ABSTRACT

Construction projects, regardless of the number of times the same project is tried and tested, somehow will differ from the next. This is due to the very unique nature of construction projects, making it unpredictable and uncertain to the estimator and client in terms of the final project cost and site and project management problems. Therefore this makes the provision of the contingency sum an essential cost element when dealing with such uncertainty as this can help buffer any effect that may surface with such an occurrence of an unforeseeable event.

It has been established previously that the usual practice in Singapore is to allocate a certain percentage of the original estimate to the final project estimate as contingency sum. From this, this dissertation seeks to find out if such an allocation is justified and appropriate to serve its purpose. Thus, a case study on a public sector client was conducted in order to research on the details of how the contingency sum is being dealt with in the organisation.

The case study revealed that the public sector client was practising the industry norm of allocating a percentage of the original estimate to the final project cost estimate. Justification of the practice was sought and offered by the organisation. This is mainly because of the need to reach a consensus for all projects to follow the same practice in order to create less chaos. At this point, the effectiveness of such an allocation was assessed.
Causations and effects of the adequacy of contingency sum investigated showed that the effects can be costly for the client. It is appreciated that such occurrences are rare and much is done to ensure that the project cost stays on track.