


University of the Western Cape			
 UNIVERSITY of the WESTERN CAPE	Budget Policy	Document Type	Policy
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UNIVERSITY OF THE WESTERN CAPE (UWC)

BUDGET POLICY

Prepared by the Department of Finance Approved by
 Council: C2023/02 (22 June 2023)

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PART A: DEFINITIONS AND ABBREVIATIONS

1. In this Policy, unless otherwise indicated by the context, the following terms shall have the meaning ascribe to them –
 - 1.1 **“Annual Performance Plan”** means the Plan required in terms of section 5 of the Regulations for Reporting by Public Higher Education Institutions, issued in terms of the Higher Education Act, 101 of 1997, as amended, (hereinafter “the Act”) prescribed in terms of Section 41 of the Act, read with Section 69 of the Act;
 - 1.2 **“Authorised Expenditure ”** means expenditure that has been duly authorised in terms of various university policies and procedures;
 - 1.3 **“Block Grant”** means the State funding the University receives from the Department of Higher Education and Training, and comprises of the teaching input sub-block grant, the teaching output sub-block grant, the research output sub-block grant and the institutional factor sub-block grant; Block grants are intended for operational costs related to university teaching, learning and research activities and are council-controlled funds, which can be used at the discretion of council and university management;
 - 1.4 **“Budget”** means an estimate/planning of expenditure, income and resources in a financial year;
 - 1.5 **“Budget Amendments”** means any transfers or adjustments made on the approved budget resulting in a change of budget or the detail thereof;
 - 1.6 **“Budget spread”** means the manner in which the budget is allocated on a monthly basis in a financial year;

- 1.7 **“Budget Owner”** means an Employee of the University who is responsible for the management and administration of the budget allocated by the University to a Department of the University;
- 1.8 **“Budget Template”** means the format provided by the Budget Department to Budget Owners and sets out the operational and capital expenditure budget proposals;
- 1.9 **“Business Expenditure”** means any expenditure incurred in the ordinary course of business;
- 1.10 **“Capital / Fixed Assets”** means assets with a useful life of more than one year;
- 1.11 **“Capital Expenditure”** means expenditure incurred for the acquisition of assets with a useful life of more than one year (Capital Assets) or expenditure incurred that increases the value of or extends the useful life of a capital asset;
- 1.12 **“Capital Expenditure Budget”** means the budget for Capital Expenditure;
- 1.13 **“Contingency budget”** means funds allocated for contingency purposes;
- 1.14 **“Corrupt Activities”** shall be such activities as contemplated in the Prevention and Combating of Corruption Activities Act 12 of 2004;
- 1.15 **“Council”** means the Council of the University of the Western Cape as appointed in terms of section 27(1) of the Higher Education Act to govern the University, subject to the provisions of the Higher Education Act and the Institutional Statute, as may be amended from time to time;
- 1.16 **“Council Controlled Funds”** means funds of the University over which the Council of the University has legal and discretionary control, which includes unencumbered and unrestricted funds and specifically excludes Grants and Contract Funds;

- 1.17 “Disciplinary Code”** means the Disciplinary Code & Procedure for Employees of the University;
- 1.18 “Department”** means a faculty, department, unit, school, centre or other functionaries of the University;
- 1.19 “DoHET”** refers to The Department of Higher Education and Training who is responsible for higher education;
- 1.20 “Donor”** means a third party who has donated funds to the University with or without conditions attached thereto, restrictions or limitations attached to the purpose, manner and/or timing in which the donated funds may be spent by the University;
- 1.21 “Earmarked Grants”** means DoHET funds under control of the Council, earmarked for a specific purpose by the Council;
- 1.22 “Entity / Cost Centre / Project”** means the Department to which costs may be charged or incurred for accounting purposes;
- 1.23 “Executive Management”** means the body responsible for the effective management and administration of the University;
- 1.24 “Extra ordinary expenses”** means Expenses required by the University to cover events or costs which are unusual or infrequent in nature and required for the effective operation of the University;
- 1.25 “Financial Commitment”** means financial obligation incurred during the normal course of business to acquire goods and services;
- 1.26 “Finance Committee”** means the committee of Council that recommends the University’s annual operational expenditure and capital expenditure budgets, and monitors financial performance in relation to approved operating and capital budgets;

