementing best practices in risk management.

Policy Objectives

To enhance the planning, budgeting processes, and management of municipal infrastructure projects that receive cost-shared provincial funding, this policy pursues the following policy objectives:

1. Allow reasonable cost overruns due to unforeseen expenses or circumstances to be covered within the initial approved project budget, thereby minimizing further delays and/or cost increases caused by additional approval processes;
2. Ensure total program funding levels are managed in a predictable manner so that all communities have the opportunity to apply for needed projects; and
3. Enhance the accountability of consultants and communities with respect to project cost estimates and project management.

Application of the Policy

This policy applies to all infrastructure projects that receive any level of provincial funding under the Department's Municipal Capital Works (MCW) program, as well as any existing or future federal-provincial infrastructure programs.

This policy does not apply to Multi-Year Capital Works (MYCW) communities who are expected to manage expenses and overruns within their MYCW allocations.

Exemptions

In any instances where this policy conflicts with any Federal Government policies or requirements, or any Federal-Provincial Agreements to deliver infrastructure programs, the terms of those federal policies and/or intergovernmental agreements will take precedence.

Schedule of Contingency Allowances

The schedule below outlines the maximum amounts that the Department will allow a project to allocate as a contingency allowance in its cost estimates. These allowances are based on project type and/or total estimated costs to account for a variety of risk factors, including project complexity, scope and size, and associated construction, environmental, and professional costs.

Project Type	Total Estimated Cost	Maximum Contingency Allowance
Roads	Less than \$500,000	5%
	\$500,000 to \$2,000,000	4%
	Over \$2,000,000	Determined by MAE officials, based on the Scope of Work
Water and Wastewater	All	10%
Buildings (New Construction)	Projects less than \$5,000,000	10%
	Projects \$5,000,000 or greater	8%
Buildings (Renovation/ Remodeling/Repair)	Projects less than \$5,000,000	15%
	Projects \$5,000,000 or greater	10%
Recreation ¹	All	10%
Breakwater/Sea Walls	All	10%

Administration of Funds

The contingency allowance included in a project's cost estimates is only to be used to account for unforeseen costs, and should not be used as a substitute for robust cost estimates or to fund changes in scope or to complete additional work.

Change orders and/or changes to project delivery timelines must be approved by the Regional Office, as outlined in the Municipal Capital Works Guidelines. Invoices for any activities outside the approved scope of work or project timelines may be rejected for payment by the Department.

Upon project completion, any unused portions of a contingency allowance must be returned to the Department for use in future Municipal Capital Works projects.

¹ For projects that include sports facilities (e.g. arenas, gymnasiums, recreation centres), see Buildings