**Contingency Reserve Policy and Request**

**For this project, there is no contingency reserve allocated. This decision was made by the sponsor of the project. However, in the event the project team needs an additional budget, these would be the steps**

1. **Analyze Risks**

Before a budget is allocated for the contingency reserve, due diligence must be done to find out what the budget should be. First there needs to be a list of all the risks. Once that is available, start to dive in and analyze each one. There are many ways to analyze the data and produce a reserve amount. The best choice would be to calculate the EMV. Since the formula is probability times impact of the occurrence, it gives a solid foundation to build off.

1. **Calculate the Amount for Each Risk**

Once there is an EMV for each risk we can start to calculate a total amount for the contingency reserve based off the findings.

1. **Management Reserve**

On top of the contingency reserve there should be a management reserve for unknown risks. There will be risks that arise throughout the project coming from unforeseen events. An effective way to allocate a budget for this is by creating a reserve 5-10% of the total budget.

**Process For Requesting to Use the Reserve**

1. **Clarify Why the Extra Budget is Needed**

Here the project manager should communicate the reason the reserve should be used. It is important to express how the risk will affect the budget, scope, or stakeholders.

1. **Determine How Much Money Will be Needed**

Based on the previous analysis the project manager has done, there should be a numerical amount requested from the contingency reserve. This gives a clear number that can be shown to the project sponsor that helps fight to get approval.

1. **Provide Justification for Different Options**

A cost estimate of the needed contingency reserve will not be enough on its own. It is irresponsible to head straight for the contingency reserve whenever there is an issue within the project. There should be time to weigh other options to see if we can avoid taking money out from the reserve. If this proves to be the most beneficial option, a formal request can be filed.

1. **Project Sponsor Will be Responsible for Reviewing and Accepting the Funding.**

After all the above steps are completed, it is now up to the project sponsor to see if the request will be finalized and approved.