

Dynamic Planning - CapEx Planning by Project

Custom models to deliver dynamic Capital Expenditure planning.



Case Study

HIGHER EDUCATION



Challenge



Clients are always looking for the best way to plan for capital projects. These types of projects consume large portions of businesses' budgets each year, so a planning platform needs to be flexible enough to allow for detailed plans along with real-time updates.

On top of being able to budget for capital projects, organizations need the ability to track costs and spend against the budgets throughout the year. Timing of projects is a vital statistic to make sure projects stay within budget.

As we all know, unexpected changes happen, and any good tool of finance needs to be able to adjust quickly and allow for real analysis. Finance might not own the management of ongoing projects, but it is their job to understand the financial repercussions to changes in capital projects.

Accurate forecasting is the key to the success of great finance departments, so the tools need to be sharp. Dynamic planning opens up opportunities for collaboration between those who own the management of capital projects and those of who oversee the dollars.

Solution



Structured planning in Planful has a module designed for Capital Expenditures planning, but for many who have tried to use it, the module proves to not have enough flexibility. It is hard to navigate, and the input screens are crowded and not easy to use. The Structured planning CapEx module doesn't allow for quick changes, and many clients are left to loading CapEx via an Excel file.

CFO Solutions created a model in dynamic planning that delivers the same functionality as the structured planning CapEx module, but in a more dynamic and easy-to-use format. On top of calculating your capitalization and depreciation, the model empowers project managers to input expected spend across the time frame of the project.

The dynamic planning model approach allows for Finance to control the budget of projects but pushes the responsibility of estimating how that budget is spent to the owners of the projects. Loading project actuals to the model gave incentive to the project managers to engage in the system because they were able to track monthly progress towards their budget.

This engagement by project managers allowed Finance to quickly reforecast the project spend and understand progress

against actuals. The model was built with multiple scenarios, so there was an increased level of visibility that a spreadsheet cannot deliver. Finance was able to refer back to previous forecast version and monitor project managers expectations versus accounting projections.

Impact



What made this implementation unique:

This dynamic planning model can be leveraged by any customer that has a use case for the structured planning CapEx module. I would go as far to say any customer who uses the CapEx module would be better off to use our dynamic planning model.

This model can be easily adapted for new companies. Since it is driven off a single project dimension, we would just need to replace the project names with new names and a company could be off and running with this functionality.

Also since the model is driven off completion date of project, it could be used for different business functions like a sales to revenue model. If a business's revenue is deal-based or subscription-based, completion date becomes closed date and the capitalization calculation becomes the sale and depreciation becomes the monthly revenue calculation.