- 1.27 “Financial Year”** means the period of twelve months that constitutes an accounting cycle of the University commencing on 1 January of each year and ending on 31 December of each year also referred to as an academic year;
- 1.28 “Grants and Contracts Funds”** (also known as Restricted funds): means those funds that may be used only for the purpose that have been specified in legally, binding terms and conditions by the provider of such funds or legally empowered person and which is dealt with in terms of the Grants and Contracts Policy;
- 1.29 “Fruitless and wasteful expenditure”** means expenditure which was made in vain and could have been avoided had reasonable care been exercised;
- 1.30 “Higher Education Act”** means the Higher Education Act No. 101 of 1997 as amended;
- 1.31 “HOD”** refers to the Head of a University Department;
- 1.32 “IFRS”** means the International Financial Reporting Standards;
- 1.33 “Income”** is the increases in economic benefits during a financial year in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than those relating to contributions from equity participants and includes government block grants, tuition fees, accommodation income, etc.;
- 1.34 “Institutional Statute”** means the Institutional Statute of the University in terms of section 32 of the Higher Education Act;
- 1.35 “Operational Expenditure”** refers to those expenditures required for the day-to-day functioning of the University, including employment costs, operating costs, depreciation, doubtful debts and bursaries;
- 1.36 “Operational Expenditure Budget”** refers to the budget for Operational Expenditure;
- 1.37 “Over spend”** means the over commitment and/or spend in excess of the approved budget;

- 1.38 **“PFMA”** means the Public Finance Management Act no. 1 of 1999;
- 1.39 **“Policy”** means the Policy set out in this document and includes all appendices hereto;
- 1.40 **“Prepaid expenditure”** means expenses that have been paid in advance;
- 1.41 **“Private expenditure”** means expenditure incurred that is not for business purposes;
- 1.42 **“Reserves”** means the surplus funds which accumulates each financial year;
- 1.43 **“Reserve protection”** is the principle of accessing the reserves;
- 1.44 **“Recoveries”** means the recovery or reimbursement of authorised expenditure;
- 1.45 **“Unauthorised expenditure”** means expenditure that is spent for purposes it was not intended for, and/or in breach of various university policies and procedures;
- 1.46 **“University”** means The University of the Western Cape, a public higher educational institution, established in terms of the Higher Education Act; a reference to the University shall include its Departments;

PART B:

1. INTRODUCTION

The University is a higher education institution established and constituted in terms of the Higher Education Act 101 of 1997, as amended and the Institutional Statute as may be amended from time to time.

The University exercises autonomy and through the University council it is accountable in terms of the Higher Education Act.

Council is charged with the responsibility to govern the University. The Rector and Executive Management is responsible for the effective management of the University.

The University has many income reporting segments, namely Council Controlled Funds, Accommodation Fund and Grants and Contracts (Restricted Funds). Council Controlled Funds are the funds over which Council has legal control and includes the annual government block grant, tuition fees and other income. The Council is accountable to external stakeholders to make sure the university is financially sustainable and meet the respective governance and regulatory requirements. The University has to prepare and submit an Annual Performance Plan in accordance with the Regulations for Reporting by Public Higher Education Institutions, issued in terms of the Higher Education Act, prescribed in terms of Section 41 of the Act, read with Section 69 of the Act or such other regulations as may be passed from time to time. In order to achieve this, Council determines a financial framework, this is called the Rolling 5 Year Plan. The university operates within this financial framework in order to achieve financial sustainability.

This Policy is applicable to Council Controlled Funds and sets out the general principles of the budget process, including the preparation, monitoring, approval and implementation of the operational and capital expenditure budgets and aims to define the role of all stakeholders that participate in the budget process.

