

Planning and Budgeting context and approach

Budget submissions from Faculties and PASS departments need to clearly demonstrate alignment to the University's strategic goals. Deans, Executive Directors and Directors are requested to identify where their activities/operations align with these goals, and to specifically identify gaps and opportunities for re-shaping their activities/operations, be it in the short, medium or long-term, to better align with the University strategy.

A two (2) -page executive narrative (plan) to accompany the budget is required that addresses the above. This narrative must make reference to the strategic goals and provide responses in relation to each one. There is no standard template for submitting your executive narrative. There may be instances where a strategic goal is not applicable to some PASS departments and in such instances, this needs to be explained/stated.

Within the context of the University's current austerity position, the 2018 budget is fundamentally a holding budget that also needs to account for any outstanding austerity-related savings identified in 2016 for implementation over the 2-year period 2017/18. Funding for new or expanded activities will need to come from an exclusion of other budget item(s) in the existing budget base or from new revenue sources (the case for the latter to be motivated via a comprehensive Business plan).

The five key strategic goals are:

- To forge a new inclusive identity that reflects a more representative profile of students and staff, and the cultures, values, heritage and epistemologies of the diversity of UCT's staff and students
- To promote UCT as a vibrant and supportive intellectual environment that attracts and connects people from all over the world and advances the status and distinctiveness of scholarship in Africa
- To advance UCT as a research-intensive university that makes a distinctive contribution to knowledge, locally and globally
- To renew and innovate in teaching and learning – improving student success rates, broadening academic perspectives, stimulating social consciousness and cultivating critical citizens
- To enhance the scope, quality and impact of engaged scholarship with an emphasis on addressing development and social justice

1. Budget analysis

A Budget analysis template, with guidelines, is available on the UCT Finance website: [Budget analysis](#). You are asked to report changes to your 2017 budget base and new items/activities in the format provided in the template. Funding for new or expanded activities will need to come from an exclusion of other budget item(s) in the budget base or be motivated via a Business plan (details below). The Budget analysis template provides a framework for all budget centres to detail the allocation of resources. Period to end of 2018 is intended to reflect your austerity cost savings plan according to the 2017 to 2018 targeted savings requirements. In rare exceptions, an overflow to 2019 and 2020 could exist, where agreed with the University Executive and which is to be indicated in the template. Increased revenues and cost reductions are to be reflected as negative values, whereas decreased revenues and increased costs to be reflected as positive values. Please do not insert any columns in the template as it corrupts the consolidation.

- 1.1 The savings over the period must be shown and be equivalent to the Rand targeted savings communicated in June 2016. On sheet '*Budget analysis 2019 & 2020*', units are asked to complete the austerity cost savings plan 2017 to 2020 reconciliation. Columns have been provided in order for items to be split into **revenue/cost type groups** (New/Volume/Price change), as applicable:
 - New = Items relating to new activities.
 - Volume = Additional or decreased revenue/costs relating to change in volume.
 - Price change = Additional or decreased revenue/costs due to price changes.
 Some examples are provided in the Budget analysis workbook.
- 1.2 For items relating to a **Volume or Price change**, either provide the motivation for this in the Budget change / Description column or, if the motivation requires lengthier detail, provide a separate motivation document of no more than 1 page. When preparing the motivation, bear in mind cost drivers. For ease of reference, a standard format for labelling Motivations has been set. This can be found on the '*Budget analysis*' template. See sheet '*Guidelines & notes*' and refer to sheet '*Unit names*'.
- 1.3 Categories as follows are provided for revenue or cost change **categorisation**: *Choice, Additional revenue, Matched revenue, Unavoidable, Improvement*. For each item, a category must be provided, using the category method explained in the template legend. The Budget analyses should detail staffing by post and operating costs by expense category. Where new spend items or activities are matched by income, also detail the income and show the linkage by labelling MR1, MR2 etc. (Refer to the template explanation.)
- 1.4 For Budget analysis 2018 to 2019/20, the **priority ranking** is unlikely to be appropriate in the austerity period and generally used when new resource allocation is required.
- 1.5 If **new items or activities** are expected and approved internally, they must be planned in SAP and detailed in the '*Budget analysis*' template. RAAG needs the information for decision-making on whether to fund or not. A business plan is required for new items or activities, which supports/motivates the case(s) and should clearly demonstrate any benefits such as anticipated new revenue. Where new spend items/activities are matched by income, also detail the income and show the linkage, as explained above. A guideline for [business plans](#) and a [budget template](#) is provided on the UCT Finance website. The business plan must be no more than 3 pages, including the budget summary. For ease of reference, a standard format for labelling business plans has been set. This can be found on the '*Budget analysis*' template. Refer to the sheet '*Guidelines & notes*', and, for details, sheet '*Unit names*'.

A reminder that the business plan review team/PBWG does not replace any existing structures or committees, that are responsible for, amongst others, Academic planning or Quality assurance, Space allocation, IT Investment and Prioritisation Committee, etc. All

business plans submitted to the business plan review team/PBWG must already have followed the appropriate and applicable management and governance processes for consideration and approval in principle. Evidence of support from the parent committee must be provided (e.g. meeting minutes), together with the Business plan.



Note

It is important to report Motivations and Business Plans correctly, and understand the **difference** between a **Motivation** (1.2) and a **Business plan** (1.5).

- A motivation is a brief supporting explanation for budget changes to the current budget, relating primarily to volume or price changes or new items/costs that do not generate revenues. In addition, the motivation needs to (i) provide information on the gain to UCT/deemed value-add (other than economic value-add) (ii) advise of possible trade-offs for the item – if RAAG cannot fund, what would the unit give up or not do to be able to fund the proposal.
- A business plan is a document which sets out a plan for a new activity or project (includes goal of the new activity or project and the operational and financial plan). Refer [Business plan process](#) document and guidelines on the UCT Finance website.

