Reserves in the budget

Layer the reserves on top of the work estimate, each with its purpose and the person who may release it.

LAYER	€ THOUSAND	COVERS	RELEASED BY
Work estimate	576	The planned work	Spent through the plan
+ Contingency	24	Known risks in the register	Project manager, under a rule
= Cost baseline	**600**	**What progress is measured against**	**Changed only by change control**
+ Change budget	40	Approved changes only	The steering group
= Budget	**640**	All the sponsor approved	More needs a new decision

Illustrative city project. Say whether contingency sits inside the baseline. Large projects add a management reserve.

WHAT IT IS

A budget has layers. The **work estimate** pays for the planned work. **Contingency** covers known risks; the project manager draws on it under an agreed rule. Together they form the **cost baseline**. Money held above the project manager, such as a **change budget** or a management reserve for risks nobody has found, stays outside it. Released money moves the baseline through change control.

HOW IT WORKS

01 Size contingency from the risk register or a simulation.

02 Agree who releases each layer, up to what amount.

03 Report each balance separately at every review.

04 Return what is unused at the end.

MID-LEVEL · WORKED EXAMPLE

Apply it well

The situation: A city team has eight months and €640k to move resident parking permits online, including €24k of contingency and a €40k change budget for approved changes.

The project manager proposes a rule: she draws contingency for register risks and reports each draw. The steering group, which holds the change budget, approves a €24k feature from it: the baseline rises from €600k to €624k, and €16k is left.

In the exam: Name each layer, what it covers and who releases it. Keep change money apart from risk money.

SENIOR · WORKED EXAMPLE

Design and lead it

The situation: A city is joining 14 online services under one login over 30 months: a €13.5m budget with €11.5m of work, €1.2m of contingency and a €0.8m management reserve.

The project manager may commit up to €40k per decision from contingency; larger draws go to the steering board. The city's chief executive holds the €0.8m reserve. Cost baseline: €11.5m + €1.2m = €12.7m.

In the exam: Design release rules as governance: thresholds, evidence, reporting and who can say no. Plan to return unused money.

WHERE IT SITS

IPMA · ICB4	PMI · *PMBOK® GUIDE* 8 · PMP® EXAM	APM · BOK 8 · PMQ EXAM
4.5.7.2 contingencies in the budget for uncertainties, risks and claims; contingency approaches (4.5.7)	Guide: cost baseline, contingency and management reserve (§2.4.1, p. 60). Exam outline: Process, task 6	BoK (APM's Body of Knowledge) §5.8.3 Contingency management: planned contingency, management reserve, drawdown (using it). PMQ (APM's Project Management Qualification) objective 22

Sources: IPMA ICB4 (2015); PMI, PMBOK® Guide, 8th ed.; PMI, PMP® Examination Content Outline (2026); APM Body of Knowledge, 8th ed.; APM, PMQ handbook (v6, 2026)