Capital Projects

Planon Software Suite
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About this Document

Intended Audience

This document is intended for *Planon Software Suite* users.

Contacting us

If you have any comments or questions regarding this document, please send them to: support@planonsoftware.com.

Document Conventions

Bold
Names of menus, options, tabs, fields and buttons are displayed in bold type.

Italic text
Application names are displayed in italics.

CAPITALS
Names of keys are displayed in upper case.

Special symbols

	Text preceded by this symbol references additional information or a tip.
	Text preceded by this symbol is intended to alert users about consequences if they carry out a particular action in Planon.

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About Capital Projects

Capital Projects is a solution that you can start using from the default Accelerator configuration.

You can start a capital project either in the Budgets TSI or in the Projects TSI.

Depending on the customer requirements, there are two solutions, a light-weight model and an advanced model.

Light-weight model

Customers who are only interested in monitoring financials may opt to use a light-weight configuration involving Budgets and Capital Projects /Financial Console. This solution does not take into account planning and resources.
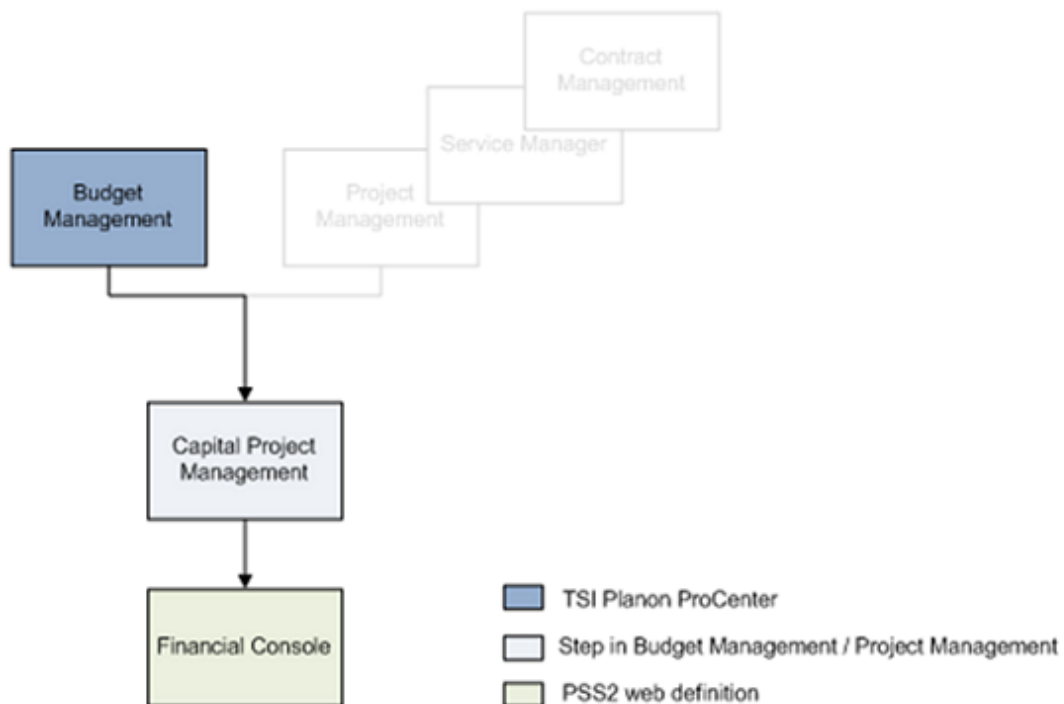
The **Financial Console** is a web based solution that provides a graphical overview of budget related costs.

