Using OneStream for Regulatory Reporting in Higher Education

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Introduction

Finance teams within Higher Education organisations are facing increased challenges. Traditionally, institutions have had the luxury to make steady and incremental changes, but today's environment is very different. The pace of change is greater than ever. Higher Education today operates in a more commercial and competitive landscape and with increased regulation and complexity on how to report financial results there is increased pressure on universities to modernise finance processes and systems.

One of the unique regulatory challenges facing Universities today is the Higher Education Statement of Recommended Practice (SORP), which, in conjunction with FRS 102, dictates that organisations must produce additional analysis within their core financial statements.

In addition, the Office for Students (OFS) mandates that statutory accounts must be published before 31 December, 5 months after the standard year end of 31 July – a challenging timeframe for large, complex organisations, exacerbated by having to also complete the 5-year forecast view and detailed analysis required for the Annual Financial Return.

Overview

AMCO Solutions is a specialist consulting company with an exclusive focus on OneStream Software. AMCO's consultants' have a proven background in the Higher Education sector and have delivered consolidation and budgeting solutions using the OneStream platform to transform finance and meet regulatory compliance at a world-renowned Russell Group University.

In this solution briefing, we have created a deep dive into how OneStream, a leading Corporate Performance Management tool that unites Consolidation, Financial Planning, Reporting and Analytics into one platform, can streamline reporting to meet these regulatory challenges and improve data integrity around some of the specific complexities facing a higher education organisation.

We use a generic institution – **Central University** – to show how OneStream can deal with the specific regulatory challenges facing Higher Education organisations. But remember, OneStream can be implemented to meet the requirements of any University, regardless of their current ERP system, consolidation process, complexity, and organisational structure.

Endowment and Restricted Reserves Analysis

Higher Education organisations need to present their financial results in three separate tranches: unrestricted, restricted and endowment funds. Our example below shows an extract from the model statements for restricted reserves to demonstrate the concept.

Notes to the financial statements
for the year ended 31 July 201Y

25	Restricted Reserves	capital grants £'000	Donations £'000	201Y Total £'000	201X Total £'000
	Reserves with restrictions are as follows:				
	Consolidated and Institution				
	Balances at 1 August 201X	730	688	1,468	839
	New grants	200		206	
	New donations	-	407	407	659
	Investment income	-	66	66	106
	Capital grants utilised	(340)		(340)	
	Expenditure	-	(355)	(355)	(225)
	(Decrease) / increase in market value of investments	-	-	-	-
	Total restricted comprehensive income for the year	(140)	118	(22)	529
	At 31 July 201Y	610	806	1,446	1,468

	201Y Total £'000	201X Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Lectureships	-	-
Scholarships and bursaries	-	-
Research support	618	491
Prize funds	65	79
General	123	118
	806	688

Producing these tables is a very complex and time-consuming affair. You need to analyse income statement transactions and the impact on individual reserves accounts. This usually ends up being a manual and error-prone process in Excel because ERP systems typically do not have the built-in functionality to compile this analysis.

In our generic scenario, Central University can create significant time savings and efficiencies by automating the production of the endowment and restricted reserves analysis using the unique capabilities in OneStream.

The Flow Dimension

OneStream's unique flow dimension significantly reduces some of the complexity surrounding the disclosures required for the endowment and restricted reserves analysis. The flow, as a concept, enables distinct combinations of movements (typically balance sheet analysis) to be combined with the Chart of Accounts "Account Members." As a very basic example, Fixed Assets, can be provided with, and limited to being able to input to the flow additions, disposals, transfers etc.

For accounts that do not need to be analysed, such as trade debtors, you can apply a default flow, which can be automatically populated. This creates a delta between opening and closing. Using a specific problem that Central University might face, trial balance reserves accounts can be controlled via these limiting factors called "constraints".." This ensures data is allocated to the appropriate disclosure within the endowment and restricted reserves analysis. For example, you can populate newly received endowments only for the endowment reserves and not for the unrestricted reserves.

Another benefit of using OneStream's flow dimension is that you can drastically reduce the number of reserves accounts within the group chart of accounts in the consolidated trial balance. That is a feature missing in many other EPM solutions. This allows you to mimic the required structure for the statutory account's disclosure. In turn, this approach makes it familiar to end-users and reduces the maintenance burden within the metadata.

Flow dimension members can be populated directly based on the nature of the transaction booked in the income statement. If you combine this with the UD feature shown below, you can completely automate the process within OneStream.

In the example below, rows contain account members from the chart of accounts. In turn, the columns contain the flow members allocated to the accounts with the Green, White and Red intersections.

