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Streamline Human Capital Planning Process with Hyperion Public Sector Planning & Budgeting

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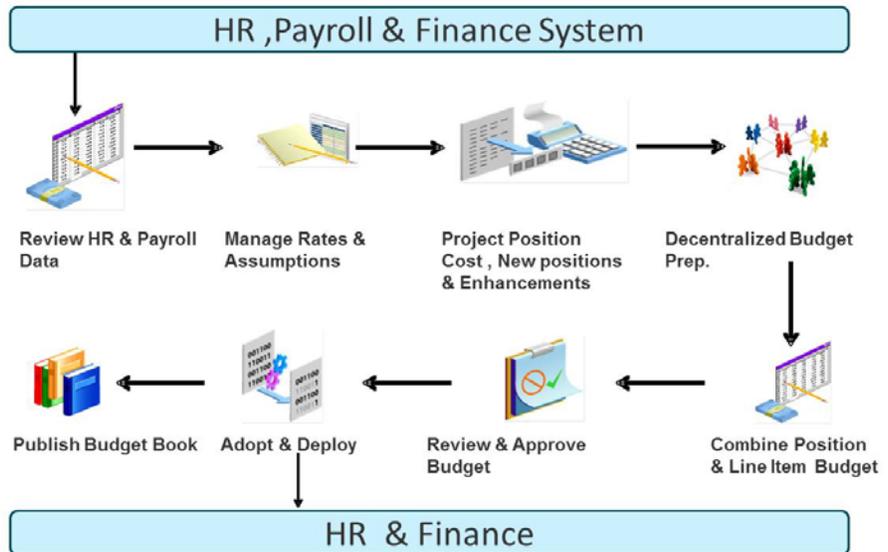
Introduction

Municipal governments are facing continual demands from all stakeholders – elected officials, governmental administrators, employees and their representatives, citizen groups, and business leaders – for more services with fewer and fewer resources and increased transparency. In this environment, every agency is trying to manage their finite resources effectively, efficiently and transparently. Human capital budget is a significant part of overall operating budget. For some organizations it can be as high as 80% of operating budget. So, it is imperative for government agencies to identify, project and monitor human capital cost. Any improvement in human capital management will have the potential to pay major dividends.

By taking advantage of advances in enterprise planning technology, public sector entities can transform one of the most important activities undertaken by the government that ensures the continuous optimization of resource allocations and effective execution of the policies and programs. Oracle Hyperion Public Sector Planning and Budgeting (PSPB) is a special purpose, web-based budgeting application designed and developed to facilitate human capital planning for public sector entities. PSPB aids government agencies in streamlining budgeting processes, improving data accuracy, increasing collaboration amongst planners, helping reduce budget preparation time and improving transparency in the budgeting process. This white paper focuses on streamlining the Human Capital Planning (HCP) process using the Hyperion Public Sector Planning and Budgeting solution.

Human Capital Planning Budget Process Overview

A well-prepared budget provides a foundation for decision-making throughout the year. One of the prerequisites for a well- prepared budget is a clearly defined financial planning and budgeting process. A high-level Human Resource budgeting process is depicted in the below figure:



MAJOR TASKS IN THE BUDGETING PROCESS:

- ❑ Data extraction from HR and Financial Systems.
- ❑ Reviewing current HR/Payroll data and updating data, if needed.
- ❑ Managing budget assumptions and maintaining Salary and Benefits rates.
- ❑ Projecting Position Cost based on existing data and assumptions.
- ❑ Distribute budget and facilitate data input by planners.
- ❑ Combine position budget with other non-position related expenses and develop complete financial picture for next budget cycle.
- ❑ Facilitating budget submittal, review and approval.
- ❑ Budget adoption and deployment in Financial and HR Systems.
- ❑ Publish proposed and/or adopted budget and support external budgetary communications.

Key Challenges of Streamlining HCP Budgeting Process

INTEGRATION CHALLENGE

HCP planning requires large amounts of data from Financial, HR and Payroll systems. Typically, most of these data elements reside in enterprise resource planning systems, human resources applications,

financial applications and other external sources. Extracting and transforming relevant data from multiple sources is a time consuming process. Additionally, ensuring data accuracy and managing changes after extraction requires countless hours. These processes consume significant time and resources which could have been spent on more productive activities.