2. POLICY STATEMENT

The purpose of this Policy is to develop, implement and maintain sound budget and financial control processes for Council Controlled Funds.

3. OBJECTIVES

The objective of this Policy is to provide the general principles applicable to the development, implementation and maintenance of a sound budget process and framework, to promote:

- 3.1 Adherence to the University's mission statement of excelling in teaching, learning and research by nurturing the cultural diversity of South Africa and responding in critical and creative ways to the needs of a society in transition.
- 3.2 Uniformity and consistency in the budget management system of the University.
- 3.3 Sound, effective, sustainable and accountable budget planning, management, control and discipline within the University.
- 3.4 Responsible and prudent spending of Council Controlled Funds.
- 3.5 Compliance with the Higher Education Act and the requirements of the DoHET.

4. GENERAL PRINCIPLES

- 4.1 Council Controlled Funds should be spent prudently and in accordance with the Council approved budget.
- 4.2 The University budget is set in terms of a financial framework.
- 4.3 The budget must be expressed in Rands.
- 4.4 The budget is the primary instrument of financial control and discipline and, accordingly, contains income and expenditure of the University's Council Controlled Funds.
- 4.5 The budget is reviewed annually to support the attributes of the University's Institutional Operating Plan (IOP) applicable to any given year.
- 4.6 The Executive management should provide the Department of Finance with expenditure emanating from contracted commitments and funding mechanisms for these commitments.
- 4.7 The budget process is guided by budget assumptions as may be determined by the DoHET and the Higher Education industry trends.
- 4.8 Budget Owners are responsible and held accountable for the management of the budgets allocated to their entity.

- 4.9 Budget Owners are responsible for ensuring that they do not exceed the budgets allocated to their functional area of responsibility.
- 4.10 Any unspent budget allocations for a particular financial year will not be carried forward, unless duly authorised, to the following financial year and will revert to the University's reserves.
- 4.11 Any unauthorised over spend of Budget by Budget Owners will be subject to investigation and appropriate action will be taken.
- 4.12 The University will endeavor to maintain a minimum surplus of 1% of Council Controlled turnover.
- 4.13 Reserves protection is applicable for each new budget cycle. The University's Finance Committee must give approval to Executive Management to access the reserves.
- 4.14 The value of Capital expenditure must at all times meet the threshold set by the University's Fixed Asset Policy.
- 4.15 Extraordinary expenditure must be authorised by Executive Management and reported to the University's Finance Committee and must be shown to be necessary for the effective operation of the University during the occurrence of extraordinary circumstances or events;
- 4.16 Apply due diligence to all authorised business transactions and avoid fruitless and wasteful expenditure.
- 4.17 Budget Owners or delegated authority are responsible for the authorisation of expenditure and transfers. All expenditure must be aligned with the University Procurement Policy.
- 4.18 Unauthorised prepayments are not permissible.

5. OVERSIGHT AND RESPONSIBILITY

Council

- 5.1 In terms of section 27(1) of the Higher Education Act ("The Act"), the Council is responsible for the governance of the University in accordance with the Act and the applicable Institutional Statute.
- 5.2 The University's annual budget must be approved by Council.

The Finance Committee

- 5.3 The Finance Committee advises Council on all financial issues of the University.

5.4 It is the responsibility of the Finance Committee to:

- 5.4.1 Review and endorse the University's annual operational and capital expenditure budgets;
- 5.4.2 Monitor the performance between the budgeted and actual expenditure and income;
- 5.4.3 Ensure that the accounting systems are appropriate, personnel compliment is sufficient and personnel is qualified and skilled to maintain accounting records.

The duties and powers of the Finance Committee is as set out in **Schedule "1"** hereto.

Department of Finance

5.5 In terms of Section 68(2) of the Act, Council may delegate any of its powers and duties under the Act to the internal structures of the University.

