FINANCIAL FORECASTING WHICH WORKS FOR

Christian Aid

THE SHIFT TO PROJECT-BASED PLANNING GIVES THE CHARITY THE FLEXIBILITY TO ADAPT IN A CHANGING LANDSCAPE

FORMULATE CASE STUDY

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FINANCIALLY RESILIENT

"CHRISTIAN AID - WORKING TOWARDS BEING GLOBALLY NETWORKED, DIGITALLY ENABLED AND FINANCIALLY RESILIENT."

Christian Aid is a global charity working across 39 countries to support sustainable development and stop poverty.

The charity was working towards becoming 'globally networked, digitally enabled and financially resilient', which presented an opportunity to re-think the existing financial planning structure.

Christian Aid's scenario is complex, understanding the features and constraints of existing systems was as critical as the functionality of the proposed solution. They engaged Formulate to assist with analysing the situation and devising a strategy to simplify their financial planning.

The Scenario

The charity receives funding from many sources including; government aid, donations, legacies, investments and through partnering. Much of the funds have conditions attached to how they may be distributed. This can relate to dedicated activities, specific regions or the achievement of certain aims and objectives.

Traceability

All charities are required to allocate and track the performance of funds and revenue against strict and changing conditions.

- Many legacies provide for monies to be used against a range of specific aims, such as to benefit a certain gender, age-range or vulnerable group. These requisites put considerable pressure on financial tracking.

- There is a weight of regulatory requirements which must be complied with and can differ across countries and jurisdictions.

- In 2016 the media highlighted issues with charitable fundraising leading to substantial industry changes.

- There is also a growing emphasis on managing the unintended negative consequences of counter terrorism legislations.

The need for regulatory compliance resulted in an extremely complex financial situation. Managing fund allocation and start-to-end traceability is paramount.

The financial planning structure was organised into departmental and regional cost centres rather than projects. This made it challenging to track the allocation and outcomes of funding and difficult to plan programme activities or timelines.

CORE CHALLENGES
- Allocating and tracking multiple diverse funding sources to meet strict use restrictions
- Structural re-organisation
- Move from departmental and regional to project based cost centres

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THE PROJECT

"WE NEEDED A CLOUD-BASED SOLUTION TO IMPROVE INTERNATIONAL AND LOCAL COLLABORATION AND KEEP COSTS MANAGEABLE."
IT DIRECTOR

Christian Aid use SUN systems to operate their transactional accounting. SUN has Analysis codes to allow allocation to funds. The difficulty was in using these in a logical way to manipulate information in multiple dimensions such as account, cost centre, project, source. E.g., when the primary focus was on legal and departmental accounting, reporting in SUN by project or fund was complex and time consuming.

The existing budget and forecast model was in Excel. Budgeting responsibilities were devolved to teams on the ground but Excel was hindering collective work as sharing and collaboration is its weakest area.

As is common in many organisations, the result was multiple spreadsheets distributed via email. The high level of detail required meant collating and summarising these was a mammoth task and resulted in large, cumbersome and unmanageble Excel sheets.

The combination of the restructuring of the finance system and the constraints of Excel, meant that neither continuing with nor adapting the existing process were viable options.

The scope

Christian Aid started looking for a new system in summer 2016. They needed a solution in place for their budget round in December 2016 and quickly ascertained that Adaptive Insights would be the best software platform for their needs.

At the time the organisation was budgeting and reporting annually. However, as many of their programmes span multiple years or are seasonal, the goal was to move to a rolling forecast model.

All budgets were completed in spreadsheets and manually fed into nine different SUN systems ledgers.

Over 200 people contribute to the budget, but paying for so many licences when few would use the system more than once a year presented an immediate challenge.

With a tight time-frame and budget Christian Aid needed a solution that could manage this complex set up and be quickly self-sufficient.

The solution

Formulate and Christian Aid met at a roadshow event and explored how they could work together on delivering the project. Christian Aid were impressed by Formulate's whole-business approach, rather than simply configuring software. They recognised that such analysis would be key in delivering a successful solution on time.

Formulate quickly resolved the licencing concerns by working with Adaptive to build a custom solution tailored to Christian Aid's unique set-up.

With Formulate's experienced guidance, a system was implemented to allow budgeting at a local level, by project and fund, while still retaining a view by department and entity.

Adaptive would be the new reporting platform. Data from the nine SUN ledgers was integrated to show both Actual and Budget in the same views.

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THE CHALLENGES

Challenge - All costs and income must be allocated to a fund as well as a project and cost centre. The use of funds is restricted to specific activities.

Solution - Both Funding and Retained earnings are split by the various restrictions on the face of the Balance Sheet. Formulate's accounting skills and understanding were key to developing this solution.