Advanced model

Customers who require a more advanced solution including planning and resources should use the configuration involving a combination of Budgets , Projects , Work Orders , Contracts , and Capital Projects /Financial Console.
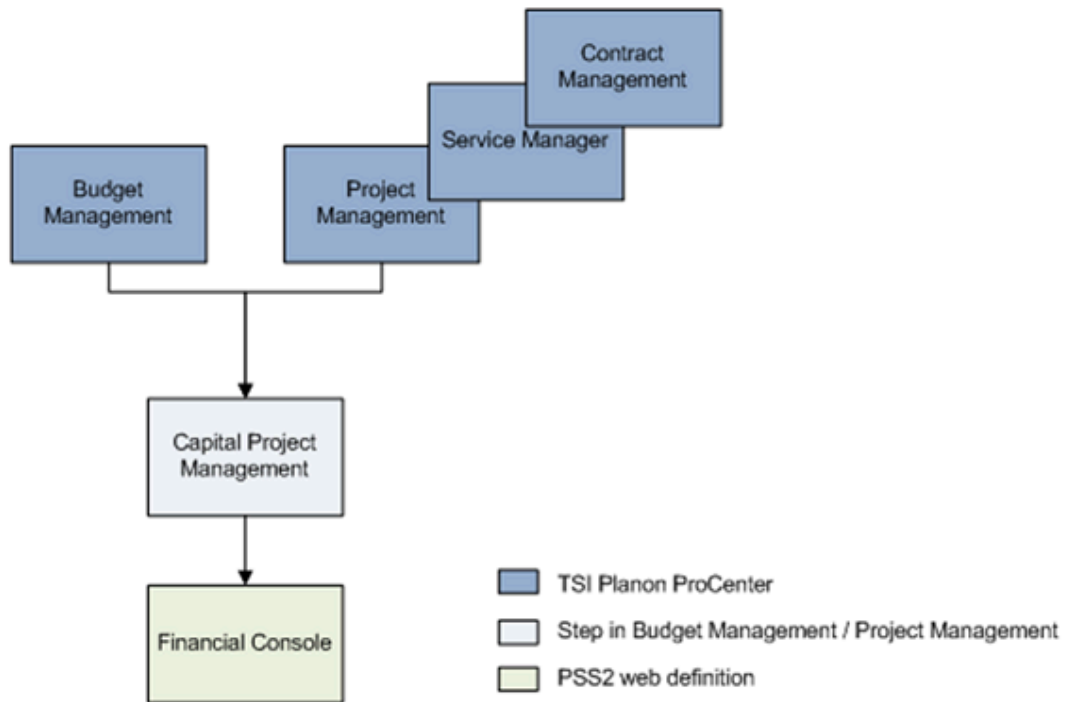
This solution allows project managers to monitor financials, progress of related orders and milestones during the execution of projects.

For information on configuring a Capital Project Management structure in Planon, see Configuring a capital project management structure.

Capital Projects – Concepts

The Capital Projects solution combines various Planon solutions to enable project managers to manage capital intensive projects and monitor related costs.

Capital project

A project created to manage capital expenditure/income. A capital project provides an absolute control over the costs and budgets of a project.

You can specify your project either as capital expenditure or operational expenditure. If your capital project is of the capital expenditure type, you can only link CapEx budgets. If your project is of the operational expenditure type, you can only link OpEx budgets to it.

Cost groups

Cost groups are used to divide budget categories into groups, such as Services, Housing costs, Projects and Service costs. A cost group needs to be specified for each budget category.

A cost group is a hierarchical element. This means it can be divided into subgroups. The maximum number of levels in the hierarchical structure is seven. Cost group structures only have to be defined once in Planon and can then be reused and linked to multiple projects.

Cost groups are not linked to a property.

Budget categories

By using budget categories, you can group budgets with identical cost groups (such as Services), but different cost centers (such as Research & Development or Facility Management). The budget category allows you to monitor the total amount of these budgets.

There are two types of budget categories:

- Operating costs: can be linked to one or more properties.

- Capital investment: can be linked to a main capital project and main cost group. You can define budgets for the combination of project and cost group.

  Capital investments can be linked multiple times to the same cost group.

Budgets

An estimate of income and expenditure for a set period of time. A budget is an assigned amount to be spent on a task or a project. A budget belongs to a specific budget category.

Budgets can have the following statuses: **Initial**, **Open** or **Closed**. In its initial status, a budget can be marked as either an income or expenditure. Any changes on a budget can be done in the **Initial** status only. Once a budget is moved to the **Open** status, the changes can be registered only via **Budget modifications**. If a budget is moved from the **Initial** status to another status, it is not possible to remove the budget.

A budget can be reset from the **Open** status to the **Initial** status, but only if:

- there are no budget modifications linked to the budget;
- no committed costs or invoiced costs are incurred against the budget.

Budgets can be of two types:

- Operational expenditure budget (OpEx)
- Capital expenditure budget (CapEx)

Forecast

A forecast is about estimating and allocating a budget in advance for a property or a project.

