



Standard Classification for Allowance, Contingency, and Reserve Sums in Building Construction Estimating¹

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INTRODUCTION

In building construction estimating the terms allowance, contingency, and reserve are often used almost interchangeably and are assumed to be universally understood, yet they often mean different things to different people. Consequently they can be ambiguous in meaning and intent.

Applying these terms, as classified herein, adds a needed precision and rigor in their use as each term is held to be specific in its meaning, intent, and use.

1. Scope

1.1 This classification establishes a classification for allowance, contingency, and reserve sums used in construction, project, and program estimating.

1.2 This classification applies to all construction work.

1.3 This classification is not based on permanent physical elements of construction (as defined and classified in Classification E1557). Rather, the classification items are cost components common to construction, project, and program estimates.

2. Referenced Documents

2.1 *ASTM Standards*:²

E631 Terminology of Building Constructions

E833 Terminology of Building Economics

E1557 Classification for Building Elements and Related Sitework—UNIFORMAT II

E1804 Practice for Performing and Reporting Cost Analysis During the Design Phase of a Project

E1946 Practice for Measuring Cost Risk of Buildings and Building Systems and Other Constructed Projects

E2013 Practice for Constructing FAST Diagrams and Performing Function Analysis During Value Analysis Study

¹ This classification is under the jurisdiction of ASTM Committee E06 on Performance of Buildings and is the direct responsibility of Subcommittee E06.81 on Building Economics.

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² For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

3. Terminology

3.1 *Definitions*—For definitions of terms used in this classification, refer to Terminologies E631 and E833.

4. Significance and Use

4.1 When preparing construction, project, and program cost estimates, it is often necessary to make monetary provision for change or risk, or both, or other exigencies where information is incomplete.

4.2 Such allowance, contingency or reserve sums are employed by many persons engaged in the planning, delivery, and financing of construction work.

4.3 These users include owners, developers, facilities programmers, cost planners, estimators, schedules, architects and engineers, specification writers, operating and maintenance staff, manufacturers, educators, financial managers, and controllers.

4.4 *Usage*:

4.4.1 These sums are especially appropriate when performing the following activities:

- Cost budgeting;
- Conceptual, design, and construction cost estimating;
- Preparing complete forecast cost for economic evaluation, investment analysis, and approval; and
- Controlling cost during planning, design, and construction.

4.4.2 In any of these activities a needed requirement, or component, of the planned construction can be known while the defined solution, design or specification, for providing this may not. The usual, and appropriate, response in these situations, is the inclusion of a monetary sum, within an estimate, to provide for this (these) requirement(s).

4.4.3 Such sums may be general or specific in scope, may be planned to be spent or may only be included as possible mitigation for unplanned events and requirements.