These coloured intersections identify when the flow is not available and locked for data entry (red), calculated (green) and available for user input (white). It improves data integrity significantly by making sure new endowments are not reported against specific donations, for example.

So, this flow structure has provided Central University with a framework to analyse its endowment and restricted reserves. Where does it become particularly powerful? When you take user-defined dimensions and use them to leverage the transactions from within the income statement. This approach automatically populates the flow members for each account.

User Defined Dimensions

OneStream comes as standard with eight user-defined dimensions, which Central University can use to customise with its own metadata. These eight come in addition to other often-used dimensions, like entity, account, flow, intercompany and scenario. Many organisations manage elements such as cost centres, project codes and geographical regions using these dimensions.

Central University is able to use the dimensions to add structure to the various categories and reserve types used for the income statement transactions. So, regardless of how your ERP or other business software drives the analysis on a transactional level, you can automate this part.

Example? Take the user-dimension structure you see above. It mimics the accounting structure for the reserves on the left. This setup ensures that all income statement balances are allocated to the right category. These user- dimensions are then used to create the flow analysis for both the endowment and restricted reserves analysis.
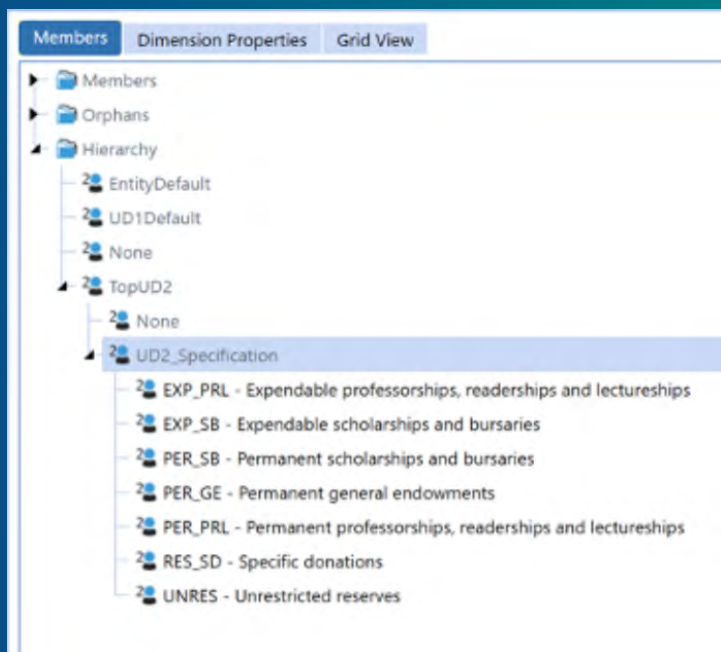
OneStream Dimension

Below, you can see an overview of all the user dimensions, including the eight customisable ones. Since all data is populated within OneStream, you can create whatever analysis you want because a single user dimension can be selected. Example? Say that Central University reports by department and uses that as its UD2. Now, you can produce an endowment and restricted reserves analysis per department with very minimal effort both in terms of sourcing data and reporting.

Cube POV	
GolfStream - Corporate	(Cube)
Houston Heights	(Entity)
Houston	(Parent)
Local	(Consolidation)
Actual	(Scenario)
2011M3 – Mar 2011	(Time)
YTD	(View)
61000 – Gross Income	(Account)
None	(Flow)
Import	(Origin)
None	(IC)
Top	(UD1)
Clubs	(UD2)
Americas	(UD3)
Top	(UD4)
US GAAP	(UD5)
None	(UD6)
None	(UD7)
None	(UD8)