A forecast depends on the expenditure patterns of the currently allocated budget. Based on this forecast, the balance budget is calculated and the predicted expenditure is transferred to a real expenditure (orders / contracts).

Before a forecast is made, the commitments from the current orders and contracts as well as the upcoming expenditure must be considered. After a forecast is defined, the budget (for that forecast) cannot be changed.

A forecast can have hard and soft values. A hard forecast projects the real forecast value that gives the remaining budget.
A soft forecast provides a prediction of any possible changes that can influence the hard forecast.

Funds

A sum of money made available for a particular purpose.
For example: educational fund, library fund, building fund etc.

To know how a fund is utilized you can link it to a budget. A fund can be linked to multiple budgets. This will give an overview of money spent on different areas (budgets).
For example: If an organization allocates a fund to build a separate wing in a university, many budgets may be involved such as a budget for raw material, a budget for

employees etc. The fund manager should have a proper overview of where the funds are utilized.

Subfunds can also be added to a main fund. The time scope of a subfund should be within the time scope of the main fund.

Funds can have the following statuses: **Initial**, **Active** or **Closed**. You can also add other intermediate statuses, if required.
Once the fund moves from the **Initial** to **Active** status, it is no longer possible to change the fund amount. Any modification can be done in **Budget categories** > **Fund modification**.

Any modifications on funds can be registered as fund history.

> ℹ️ A fund can only be deleted in the initial status.
> If funds are registered in fund transfer or fund change, they cannot be deleted.

Capital Projects – Getting started

Capital projects enable project managers to have total control over their projects' costs. In addition, the Financial Console gives a clear overview on the status of your projects and its corresponding budgets.

To start a capital project, a process flow is required. This process flow is explained in the following sections:

1. Defining a capital project
2. Defining a cost group
3. Linking a capital project to a cost group
4. Defining budgets
5. Defining funds (optional step)
6. Executing a project

Defining a capital project

A capital project can be defined in **Budget Management** or in **Project Management**.

If you only deduct forecast amounts from your budgets, it is sufficient to use **Budget Management** to manage capital projects.
If you also want to deduct contract line amounts and order costs from your budgets, **Service Management** and **Contract Management** are required as well.

To add a capital project, proceed as follows:

Procedure

1. In Budget Management > Project selection step.
2. From the action menu, select Add.
3. Complete the fields in the data section.

   When defining a capital project, a couple of important settings must be selected that will influence the entire project. The settings are as follows:

   ◦ **Budget type** – You can select whether your project is a Capital expenditure (CapEx) or Operational expenditure (OpEx) based on the purpose of the project. The type of financial year is determined based on the type of project you select. If the project involves capital expenditure, the financial year is not relevant; in case of an operational expenditure the whole project must be booked on one financial year.

- ◦ **Costs excl. VAT** – You can decide if your project will be inclusive or exclusive VAT. The setting in **System Settings** > **General** is taken by default. This setting can be overruled for a single capital project.

The main level of the capital project is used to link a project and cost group structure, to make sure that budgets can be defined.
The project can be extended by creating a substructure of capital projects up to 3 levels deep. It is not possible to add projects of other types to a capital project.

4. Click Save.

A new capital project is added.

Budgets can be updated by several elements like orders, contract lines and forecasts.

Defining a cost group

To add a cost group, proceed as follows:

P r o c e d u r e

1. In Components > Cost groups selection step.
2. From the action menu, select Add.
3. Complete the fields in the data section.
4. Click Save.
   A new cost group is added.

A capital project must be linked to a unique cost group structure in order to be able to link budgets to the project. This cost group structure is a hierarchical structure (which can be 4 levels deep), representing a task list.

This list can be different for each main capital project. For ease of use, Planon recommends to make a template for the cost group (make sure that this is not used as an actual project). You can copy and reuse this template, remove the redundant codes and link it to a new capital project.

In **Budget Management**, in order to create budgets, you must link the main level of the cost group to a main level capital project.

For more information on linking capital project and cost group, refer to Linking a capital project to a cost group.

Linking a capital project to a cost group

You must link a capital project to a cost group structure in order to be able to create budgets for the project. This link can be defined when adding a **Budget categories – project** in the Budget Management > Budget Category level.