5.6 The Rector, as the chief executive officer of the University, is responsible for the day-to-day management and administration of the University. The Rector may delegate certain of his/her powers to the Executive Director: Finance and Services including but not limited to the following matters:

- 5.6.1 To provide general guidance over the financial affairs of the University including in respect of the budget process implemented by the University;
- 5.6.2 To monitor and oversee the responsibilities assigned to the Department of Finance and in particular for purposes of this Policy, the Director: Finance and the Management Accountant;
- 5.6.3 To implement all budget management and monitoring in accordance with this Policy;

5.7 The Budget Department is responsible for the administration of the University's budget for Council Controlled Funds and the monitoring thereof in terms of this Policy and other related policies.

University Employees

5.8 The responsibility for the management of budgeted funds within a department rests with the respective Deans, Heads of Departments, Directors and the Budget Owners. The Budget Owner has the responsibility to spend the funds within the allocated budget. Budget control will be applied to all requisitions before purchase orders or other financial commitments generated.

- 5.9 It will be the responsibility of all employees and agents of the University to ensure that the terms of this Policy are observed at all times when processing purchase orders and maintaining accounting records of transactions as may be required by the University.

6. BUDGET PREPARATION

The Budget Department is ultimately accountable and responsible for the preparation of the University's annual budget and implementation of the budget process.

The budget process is centrally steered by guidelines and parameters of financial sustainability and affordability as determined by the University's Executive Management, Finance committee, Audit committee and Council.

7. BUDGET APPROVAL

- 7.1 The Finance Committee serves as the final recommending authority of the budget to Council.
- 7.2 The Budget will be adopted on approval by Council.
- 7.3 The budget as approved by Council is loaded on to the University's Accounting System and apportioned on a monthly basis to each relevant cost center over the financial year.
- 7.4 Any amendments to the adopted Budget shall be implemented only after Council has approved such amendments.

8. MONITORING OF THE BUDGET

- 8.1 The Department of Finance:
- 8.1.1 Funds are spent prudently and in accordance with the budget;
 - 8.1.2 Expenditure is reduced if expected income is less than projected income; and
 - 8.1.3 Income and expenditure is properly monitored.
- 8.2 The Department of Finance must prepare any adjustment budget if necessary and submit it to the Executive Director: Finance and Services for consideration and tabling to the Finance Committee and subsequently to Council.

8.3 The Department of Finance must submit a report of any forthcoming shortfalls in the annual income budget, as well as any forthcoming overspending, together with the steps taken to prevent or rectify these problems to the Finance and Audit Committee.

8.4 The allocated budget is set for a specific year, and no unauthorised prepayments shall be permitted.

9. FINANCIAL REPORTING

The University's financial reporting should comply with good governance and financial management practice in accordance with IFRS.

9.1 Internal Financial Reporting

Monthly and quarterly reports are used to report to internal stakeholders, to analyse the annual budget and to monitor expenditure and income within the financial year. Regular engagements between Departments and the Budget Accountants takes place where concerns are addressed.

9.1.1 Monthly Reports

The Budget Department shall provide Budget information to each Executive and Dean in the form of a monthly financial report.

This report must reflect at least the following:

- (i) Actual and committed operational expenditure,
- (ii) Actual and committed capital expenditure,
- (iii) Budget appropriations for the financial year, and
- (iv) Available funds for the remainder of the financial year.

The onus is on the Budget Owner to establish available funds.

9.1.2 Quarterly Reports

A financial report on the implementation of the budget and the financial state of affairs of the University must be submitted to the Finance Committee within thirty days after the end of each quarter. These reports may be done on a high level and classify income and expenditure according to functionality, unless directed otherwise.

This report must reflect at least the following:

- (i) Actual revenue per source, compared with budgeted revenues,
- (ii) Actual operational expenditure, compared with budgeted operational expenditure,
- (iii) Actual capital expenditure, compared with budgeted capital expenditure,
- (iv) Actual borrowing cost, compared with the budgeted borrowing cost, and
- (v) Extra-Ordinary items.
- (vi) Commentary based on investigation and basis for forecast.