Once the budget process is complete, the budget is deployed in Financial and HR Systems for monitoring and control. Once again, this process requires extracting data from the budget system and transforming it in a required format that can be loaded into the Financial and HR Systems.

BUDGET ADMINISTRATION CHALLENGE

One of the key tasks in budgeting is to develop a common framework which facilitates the budget development for an entire organization. Understanding the various components of the framework and their interaction is crucial for effective budget administration. The following are typical tasks involved in budget administration:

- ❑ Defining budget development approach. Some organizations take a top-down approach, some take a bottom-up approach, and some take a combination of the two. Each approach has its own advantages and disadvantages. A key success factor for an efficient process is identifying the right approach that fits the organization's culture.
- ❑ Defining a complete task list with dates and instructions, and assigning them to all users.
- ❑ Defining assumptions based on the organization's strategic plan and goals.
- ❑ Managing security for all levels of the application.
- ❑ Maintaining approval hierarchy for facilitating budget submittal, review and approval.

BUDGET PREPARATION CHALLENGE

Budget preparation is a collaborative process. It involves collaboration among elected officials, governmental administrators, and a large number of employees within the organization. A collaborative process offers greater opportunities for all planners to provide their input. This results in better outcomes, greater accountability and more organizational buy-in. However, collaboration is also one of the biggest challenges of the budget preparation process. If not managed properly, it can be a very inefficient process and may result in missed timelines and confusion.

The following are typical tasks involved in the budget preparation process:

- ❑ Communicating budget responsibilities and tasks.

- ❑ Providing clear cut instructions for each task and their due date.
- ❑ Defining processes for version control and *What If* scenarios.
- ❑ Managing budget enhancement requests.
- ❑ Managing budget submittal, review and approval processes.

BUDGET PUBLISHING CHALLENGE

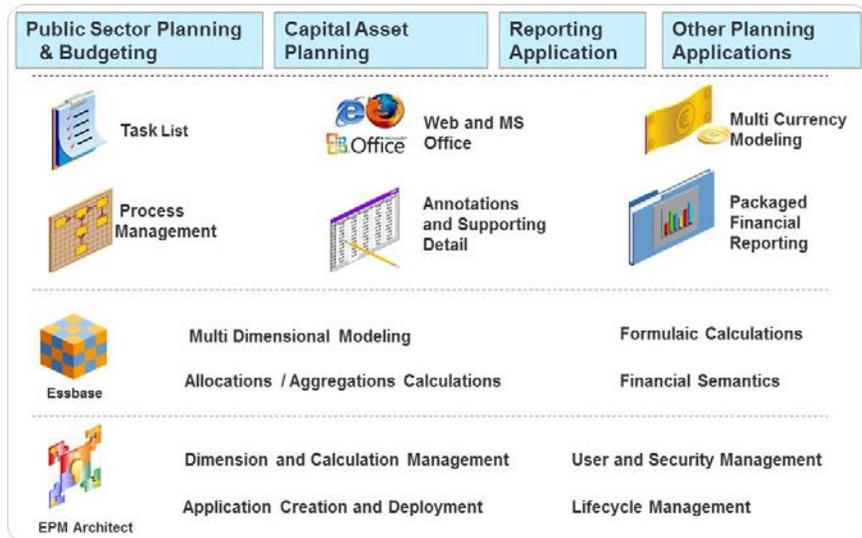
In the public sector, budgeting is not just an exercise of resource allocation, but also a mechanism of communication of policies and programs to all stakeholders. The budgeting process takes input from communities and citizens through a public hearing process, along with input from elected officials, which serve as guiding principles for a budget. Once the budgeting process is complete, most public sector organizations publish the adopted budget in the form of a budget book. Some organizations also publish the proposed budget and use it as basis for soliciting input from citizens during an open public hearing process. Budget book creation and managing the changes to the book, which can sometimes run up to several hundred pages, can be a daunting task.