To add a project budget category, proceed as follows:

Procedure

1. Go to the Budget categories selection level.
2. From the action menu, select Add Budget categories - project.
3. Complete the fields in the data section.
4. In the Project field select the main level of the relevant capital project.
5. In the Cost group field, select the main level of the relevant cost group.
6. Click Save.
   A new Project budget category is added.

   For more information on the adding project budget category, see Adding budget categories.

7. After linking the main level of a capital project and the main level of a cost group to the budget category, you can proceed to add individual budgets to each sub project / sub cost group.

   If the linked capital project is defined as operational expenditure, you must select a financial year for the whole project.
   Note that you can link a capital project and a cost group only once.

Financial Console

If the project is linked to a cost group structure it will be available in the Financial console. The Financial console is an overview of all budgets related to a capital project. The horizontal axis shows the project, the vertical axis shows the cost group structure. You can define a budget for each node (combination of a cost group item and project) .

The Financial console shows all budgets related to the project and will give a good overview of the budget status, the available amounts, the status of the projects and detailed information of the budgets.

The budget details are shown at the bottom of the console, for budget modifications and budget forecasts (commitments) it is possible to open a list that can be configured in Web Configuration .

The Financial console displays a list of capital projects linked to a cost group structure.

After selecting the project, an overview of all budgets related to the Capital project including the project and budget statuses will appear.

By clicking a budget, the details of it are displayed at the bottom of the overview.
Click on a cell with a flag (such as budget modifications) to open a pop-up with all budget modifications of the budget.

> For more information on the financial console, see Financial console.

Defining budgets

Each unique combination of (sub) project and (sub) cost group can be assigned to one budget only. When budgets are added they are assigned the **Initial** status.

You can only deduct amounts from budgets if they are assigned the **Open** status. Budgets can only be opened if the status of the corresponding project is set to **In progress**.

The status flow of budgets is very strict: it is not allowed to change the status of the budget to its preceding status. Once the budget is assigned the **Open** status, you can no longer delete it, nor is it possible to update closed budgets.

To add a budget, proceed as follows:

Procedure

1. In the Budget categories selection level select the budget category to which you want to add a budget.
2. Go to the Budgets selection level.
3. From the action menu, select Add CapEx budgets/Add OpEx budgets.
4. Complete the fields in the data section.
5. Click Save.
6. A new budget is added.

Defining funds

Optionally, you can define funds in **Budget Management** and link them to a budget. A fund is a user-defined bussiness object.

Funds have a status transition model that is similar to the status transition model of budgets (Initial, Active and Closed). The status transition model of funds is very strict; you cannot return to a previous status. After activating the fund, the amount can only be changed by using a fund change and a fund transfer.
You can link a fund to one or more budgets.

To add a fund, proceed as follows:

Procedure

1. Go to Components > Funds.
2. On the action menu, click Add.
3. Complete the fields in the data section.
4. Click Save.

   A new fund is added.

Executing a project

In order to be able to execute your project in **Project Management/Budget Management,** you need to activate your project by switching its status to **In progress**. Once the project is activated, you are ready to start using Capital Project Management.

Working with budgets related to a Capital Project

After changing the status of a budget to **Open**, you can no longer directly change the amount at the budget. Changes to the budget must be made via a budget change or via a budget transfer. It is possible to deduct amounts from open budgets via orders and contract lines, and forecasts via **Committed** and **Paid** statuses. The following procedures are explained in this section:

- Changing budgets
- Changing funds
- Forecasts for budgets
- Deducting amounts from budgets via contract lines
- Deducting amounts from budgets via orders

Changing budgets

In **Budget Management**, to change the amount of a budget with the Open status, you can use a budget change or a budget transfer.

Use a budget change to add money to the budget. Use a budget transfer if you want to tranfer money from one budget to another. The budgets are updated after the budget change / transfer is assigned the Approved status. To change the budget, the budget must be in the Open status; to transfer money between two budgets, both budgets (source and target) must be in the Open status.

The budget change / transfer is a user-defined bussiness object.

To modify a budget, proceed as follows:

Procedure

1. Go to Budget details > Budget modifications step.
2. On the action menu, click Add Budget changes/Add Budget transfers.
3. Complete the fields in the data section.
4. Click Save.
   The budget is modified.

   For information on the changing budgets, see Modifying a budget.

Changing funds

In **Budget Management**, to change the amount of a fund with the **Open** status, use a fund change / fund transfer.