9.2 External Financial Reporting

9.2.1 The University must compile a Mid-Year Performance Report, including a comparison between the actual and budgeted income and expenditure for the six-month period up to 30 June of each year. The Mid-Year Performance Report must be submitted to the DoHET by such date as may be directed by the DoHET from time to time.

9.2.2 The Mid-Year Performance Report is prepared by the Department of Finance and in compliance with the Regulations for Reporting by Public Higher Education Institutions in terms of the Act.

9.2.3 The Mid-Year Performance Report must be endorsed by Council prior to submission to the DoHET.

10. BUDGET AMENDMENTS (Transfers and adjustments)

10.1 The Executive Management has the authority to reallocate Budgets within Cost Centre/ Entities/ Projects.

10.2 Any additional budget allocation over and above the Council approved budget as well as any extra ordinary expense, must be approved by Council.

10.3 Transfers

10.3.1 Budget transfers as set out below are allowed and may be affected by the Budget Department, on written application by the Budget Owner, supported by a written motivation and/or authorization and approval by the transferring Budget Owner, if applicable-

- (i) Budget transfers between Cost Centre/ Entities/ Projects from Operational Expenditure to Operational Expenditure within the same Department;
- (ii) Operational Expenditure budget transfers between periods within Cost Centre/ Entities/ Projects to cover monthly periodical deficits and shortfalls (within the same Entities);
- (iii) Budget transfers between Operational Expenditure and Capital Expenditure to supplement shortfalls and vice versa (within the same Entity).
- (iv) To a functional area based on approved budget from the Contingency Budget.

10.3.1.1 The Budget Owner may delegate authority to a designated staff member/s for the approval of budget transfers and expenses. The Budget Owner remains responsible and accountable for all activity on their entity/cost centre/projects. **Refer to Schedule 3 for the delegation of authority schedule.**

10.3.2 Any transfers to be affected to another Department or line must be authorised by the Department of Finance.

10.3.3 Budget transfers may be loaded to a Cost Centre/ Entities/ Projects when income is received from external sources or Donors to fund specific expenditure incurred by the Department.

10.3.4 The income referred to in 10.3.3 excludes income derived from Restricted Funds or Restricted Fund Donors. It also excludes income derived from normal business.

10.3.5 Any unspent income, received in a particular financial year, will not be carried forward to the following financial year.

10.4 Adjustments

10.4.1 Applications for the adjustment of a budget/additional allocation of income may be submitted after the budget has been approved.

10.4.2 Budget adjustment/s must be motivated by the Dean or Director of the Department (if applicable) and submitted to the Department of Finance for approval.

11. RESERVE PROTECTION

The University's Finance committee approval is required to access reserves.

12. COMBATTING ABUSE

- 12.1 All University employees has a responsibility to prevent abuse of funds, inclusive of fruitless and wasteful expenditure.
- 12.2 Any complaints of abuse of funds / practices by a Budget Owner or any other role player, which comes to the knowledge of the Department of Finance, must be reviewed and/or investigated. The Department of Finance shall,
 - 13.2.1 Comply with the Fraud and Corruption Prevention policy.
 - 13.2.2 Take appropriate steps against such Budget Owner or other role player, provided that such steps shall at all times comply with the policies and processes of the University and the relevant laws of South Africa.

13. AMENDMENTS TO THE POLICY

- 13.1 Any additions or amendments to this Policy shall only be valid after approved by the Council of the University.
- 13.2 Changes and/or suggestions to amend this Policy shall be done in writing articulating the rationale and, where possible, proposed recommendations to amend this Policy. Any such recommendations shall be submitted to the Department of Finance.
- 13.3 The Finance Department shall forward these changes and/or suggestions to the Finance Committee for consideration.
- 13.4 The Finance Committee shall, subsequent to their consideration, forward these changes and/or suggestions to Council for approval.

