



**WALTER SISULU UNIVERSITY**

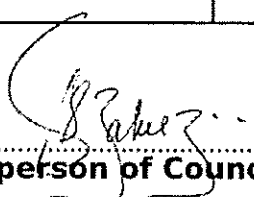
**BUDGET POLICY**

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## BUDGET POLICY

<b>Sponsor Division</b>	Chief Financial Officer
<b>Responsible Department</b>	Finance Division
<b>Policy Name and Related WSU Policies</b>	
Delegations of Authority	
Supply Chain Management Policy	
Student Fees Policy	
<b>Change History</b>	
<b>Approval authority</b>	Council
<b>Approval Date</b>	05 October 2007
<b>Latest revision date</b>	29 November 2019
<b>Effective date</b>	Immediately
<b>Next Review Date</b>	January 2022
<b>Number of Pages</b>	15
 Chairperson of Council: Mr T Zakuza	

therein will result in disciplinary measures being taken against the responsible individuals.

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## 1 Purpose

Walter Sisulu University's ("WSU", "the University") strategic plan and priorities are established and implemented, through the allocation of resources, to accomplish the desired goals necessary to meet the educational mandate.

## 2 Policy objective

The objective of this policy are to encourage initiative, responsibility, and planning, while ensuring effective budget control.

## 3 Application

This policy applies to the following:

- All employees of the University
- Contract workers employed by the University
- Members of Council

## 4 Governing Legislation Regulations and Definitions

*Higher Education Act 101 of 1997 as amended*

*Regulations for Reporting by Public Higher Education Institutions*

*Ministerial Statement on University Funding (issued annually)*

*Annual Ministerial Letter for each university the funding that it will be receiving together with requirements to be met.*

*Walter Sisulu University Statute.*

## 5 Definitions

<b>Term</b>	<b>Definitions</b>
<b>Council Controlled</b>	Funds that can be used at the discretion of Council as delegated to Management
<b>Balanced Budget</b>	Budget where budgeted expenditure is covered by

<b>Term</b>	<b>Definitions</b>
	budgeted income.
<b>Block Grants</b>	Block grants are intended for running the university and cover operational costs, including operational maintenance of assets related to university teaching, learning and research activities. Block grants are council-controlled funds, which can be used at the discretion of council and university management.
<b>IMC</b>	Institutional Management Committee
<b>Incremental</b>	Historical cost plus a percentage – usually inflation related
<b>ISRC</b>	Institutional Student Representative Council
<b>Earmarked Grants</b>	Earmarked state grants are grants that must be used for a specific purpose and are not council controlled
<b>Restricted Funds</b>	Funds that the University receives that may only be used for the specific purpose given.
<b>WSU</b>	Walter Sisulu University
<i>Unauthorised expenditure</i>	Overspending of any budget item or restricted funds or earmarked funds

## **6 Budgeting principles and approach**

### **6.1 Budget Principles**

- 6.1.1 The financial budget will be prepared for the next financial year and should include projections for the following two years. The budget should therefore cover a period of three years.
- 6.1.2 Budgeted expenditure may not exceed budgeted income in respect of University operations or Council controlled activities. This means that the budget must reflect at least a break even position or a surplus.
- 6.1.3 The budget shall be prepared on an accounting basis which means that non-cash items such as depreciation and provision for doubtful debts must be budgeted for.
- 6.1.4 Capital expenditure is to be budgeted for separately showing the source of funding, i.e. cash from operating income or finance raised through a financial facility or other source.
- 6.1.5 Campuses and faculties are required to generate sufficient operating surpluses in order to contribute towards support and administrative costs.
- 6.1.6 Cross subsidisation between programmes and faculties may be allowed where such can be justified for academic and/or strategic reasons.
- 6.1.7 The budget should be broken down by month. This approach allows for easier and more accurate variance analysis, leading to more precision in terms of financial forecasting.
- 6.1.8 The budget should be aligned with the financial goals of the University.
- 6.1.9 Macro-economic factors such CPI, wage inflation and exchange rate shall be taken into account after adjusted for the sector or the University's specific situation.
- 6.1.10 The University shall strive to achieve and/or maintain compensation ratios within the sector targets.

### **6.2 Budgeting process and approach**

- 6.2.1 The Finance Department will prepare a proposed budget baseline for each department or cost centre, per general ledger account, based on a combination of the current year budget and forecast.
- 6.2.2 Cost centre managers and Heads of Department will be invited to submit budget

requests using the templates prepared by the Finance Department.