A typical budget publishing process includes the following tasks:

- ❑ Identify all financial data from various systems.
- ❑ Create a write-up for each department, program, major projects, etc.
- ❑ Identify all performance management metrics, program metrics, etc.
- ❑ Ensure consistent formatting across entire document.
- ❑ Combine all information in a book format which communicates past performance as well as future plans and policies.

Solution Components & Key Features

The Enterprise Performance Management (EPM) suite of products can be deployed in multiple configurations depending on the modules selected, the size of the organization, and its performance needs. The following diagram depicts major components of the EPM System.



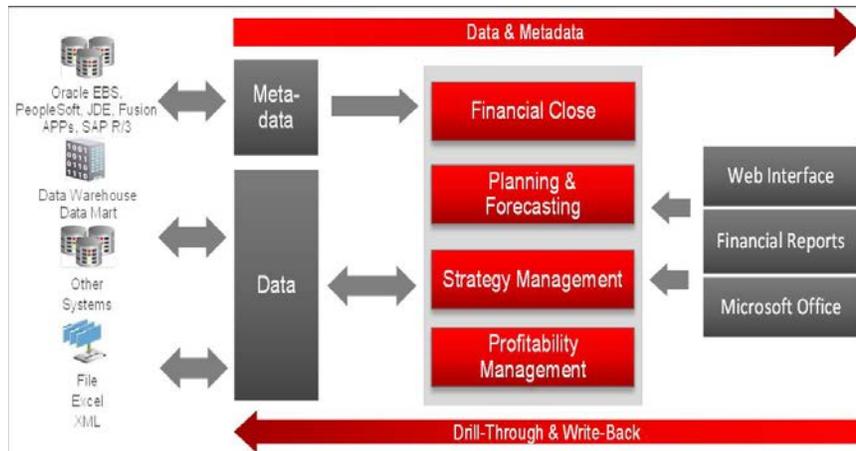
The following are key features of Oracle Hyperion Public Sector Planning and Budgeting:

- ❑ Supports Position only, Employee only and Position & Employee model for position budgeting. Organizations can choose one model which best fits their business needs.
- ❑ Prebuilt data forms to facilitate data entry, notes, attachments and inquiry functions.
- ❑ Prebuilt task list to guide users through the position budgeting process. The task list also includes due dates and reminder functions for managing budget collaboration.
- ❑ Supports grade as well as grade and step based salary structure commonly used by public sector organizations.
- ❑ Prebuilt salary calculation logic.
- ❑ Ability to define breakdown cost elements in base salary, and other compensation elements like overtime, uniform allowance, education allowance, benefits and employer paid taxes. Administrators can define as many elements as needed to achieve desired details of the cost.
- ❑ Allows split allocations of position cost across funds, cost center and programs.
- ❑ Supports mass updates of position, salary and benefit rates.
- ❑ Unlimited *What If* scenarios and versions to support budget development.
- ❑ Configurable Budget hierarchies to facilitate budget submittal, review and approval.
- ❑ MS Office (Excel, Word, PowerPoint and Outlook) integration for ease of use and publishing.

- ❑ Budget Book features allow publishing proposed and adopted budget in PFD and HTML format.

Streamlining Integration with External Systems

In order to develop and deploy a budget, organizations need to integrate data from external Enterprise Resource Planning (ERP) systems. The sheer volume of data, its quality, and the timeliness of data is a challenge for any organization. Most organizations require data integration with Financials and HRMS systems. Oracle Hyperion PSPB provides out-of-the-box integration with packaged ERP systems like Oracle E-Business Suite (EBS) and Oracle PeopleSoft, leveraging Financial Data Quality Management (FDQM) Enterprise Edition. These products also allow synchronizations between budget planning and external systems, thereby reducing the burden of maintenance on budget planning administrators. The following is high level diagram depicting meta-data and data flow among various applications.