14. COMMUNICATION WITH THE UNIVERSITY

- 14.1 All correspondence with regard to this Policy or any matter arising from or related to the implementation of this Policy, shall be addressed to the Management Accountant.
- 14.2 The Management Accountant shall be obliged to inform the Director: Finance and the Executive Director: Finance and Services of any matters which materially impact on the interpretation or otherwise of this Policy.

Version history

Version	Date	Summary of changes	Date of next review
Amendment 1	23/06/2022	C2022.02 Clauses 1, 4.1- 4.15, 10.3.4, 10.4.2, 12.2- cosmetic changes; Clause 3.5- deletion of reference to PFMA; 4.17 Clause added; 10.3.1.1 Clause added.	September 2022
	22/09/2022	C2022/03 Clauses 4.17 and 10.3.1.1 of the amended Budget Policy will remain in effect until the next ordinary Council meeting, due to take place on 1 December 2022, unless otherwise decided by Council.	November 2022
Amendment 2	22/06/2023	Schedule 3- Delegation of Authority added	June 2028

FINANCE COMMITTEE DUTIES AND POWERS

1. The duties and powers of the Finance Committee of Council, approved and delegated by Council to it stipulates that this Committee:
 - 1.1 serves Council with advice concerning the overall financial management of the University;
 - 1.2 exercises control over all University funds;
 - 1.3 is responsible for the assessment of the financial planning of the University with respect to its financial viability and for making recommendations in this regard to Council;
 - 1.4 is responsible for the recommendation of the University's annual budget to Council;
 - 1.5 can require of departments, sections or sectors of the University for which funds are to be made available, according to the needs of each case, to submit to it their budget proposals which the Committee may authorise or adjust;
 - 1.6 is responsible for the monitoring, on a periodic basis, of financial budget against the actual financial results;
 - 1.7 is responsible for the recommendation of immovable capital projects and its concomitant financial impact to Council;
 - 1.8 may authorise or adjust budgets with respect to Restricted Funds, in accordance with the requirements of each fund;
 - 1.9 is responsible for the recommendation of long-term financing with respect to immovable capital projects to Council;
 - 1.10 is responsible for the evaluation of and the recommendation for approval of the Annual Financial Statements of the University to Council;
 - 1.11 is responsible for the evaluation of the financial impact of material decisions taken within the relevant delegation authority;
 - 1.12 exercises control, on behalf of Council, over Restricted Funds within the terms of the agreements between Donors and the University;
 - 1.13 takes final decisions with respect to:
 - 1.13.1 matters regarding the University's accounting and financial systems and infrastructure;
 - 1.13.2 scrutiny of the accuracy of the University's accounting data;
 - 1.13.3 scrutiny, monitoring and approval of periodic budget reports; and
 - 1.13.4 Authorisation or adjustment of budgets within Council approved financial frameworks.

BUDGET DEPARTMENT DUTIES AND POWERS

2. The duties and powers of the Budget Department stipulates that this Department:
 - 2.1 prepares the annual budget submission to the Finance Committee and The Council;
 - 2.2 fulfills internal and external budgeting reporting requirements;
 - 2.3 processes budget transfers and funding requests for old and new programs and initiatives;
 - 2.4 regularly reviews and monitors operational expenditure and capital expenditure budget requests;
 - 2.5 Bi-monthly provides financial analyses for departments and divisions; and
 - 2.6 ensures that the University's budget is linked to the strategic plan.

SCHEDULE 3

Delegation of authority- TRANSFER OF EXPENDITURE AND BUDGET TRANSFER REQUEST

Column1	Column 2
Financial Threshold	Transfer of expenditure and budget transfer request
R0.00 - R10,000.00	1 Budget Owner . 2 Budgets department .
R10,000.01 - R50,000.00	1 Budget Owner . 2 Budgets department .
R50,000.01- R250,000.00	1 Budget Owner . 2 Dean/ Director, if not the budget owner . 3 Budgets department .
R250,001.00 - R1 000,000.00	1 Budget Owner . 2 Dean / Director, if not the budget owner . 3 Executive Director Finance or Director Finance . 4 Budgets department .