- 6.2.3 Although a baseline is indicated, all users are expected to apply a “zero based” approach in preparing the budget bids i.e. items that are not necessary or not required should not be included in the budget simply because they were previously budgeted for.
- 6.2.4 Requests for funding for line items or projects previously not budgeted for can be included with a clear motivation how this supports achievement of strategic objectives.
- 6.2.5 The overall budget should be determined by following budget parameters as outlined below:
- Contracts already entered into with suppliers, for example: Licensing, Cleaning and Security Services
  - Annual payments, example: Library subscriptions
  - Monthly payments, example: Operating leases, Rentals, Telephone bills, property rates and taxes.
  - Operating system maintenance costs, example: data line rentals, computer hardware and software maintenance agreements, etc.
  - The budget for salary costs is determined centrally.

### **6.3 Tuition and residence fee increases**

- 6.3.1 There shall be consultation between the IMC and the SRC on the proposed general fee increase (tuition and residence fees) for the following financial year.
- 6.3.2 The fee increase shall take into account any applicable sector guidelines and/or directives from DHET.

## **7 Management Accounting Office Responsibilities**

- 7.1.1 The Management Accounting Office will distribute to all departments the budget guidelines, parameters, and templates necessary to enable each department to map out their budget requests in each financial year.
- 7.1.2 To issue the budget timetable to be published.
- 7.1.3 To consider the consolidated budget as compiled by the Budget Office and to make recommendations for consideration by the IMC.
- 7.1.4 Collating all budget inputs and compiling the budget.
- 7.1.5 Loading the budget on the accounting system.
- 7.1.6 Compiling monthly and quarterly management accounts.
- 7.1.7 To ensure that this policy is implemented.
- 7.1.8 Providing training in budgeting to departments.
- 7.1.9 Processing budget transfers and adjustments as required.

## **8 Budget Approval Process**

### **8.1 Preliminary budgets**

- 8.1.1 Cost centre managers must submit to the Management Accounting Office before 31 July of each year a final detailed budget for the following year, in the prescribed form of each existing or contemplated activity under her or his control for the review of the management accountant.
- 8.1.2 Significant increases in the baseline budget should be supported by detailed motivation and justification schedules for each budget item being requested. The proposed budget shall be linked to the performance objectives intended to be achieved by each department. These performance objectives must echo and embody the objectives outlined in the University's Annual Performance plan, which is in turn informed by the Strategic Plan of the University. Any such increases will only be considered if there is additional funding available.



## **8.2 Budget allocation**

- 8.2.1 Budget allocation is done on a cost centre–general ledger account basis, in relation to the departmental performance objectives as set forth and agreed upon in a given financial year.
- 8.2.2 Cost centre managers shall be allowed to review their proposed allocated budgets during period 1 July to 31 August of each year for final review by the Management Accountant as well as the CFO.

## **8.3 Budget Consolidation and Approval**

- 8.3.1 The Management Accountant will consolidate all budget inputs and requests and compile the preliminary budget.
- 8.3.2 The CFO will consider the preliminary budget and adjust as necessary to come up with the proposed budget which is then submitted to the IMC.
- 8.3.3 The CFO shall present the proposed budget with any amendments to the Finance Committee of Council at its third annual meeting.
- 8.3.4 The Finance Committee of Council shall recommend the proposed budget to Council for consideration and propose any adjustments if necessary.
- 8.3.5 The budget will be tabled after any adjustments at the last Council of the year.
- 8.3.6 After Council approval, the CFO shall communicate the final budget Cost Centre Managers.
- 8.3.7 The approved budget shall then be loaded onto ITS.

## **9 Budget control and management**

### **9.1 Responsibility**

- 9.1.1 The Management Accountant monitors actual performance against budget on an ongoing basis.
- 9.1.2 The fundamental responsibility for the management of budgeted funds rests with the respective cost centre managers. The cost centre manager has the responsibility to spend their departmental funds within the financial constraints of the allocated departmental budget as approved by Council.

### **9.2 Revisions and Budgetary changes**

- 9.2.1 Adjustments are permitted within expenditure categories.
- 9.2.2 The approval process for budget adjustments must adhere to the approval framework stipulated in the Delegation of Authority Policy. Any request involving additional or reallocation of funds must include a statement of motivation and justification. The recommendation by the appropriate Dean/Director should be included in the justification. A record for all budget journals is to be kept and copies made available to the Director Management Reporting.
- 9.2.3 Cost centre managers may approve budget shifting within the same cost centre.
- 9.2.4 Campus Rectors may approve budget shifts within between Cost Centres within their Campus.
- 9.2.5 The CFO may approve budget shifting from between cost centres/Campuses on the submission of an appropriate motivation.
- 9.2.6 The shifting between budget line items as per the budget approved by Council should be reported to the FCC for approval
- 9.2.7 Any increase in the cash operating budget will require approval by the FCC and the Council.