Challenge - Remove human error from calculation of travel costs.

Solution - All travel costs in the forecast are driver-based. The result is faster forecasting and removal of human judgement from the calculation. Users now plan the number and type of trips, rather than a financial sum. Its an excellent example of driver-based forecasting.

Challenge - Gift Aid is a factor in many donations.

Solution - Formulate modelled the uplift in funds

and incorporated the cash flow impact and delayed payment of gift aid into a fully balanced cash flow forecast. A fully integrated P&L, Balance Sheet and Cash Flow is a feature of the regular Formulate build.

Challenge - Revenue is driven by fundraising, rather than more classic models of product or time.

Solution - The Revenue model was custom-built to allow for these unique dynamics. Christian Aid can now budget and compare this year's events with previous years, regardless of the relative timings.

Challenge - Budgets are built in multiple currencies by project. Costs and delivery are denominated in various currencies (and countries).

Solution - Formulate devised a simple, but effective, input that accounted for this complication, without making the user input unworkable.

Challenge - People belong to a Cost Centre, but work on Projects (often multiple projects).

Solution - Enable the forecast to reflect the Project as the primary viewpoint while allowing cost centre managers to be accountable. Actual payroll costs are similarly managed to allow full comparison.

Team Work

Christian Aid's strong, capable and engaged programme team was lead by Karen McLaughlin and Brian Watts. Chris Holbrook headed up the Formulate team. Together they used the Formulate 'Agile for Adaptive' methodology to structure the project.

Karen had experience implementing the SUN Systems they were already using and was adept at model building. Chris spent time with the organisation to gain a detailed understanding of what they wanted to achieve and map out the initial structure. He quickly built an initial working prototype that would allow the Christian Aid team to gain hands-on experience with the detailed solution. Karen was then able to add further dimensions, data and formulas to this prototype.

Structuring the implementation this way reduced the consultancy time by at least a third and allowed Christian Aid to be very self-sufficient from an early stage. Karen found Adaptive Insights easy to use and, working on the project full-time, quickly got to grips with it. Her dedicated focus was critical to the success of this process and highlights how, with the right support, Adaptive Insights can be deployed and learnt in a very short time-frame.

The model

The principal aim was to move Christian Aid from a departmental-based forecasting model to a project-based one. This was driven by the CFO to support an organisation-wide restructuring of the charity and personnel.

Christian Aid wanted better visibility, flexibility and traceability of allocated funds across countries, regions and programmes, both for Actual and Forecast data.

Formulate combined the functionality within Adaptive's Planning module with the Integration module. This enabled the connection of data from the nine General Ledgers, hosted on the SUN systems, to populate the model with Actuals data.

Formulate extracted the data from the SUN systems and used the Transformation scripting to reorganise and deliver it to Adaptive. A range of Data Loaders then populate the various sheets – most of them with multi-dimensional data.

To achieve this, each ledger needed a separate mapping table to post to Adaptive. This complexity is all behind the scenes. The Christian Aid team simply run a series of straightforward Integration tasks each month end.

The model is completed with a comprehensive reporting suite. This resulting online multi-dimensional view of both Actuals and Forecasts simply wasn't possible before Adaptive Insights was in place.

The associated Adaptive Report Writer is very user friendly, providing the team with a flexible Month End pack, as well as being able to react quickly to ad-hoc reporting needs.

THE NEXT PHASE

Next Phase

As Christian Aid goes through restructuring, the ability to plan, budget and report easily per project will allow them to re-map the organisational processes logically.

Following the success of this implementation, plans are in place to expand the use of Adaptive Insights and move the organisation to rolling forecasts. This will enable Christian Aid to be more flexible and proactive in the way they structure their work.

A core goal is to better meet the needs of local managers rather than expecting them to fit around central finance requirements. As Brian explains, "We want programme managers to tell us how they want to work and we'll shape it."

The team have been inspired by being able to consolidate the many dashboards used across the organisation to better see and communicate with different parts of the business.

Outcomes

Together, Formulate and Christian Aid achieved the implementation of Adaptive Insights in under three months. With tailored guidance and support from Formulate, the charity built much of the model themselves.

An initially circumspect user group were trained in-house by Karen with extremely positive results. Not only was the new system heralded as easy to use, the team were enthusiastically engaged and soon suggesting possible adaptions.

Adaptive Insights has enabled the organisation to achieve its goal of restructuring, reducing operational costs and significantly improving speed and efficiency. Crucially this means Christian Aid can effectively manage the impact of the changing funding regulation on the organisation, both now and in the years to come.

With this in hand, they can get on with doing what they do best, bringing an end to poverty.

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