Use a fund change to add money to the fund. Use a fund transfer to tranfer money from one fund to another. The funds are updated after the fund change / transfer is assigned the **Approved** status. To change the fund, the fund must be in the **Open** status. To transfer money between two funds, both funds (source and target) should be in the **Open** status.

The fund change / transfer is a user-defined bussiness object.

To modify a fund, proceed as follows:

Procedure

1. Go to Budget categories > Fund modification step.
2. On the action menu, click Add Fund change/Add Fund transfer.
3. Complete the fields in the data section.
4. Click Save.
   The fund is modified.

> **i** For information on the changing funds, see the *Budget Management > Modifying a Fund*.

Forecasts for budgets

In **Budget Management**, it is possible to add one or more forecast lines to each budget. All forecast records with the **Active** status will be included when calculating the available budget. The hard forecast amount is subtracted from the budget.

If you use the light-weight Capital Project Management solution and do not want to add work orders or contract lines in Planon, there is a possibility to change a forecast into a commitment and actual payment, by changing the forecast status to **Committed** or **Paid**. The amount in the **Hard forecast** field will be committed and it will be deducted from the budget as committed or paid costs (the budget will be updated via journal entries). The statuses **Inactive** and **Active** will not generate journal entries.

To add a budget forecast, proceed as follows:

Procedure

1. Go to Budget details > Forecast step.
2. On the action menu, click Add.
3. Complete the fields in the data section.
4. Click Save.
   A new forecast for budget is added.

Deducting amounts from budgets via contract lines

To make sure that amounts are deducted from a budget , the contract setting **Book on budgets** needs to be set to **Yes**.

1. Go to FieldDefiner > Business objects level
2. Select Contracts and switch status to Under construction.
3. On the action menu, click Business object settings and set Book on budgets to Yes.

   ◦ There are two ways to deduct amounts from budgets via contract lines:

   ◦ Based on a valid (referencing an open budget) combination of project and cost group, especially for the capital projects.

   ◦ Based on the budget definition, especially for property related budgets.

   ◦ By linking a contract line to a cost group and a project, it is possible to book the contractual commitments on the budget. The budgets should be in the Open status in order to book money. The commitments of contract lines that need to book on a budget will generate journal entries and the journal entries will update the budget.

   ◦ By linking the contract line to a budget definition, the budgets will be updated.

Deducting amounts from budgets via orders

- By linking an order to a cost group and a WBS item, it is possible to deduct order costs from a budget. The budgets must be in the Open status in order to write off money. The way orders influence budgets depends on the status of the order and on the type of costs: estimates or actual costs.

- Estimates are written off as an estimated budget as long as the order is Not accepted yet.

- Estimates are written off as a committed budget as soon as the order is in the Accepted status.

  One exception: The actual costs of this order will be subtracted, so only the sum of total estimated costs – total actual costs will be booked as committed costs. If your actual costs exceed the estimated costs, the committed costs will remain zero.
  Actual costs are always deducted as paid costs.

> ℹ️ For more information on configuring the Financial Console, see PSS2 and Web Client Configuration.

Configuring a Capital Projects Structure

In **TSI Manager**, complete the following configuration steps to enable Capital Projects:

1. For **Budget Management**, on the **Properties** level, add the **Projects** step.
2. On the **Components** level, add the **Funds** step.
3. On the **Budget categories** level, **Budget categories** step, add the **Budget categories - project** layout.
4. On the **Budget categories** level, add the **Fund history** step.
5. On the **Budget categories** level, add the **Fund modification** step.
6. On the **Budget categories** level, add the **Communication logs - Funds** step.
7. On the **Budgets** level, **Budgets** step, add the **CapEx budgets** layout.
8. On the **Budgets** level, add the Fund modification history step.
9. On the **Budget details** level, add the **Budget modifications** step.
10. On the **Budget details** level, add the **Forecast** step.
11. For **Project Management**, on the **Projects** level, **Projects** step, add the **Capital project** layout.
12. For **Contract Management**, add the **Capital project** and **Cost group** fields to the **Contract line** layout.
13. For **Service Manager**, add the **WBS item** and **Cost group** fields to the **Contract line** layout.
14. For Self-Service (PSS2), add the **Capital Project Manager** step to the **PSS Manager**.
15. Configure the **Project list.**
16. Configure the **Financial Console.**

    Capital Projects is now enabled for you, to start using.

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