$9,000-
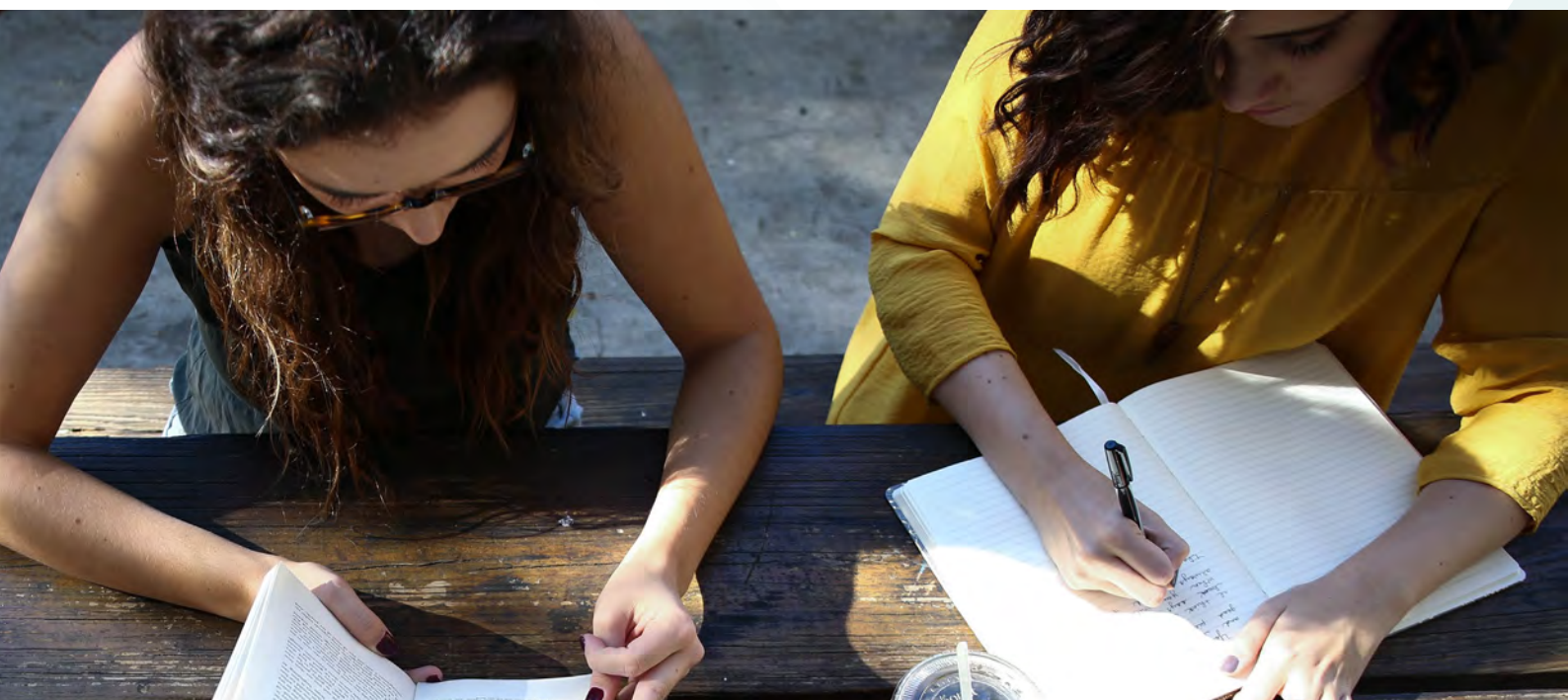
Income Statement to Flow Automation

The previous examples show the structure and outcomes of a standard statutory income statement and endowment and restricted reserves analysis. How does OneStream significantly improve reporting times and data integrity? By automating the analysis of the income statement transactions into the reserves flow. OneStream analyses the user dimension when loading the data from the trial balance and journals. At the same time, it calculates the reserves movement categories.

To make sure the system can analyse the data correctly, the ERP data needs to be tagged somehow. Your typical Higher Education chart of accounts string will include an identifier for the funding source, given this is required for the statutory analysis.

End-users maintain complete control because they can customise these processes in OneStream using the same chart of accounts string. This means that all funding sources can be identified using auditable rules you can always trace.

Consolidation

Applying this approach to a single entity is one thing. But doing it for a group with multiple entities without a tool like OneStream is another story altogether. In the latter case, you would typically look at different charts of account strings. That can be solved in OneStream, too. You can manage this using individual transformation rules. This way, all TB source data is correctly analysed and allocated to the group structure, meaning the group reporting is dynamic and not subject to constant review and change. The practical upshot of this type of setup is that you can also automate the group's reporting.

But what about intercompany eliminations? OneStream can handle this automatically as well. For example, the reduction of sales and expenditure for intercompany activity can be eliminated from the income statement and the column analysis within the endowment and restricted reserves analysis simultaneously.

Conclusion

OneStream allows Higher Education to upgrade the transparency of their finances, the efficiency of their finance teams, and ensure compliance with relevant rules and regulations.

Time-consuming, manual work done in error-prone spreadsheets can be eliminated, and OneStream helps you comply with regulatory requirements such as the endowment and restricted reserves analysis. The ability of OneStream to provide bespoke automated solutions to address the challenging and complex issues facing Accountants in Higher Education in today's changing environment really is a game changer.
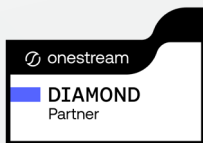
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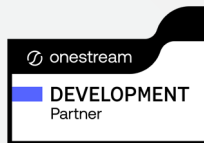
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