BUILDING DIMENSIONAL HIERARCHIES

The integration with Oracle EBS allows a quick and efficient build of dimensional hierarchies, which serves as a foundation for planning applications. Integration with Oracle General Ledger enables users to extract dimensions like Fund, Account, Cost Center, Project, Program and other segments of Chart of Accounts. It also allows extracting hierarchies defined in Oracle General Ledger. The HR integration allows extraction of Position, Employee, Job, Salary Structure, etc.

POPULATING SMART LIST

Hyperion PSPB uses several smart lists which increases the efficiency of data entry and validates data during data entry to reduce errors. The integration with external systems, along with the built-in synchronization process, keeps dimensions and the corresponding smart-list synchronized. This reduces smart-list population and maintenance time.

EXTRACTING BUDGET AND ACTUALS

Budget users typically reference historical budget amounts before deciding on next year's budget. In Hyperion PSPB, historical budgets and actual amounts are provided on the same screen and enables budget users to determine how to propose next year's budget amount. Budget users can simply increase or decrease the historical budget or actual amounts either by percentage or amount, if needed. It also improves the reporting of variances and develops graphs for trend reporting, as multiple years of data reside in the same application.

The screenshot displays the configuration for the 'HPDEVAPP_ACTUALS' smart list. At the top, a table lists 'HPDEVAPP_ACTUALS' and 'HPDEVAPP_BUDGET' with green checkmarks. Below this is a 'Details' section with fields for Name (HPDEVAPP_ACTUALS), Category (Actuals for HPDEVAPP), and Description. The 'Source Filters' section includes dropdowns for Amount Type (Monetary), Include Zero Balance (Yes), Include Adjustment Periods (Yes), Amount For Balance Sheet Accounts (YTD), Amount For Income Statement Accounts (Periodic), Balance Method (Standard), Balance Type (Actual), and Segment Values (All). The 'Target Options' section includes Plan Type (LineItem), Exchange Rate Options (Corporate), Beginning (Corporate), Ending (Corporate), and Average (Corporate).

EXTRACTING HR AND PAYROLL DATA

The integration helps to extract the following data elements, which are vital for developing the position budget.

- Position Details.
- Employee Details.
- Salary Grade and Rates.
- Benefit enrollments and other compensation elements.
- Position Cost allocation information.

Data extracted from HRMS is utilized for developing detailed positions and/or employee budgets, providing vital insight into the organization's position cost structure.

DEPLOYING BUDGET IN TRANSACTIONAL SYSTEM

The two-way integration between Planning and Oracle E-Business Suite/Oracle PeopleSoft via ERP adapters allows users to load an adopted budget back to General Ledger. This process reduces the manual data load to General Ledger, thereby improving efficiency. Some organizations may also deploy the position budget in HR for position control purposes.

Streamlining Budget Administration

MANAGING DIMENSIONS AND HIERARCHIES

Oracle FDQM enterprise edition allows Hyperion PSPB to integrate with virtually any ERP application. This capability dramatically improves the meta-data management process. Common dimensions like account codes, cost centers, programs, etc., along with member hierarchies, can be directly extracted from source systems. Other dimensions like versions, scenarios, fiscal year, period, etc. can be created and maintained by administrators so that all planners use the same data set.

MANAGING TASK LIST AND DUE DATES

At the beginning of the budget cycle, the budget administrator can configure the task list and assign it to all users. These tasks also have instructions and due dates that help planners complete their tasks on time. The task list allows administrators to keep a tab on the progress of the budget development and alert them if any areas fall behind.

MANAGING DATA ENTRY

Budget administrators can predefine data forms that are used by planners for entering data. A common set of data forms for data entry and inquiry provides a common framework for planning and budgeting. This eliminates differences caused by using different formats for data entry. At the same time, administrators have complete access to all numbers and see the aggregated budget.

MANAGING SECURITY

Budget administrators can configure security at the following four levels:

- ❑ **User Authentication** – Planners must provide a valid ID and password to log into the system.
- ❑ **Task Security** – Planners can launch only those tasks to which they have been given access.
- ❑ **Object Security** – Planners can open only those data forms and task lists (objects) to which they have been granted access.
- ❑ **Data Security** – Planners can view and modify data only for dimension members to which they have been granted access.