## **10 Budget Categories**

### **10.1 Income**

- 10.1.1 Income consists mainly of the Block Grant and Student Fees.
- 10.1.2 The Block Grant can be estimated based on the latest Ministerial Funding Statement. Block grant funds are used for operational costs relating to university teaching, learning and research activities. These funds are Council controlled and can be used at the discretion of Council and University management.
- 10.1.3 Expected Student Fees are projected after considering the approved Enrolment Plan of the University and the rate of fee increase that is projected as advised by the Minister.
- 10.1.4 Other income that is expected should also be estimated if it is unrestricted.
- 10.1.5 A provision for uncollected income needs to be calculated and brought into the estimate.
- 10.1.6 The income budget is utilized to finance the bulk of expenditure relating to the salary

and operational expenditure budgets.

## **10.2 Staff Remuneration Budget**

10.2.1 The Executive Director: Human Resources, is responsible for compiling the budget for all staff remuneration expenditure, both direct and indirect.

10.2.2 The Executive Director: Human Resources shall discuss the proposed Human Resources Budget with the CFO before a submission is made to IMC.

10.2.3 The University should aim to maintain personnel expenditure within the benchmark for the sector.

10.2.4 The following will be provided for:

- Filled posts on the current staff establishment.
- Posts that have become vacant within the past 12 months approved for filling.
- Additions to the staff establishment that are planned in order to meet the strategic and academic objectives of the University.

10.2.5 The expected remuneration increase percentage needs to be estimated and factored into the budget.

## **10.3 Operating Expenditure**

10.3.1 The operating expenditure budget shall be prepared on a general ledger allocation basis for all the University's Council controlled activities.

10.3.2 The allocation of operating expenditure budgets shall be in-line with the strategic goals and objectives of the University. Cost cutting measures and savings from manageable expenses shall be explored in every budget cycle.

10.3.3 Operating expenditure is budgeted under the following categories:

- Contracted for expenditure.
- On-going general overhead expenditure.

## **10.4 Contracted Expenditure**

10.4.1 Consists of expenditure that will be incurred due to contractual obligations. Examples could include outsourced services, licence fees subscriptions to data bases and rentals for space and equipment.

10.4.2 Increases are usually contractually determined and should be provided for.

## **10.5 General Overhead Expenditure**

10.5.1 Consists of expenditure that is a consequence of the operation. Examples could include utility charges, stationery and telephone charges.

10.5.2 Increases tend to be inflation related. Except in cases like electricity where price increases are administered.

## **11 Capital Expenditure Budget**

11.1.1 Capital expenditure is for items such as buildings, computer laboratories, computer systems, equipment and vehicles that are funded out of Council controlled funds. Approved borrowings and finance facilities may be used where necessary to ease the burden on cash flow.

11.1.2 Capital expenditure is planned on a three year rolling cycle. The budget represents the first year.

11.1.3 Each department will have a capital expenditure plan for replacement and expansion of capital resources which should include the following:

- Justification for the item in question.
- A detailed breakdown of the budgeted amount per item.
- Price estimates based on any quotations and other information that is available.

11.1.4 Proposed source of funding to acquire the item(s) in question.

## **12 Residences**

12.1.1 A separate budget should be prepared for Residences setting Residences revenue, Hire of leased residences expenditure, direct costs and indirect overheads.

12.1.2 The University will aim to make an operating surplus on Residences which will be reinvested in the maintenance and renovation of residences.

12.1.3 The Residences budget shall be based on the expected number of beds required for each financial year. The planned beds shall not exceed the expected number of funded students.

12.1.4 Students shall be placed in institutional accommodation before being placed in private residences.

### **13 Special projects**

13.1.1 The nature of projects is such that most projects budgets cannot be included in the budgeting cycle of the University.

13.1.2 The following principles shall however apply to project budgets:

- Project budgets shall not exceed the funding available
- Contractual commitments including contract of employment shall not exceed the funding period of the project.
- Projects budgets that require a contribution from Council Controlled funds will require approval from the Council and should be aligned with the budgeting cycle of the University.

13.1.3 Each project budget should include an administration fee of 15% of the funding received to cover general overheads of the University. Deviation from the recommended rate will require approval from the Vice Chancellor.

### **14 Non-Compliance**

Non-compliance with the provisions of this policy or any abuse of the provisions contained therein will result in disciplinary measures being taken against the responsible individuals.