

COST MANAGEMENT PLAN TEMPLATE

This template enables you to compile and complete each aspect of a project Cost Management Plan one of the most critical plans required for all projects. This plan provides a detailed record of the processes that will be adhered to ensuring project costs are properly managed. One of these process that is critical to any project's successful completion is the one that defines the actions required when a cost variance occurs.

Without careful and detailed planning project costs can be miss communicated to stakeholders and its sponsor. This is because of a poor or lack of explanation as to what the costs covers and any assumptions that have been made in the process of detailing these costs. A project manager must have the processes and reporting structure in place to ensure that costs are accurately monitored and controlled. This arrangement guarantees that the cost base is well managed throughout the project's duration and that the final product is delivered to the approved budget.

The Work Breakdown Structure (WBS) along with the scope and schedule baselines allows the costs of each activity to be properly estimated. An description of how these figures have been calculated including what assumptions and where appropriate what constraints have been made to arrive at this figure. The cost performance baseline is created and forms the basis for presenting the final project budget to the sponsor and stakeholders for approval.

A project cost management plan has the following elements. Each will relate to the culture of the organization and the nature of the project being undertaken.

- Unit of measure (used to create the estimates)
- Level of precision (extent of rounding up or down that has been used)
- Level of accuracy (e.g. $\pm 10\%$)
- Organizational procedures links (WBS gives the framework & control account for the plan)
- Control thresholds (cost variance that will be tolerated before action is needed)
- Rules of performance measurement (e.g. EVM – Earned Value Measurement)
- Reporting formats & frequency
- Description of all cost processes.

FRONT COVER

DESCRIPTION: this page details the typical items found on the cover of cost management plan. Amend its contents to reflect the needs of your specific project and organization's culture.

Displays a top-level summary of essential information relating to the Cost Management Plan.

- Author / Project manager is listed along with their contact details.
- Project Name that this plan relates to.
- Version & date of Cost Management Plan
 - Version history will be shown in relevant appendix.
- Approval:
 - Lists the names and job titles of each person who as given approval and sign-off of this plan.
 - The date and version they have approved accompany their signature.
- Circulation List of who (name, location & organization) has received stated version.

INTRODUCTION – outlines the purpose of this plan and describes how it will document and communicate with its stakeholders and other team members.

COST MANAGEMENT PLAN SUMMARY – provides an overview of the cost management process as it applies to the project. The regularity of reporting is clearly indicated and the percentage of variance (*suggestions shown below in blue italics*) required at different stages of formulating this plan.

PROJECT WORKING TITLE:

VERSION:

DATE:

REPORTING REQUIREMENTS

DEGREE OF ESTIMATION REQUIRED @

Frequency of
Cost Monitoring:

Frequency of
Cost Budget:

Conception of Project

±25%

Responsibility of:

Email:

Contact Number:

Alternative No.:

Project Charter

±10%

Cost Baseline

±5%

SPENDING LIMIT AUTHORITY LEVELS		
\$ COST LIMIT	PROJECT POSITION	NAME & CONTACT DETAILS
<i>< \$8,000</i> <i>< \$20,000</i> <i>< \$50,000</i> <i>< \$100,000</i> <i>< \$250,000</i>		
COST VARIANCE ACTION PLAN: outlines what actions need to be taken in the event of a cost variance occurring, alter the template examples (shown below in blue italics) to reflect the needs of the organization and project. All variance must be detailed in reporting process as described in this process and appropriate justification for the change.		
VARIANCE %	ACTION REQUIRED	RESPONSIBILITY OF:
0-5%	<i>Report variance in reporting with explanation of cause.</i>	
5-20%	<i>Commitment to costs can only be given with Project Managers written approval & reported appropriately.</i>	
20-45%	<i>Written approval is needed from Project Sponsor & Project Manager, plus reported appropriately.</i>	
45-95%	<i>Necessary to re-estimate project work package or deliverable before presenting to Project Sponsor, Project Manager & appropriate stakeholder if necessary. Only with written approval of all parties can project continue.</i>	
+95%	<i>Abandon project - inform stakeholders & project sponsor</i>	

COST MANAGEMENT APPROACH – defines the procedures and policies that are designed to monitor, control and manage the project costs from inception to closure. It will also outline how the planning and estimation of costs should be conducted and documented.

Procedures & Policies:

Documentation:

COST ESTIMATION – defines the process to be used when estimating costs for each of the project's activities. This section defines the level of variation as it relates to estimations as throughout the project duration. It classifies the units of measurement, precision, accuracy, thresholds, rules of performance measurement and element of risk.

COST BASELINE – the WBS defines the project's individual work packages / activities and is an integral part of developing an aggregate of cost estimate for each package. This section also defines how the project will be funded including the control accounts, element of planned contingency and management reserve.

COST CONTROL & REPORTING PROCESS – defines how costs are measured during the project and the metrics that need to be used in relation to each threshold .

Cost Management Reporting Process:

CHANGE CONTROL PROCESS – describes the process that enables changes can be made to the cost baseline and the actions required for each change to gain approval or be rejected.

PROJECT BUDGET – this section provides the final figures for each of the budget areas listed below that are appropriate to this version of the cost management plan.

PROJECT BUDGET

	\$ '000		\$ '000
Fixed Costs		TOTAL Project Costs	
Material Costs			
Contractor Costs		Management Reserve	

Project Working Title:		Project Description:		Version: Date:
Project Sponsor:	Contact tel: email:	Plan Author:	Contact tel: email:	Organization:
COST MANAGEMENT PLAN APPROVAL				
Printed Name & Job Title	Project Role		Signature	Date Approved
	Project Sponsor			
	Appropriate Stakeholders			
CIRCULATED TO:				
-		-		
-		-		
-		-		
-		-		
-		-		

APPENDIX A – VERSION HISTORY

This appendix records the version history of this plan. For each new and approved version the reasoning behind its creation are described below

Version Number	Name of Implementation Author	Date Revised	Release Date	Approved by	Date Approved	Reasoning behind new version
1.0						

APPENDIX B – GLOSSARY OF PROJECT TERMS

Each project uses standard acronyms and develops their own for the ease of communication. It is important to record them in this plan to ensure clarity of description and terminology is consistent in every communication.

Acronym / Term	Standard or Project Definition
PMO	Project Management Office
SV	Schedule Variance
CV	Cost Variance
SPI	Schedule Performance Index
CPI	Cost Performance Index
EVM	Earned Value Measurement