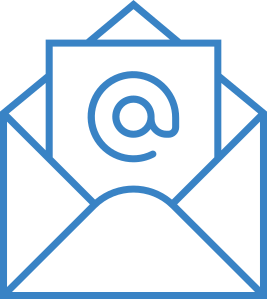
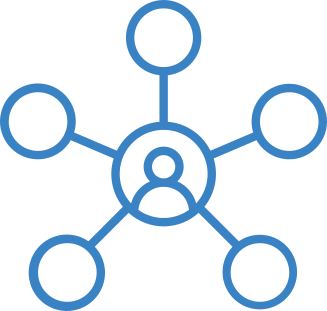


How to deal with buckets and contingency

Nestle – New Cost Structure

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# Introduction

In 2023 in NIMT a new cost structure will be implemented, which will facilitate more flexibility and will also now support 4 different cost types, being CAPEX, OPEX, INTR, and BRRW.

An example of the new structure is given below.

Graphical user interface, text, application

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As with the new structure, there are a number of items to consider:

* The user can create a number of CAPEX trees
* Same for Special Charge, BRRW and INTR
* Cost at IT level is now moved one level down

This has an impact on the budget buckets as they will be now on the level of cost type (CAPEX/SC....). As budget buckets forecast is directly mapped to the budget, setting ETC to zero at project closure becomes impossible. To solve this, 2 scenario’s have been discussed which are shared below

# Scenario #1 – Closing procedure to manage buckets

The buckets will remain at the level 2, i.e. CAPEx/Special Charge etc..., and whereas the functionality of the bucket will not change. This implies that the current way of working by which the user transfers money into IT8-Contingency will no longer work, as the budget buckets are above IT8.

The closing procedure will be expanded in such a way, that upon closing a project, the bucket ETC will be set to 0. In the event a project is re-opened, the ETC/EAC of the bucket will be aligned again with whatever is left in the bucket as a budget.

Graphical user interface, application, table, Excel

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### Pro’s

* Technically ressonably easy to do
* Little change for the user

### Con’s

* For the user still juggling with budget buckets
* The use of budget buckets at level 2 is questionable
* Impacts change management process also
* Impact on datasources/dashboard as buckets are now at L2 instead of L3.

## Scenario #2 – Eliminate Budget Buckets

Basically as IT8 Contingency can now be deployed to any structure, IT8 could be seen as a contingecny bucket.

We remove the budget buckets completely and instead start using contingency elements. In NIMT cost management, cost elements can be flagged as contingency elements. If we eliminate the buckets all together and start using contingency elements for what they are intended then it will result in the following scenario and possibilities:

1. Changes to be made
   1. We implement “transfer budget” on all cost elements.
   2. We remove budget buckets
   3. We enable “contingency” element
2. Functionality
   1. The user can move budget from one element to the other, within the same main structure. This is always based on a 0-delta, i.e. you can only move approved budget from one element to others
   2. When the user increases EAC on an element and funds are remaining in the EAC of the associated contingency element(s), the user can transfer these at that time, or at a later stage, in other words move forecast from contingency to a normal cost element
   3. The user can create as many contingency elements as desired
   4. Contingency elements will not be synced to SAP
   5. As we do not have buckets anymore, we have to consider the impact of when an element that carries a budget and forecast, becomes a node:
      1. Transfer the funds into a contingency element below the node
      2. Or put the funds in the 1st element to be created under the new node

### Pro’s

* User has much more flexibility and freedom
* Budget phasing no longer changes with each forecast change
* User can move budget from element to element
* Ability to manage contingency also under Special Charges, INTR and BRRW
* True management of contingency
* Lesser impact on datasources/dashboard

### Con’s

* Development is more than in Scenario #1
* User needs to be informed of the new method