Budget administrators should carefully design the security. The security should be enough so that planners are confident about their data security but it shouldn't be too onerous that it impedes the budget development and reduces efficiency of the process. The key is to achieve the right balance between data security and efficiency.

Streamlining Budget Preparation

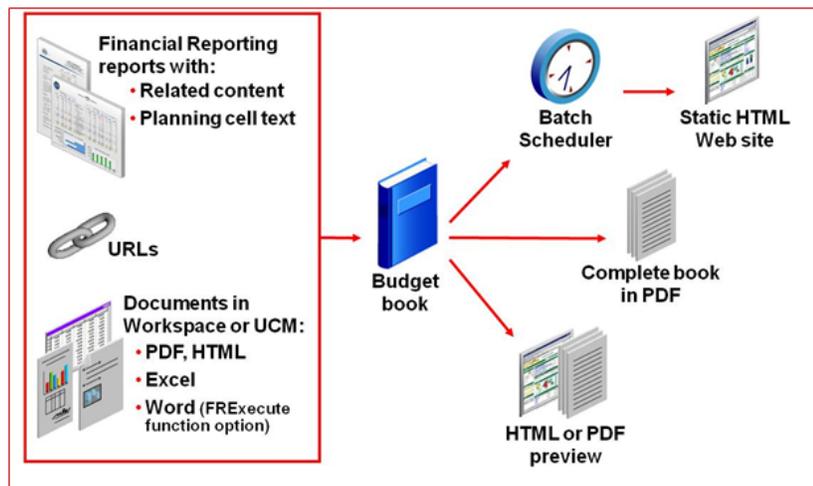
The budget preparation process involves several government departments, sometimes working as independent agencies following different mandates and rules. Typically, the Office of Management and Budget (OMB) guides and co-ordinates the budget development process among various agencies. Oracle Hyperion PSPB supports top-down, bottom-up and a combination of these two approaches. The pre-built, web-based data forms in Oracle Hyperion PSPB facilitate data entry, allowing multiple users to work simultaneously on budget worksheets. Users can enter or modify budget amounts as needed, enter supporting details, enter annotations and attach documents in support of their budget requests. The multi-layered security ensures that users have an appropriate amount of access to data forms, business rules and dimension members like access to certain funds, cost centers, object codes, and programs.

The task list-based approach in Hyperion PSPB ensures that users have the necessary instructions and complete tasks in a specified order before submitting a budget. If any rule is violated as predetermined by OMB, then the submittal automatically fails and points towards violation. This helps business users correct mistakes before a budget is submitted to and reaches OMB. The workflow-based process management allows budget administrators to track a budget status online and have a single report to determine the status of each planning unit. These tools reduce unnecessary emails and phone calls and greatly improve productivity.

This approach increases collaboration at every stage of budget development and avoids the downside of collaboration.

Streamline Budget Book Publishing

The budget book typically includes financial information, along with charts and graphs providing a comparison of the current budget with the historical budget and actual amounts. The budget book also includes a significant amount of textual information explaining guiding principles, budget assumptions, goals and objectives.



Oracle Hyperion PSPB supports budget book creation. The budget book combines data from various sources and allows the definition of sections and sub-sections within the book. The budget book can be refreshed with changes made within the source data, a process that significantly cuts time from adopting a budget to publishing a budget book. It also simplifies the process for updating a budget book, if required after initial publishing. The budget book process supports publishing in PDF and HTML formats, and deploying a budget book to a static HTML website.

Summary

Financial Planning and Budgeting is a complex and time-consuming process in municipal government. It typically involves a large number of stakeholders, making collaboration a critical factor for success. Hyperion PSPB is new breed of web-based software with a multi-dimensional engine and pre-built data forms and business rules. Since the data forms and business rules are designed to include the best practices of municipal governments, it reduces the need for developing such forms and rules from scratch, which in turn reduces both the total cost of ownership and implementation time. Moreover, organizations can leverage the available integrations with external ERP systems, thereby significantly reducing budget development time. With the capability to prepare and publish a budget book with data from various sources, Hyperion PSPB becomes an indispensable tool for streamlining budget formulation and publishing process.



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