1.6 ICT Project Proposal: For new activities or projects with a significant **ICT** (Information and Communication Technology) component, and for which capital funding is required, the [ICT Project proposal template](#) must be completed and submitted to [Trevor Joubert](#) for the necessary ITIPC (IT Investment and Prioritisation Committee) approval. This template is available on the UCT Finance website. Any queries must be directed to Trevor Joubert.

The ITIPC must consider the project proposal before finalisation of the budget submission.
ITIPC Project Definition: “We consider a project to be any body of work that is temporary and has any combination of the following:

- *Requires 80+ hours of ICT resource time*
- *Requires coordination of 3+ departments*
- *Requires coordination of 3+ ICT resources*
- *Has costs of R100,000+”*

1.7 The budget analyses with categorisation, motivations, business plans, and the plan loaded in SAP, together with the multi-year reconciliation highlighting major changes and achievement of austerity savings targets, will be discussed at the **Budget review meetings**.

1.8 The ‘*Budget analysis*’ template and supporting schedules * must be submitted to [Tony Dollery](#) by 08h30 on **30th August 2017**. [* Motivations, Business plans, ITIPC approved ICT Projects, CAPEX, Software, Travel, PC replacement schedule.]

2. Software

Please provide itemised detail of all software for which you are budgeting and which is part of your budget base. A [template](#) for ‘*Software usage/acquisition*’ is available on the UCT Finance website for this reporting. There is a concern that different departments buy their software independently (e.g. statistics packages) when an institutional license would be cheaper overall, or in some cases has already been acquired. Therefore, in order to enable ICTS to consolidate the software licenses across UCT, please provide the details of any and all intended software acquisitions and deployments. This spreadsheet forms part of your budget submission and must be sent to [Kira Chernotsky](#) and CC Tony Dollery. Any queries must be directed to Kira.

3. *Travel*

Itemised detail of all travel costs for which you are budgeting is to be submitted to [Tony Dollery](#) by 08h30 on **30th August 2017**. In order to enable RAAG to review the total UCT travel budget, please provide the details of any and all intended travel plans. A [template](#) for 'Travel costs' is available on the UCT Finance website for this reporting.

4. *Cost elements (General Ledger Account codes)*

All planners are advised to work closely with the [General Ledger Guidelines](#). SAP does NOT prevent CO PLANS being captured on cost elements, which are linked to blocked General Ledger accounts (GLs). As SAP does prevent **actual** costs being processed on blocked GLs, if expenses are **planned** on blocked GLs, there will be a CO reporting variance when the actual costs are processed. In order to avoid errors, all Cost elements linked to blocked GLs are clearly indicated as their description begins with the word "Blocked" or "Blckd".

5. *Checklist*

Please complete the budget submission [Checklist](#). This is available on the finance website with other budget 2018 downloads. **This Checklist forms part of your budget submission and must accompany your submission to Tony Dollery on 30th August 2017. All submissions without completed Checklists will be returned as incomplete.**

6. *Process for ICTS SLA charge-outs*

Areas affected are currently CHED, EBE, HSCI, SCI and SH&RL.

ICTS and areas should plan for the SLA charge-out as per normal, but must leave out the expected salary increase from the income/expense SLA. Once the staffing resources are revalued in ICTS, areas will be notified and will need to manually adjust the SLA income and SLA expenses. As a result, the nett effect on the bottomline for UCT is zero (besides the revaluation of ICTS resources which is expected) and the actuals can follow plan, with no reconciling items.

To summarise:

- ICTS sends out SLA quotes separating out the salary and operating components. Salary costs must exclude expected salary increases.
- Areas plan the SLA charge-outs (using the quote from ICTS) as operating costs, as this is an operating cost for the areas and not staffing.
- ICTS plan a similar negative amount under Income as a recovery line.
- ICTS plan the 'SLA' staff as normal by person.
- IRO the CO plan submission, there will be no reconciling items for either ICTS or the area between operating and staffing for the SLA charge-out.
- Once the staffing resources are revalued in ICTS with salary increases, Delfina de Góis will advise the average percentage salary increase. ICTS and the areas will manually adjust the percentage increase to the SLA income and SLA expense.
Any queries must be directed to [Khalid Chogle](#).

7. *Depreciation*

Depreciation must NOT be omitted from your plans. This item forms part of the budget.

The SAP depreciation forecast report should be used to plan for existing assets (see procedure below to run report). The report provides a depreciation forecast which can be used to estimate 2018 depreciation, by adjusting the figures per the report to allow for planned asset movements.

Detailed steps on how to run the depreciation forecast report:

- 7.1 In the SAP Menu, go to UCT – Asset Accounting Menu > Information System > Report selection > Depreciation forecast > Depreciation on Capitalized Assets (Depreciation Simulation).
- 7.2 In the Selection section, enter the Cost center (run a separate report for each Cost center as required).
- 7.3 In the Settings section, enter the Report date e.g. 31.12.2018. The report will list 2017 and 2018 simulated depreciation.
- 7.4 In the Select display variant section, tick summary report if you require it at summary level or leave blank for a list of assets.
- 7.5 Click the execute button.

8. *Resource/Non-Resource planning*

As per decision taken in 2011, resources have been reduced to staffing, courses and a few other items with 'set' prices. Please check 'Other costs' ([Excel guidelines](#) (available on the UCT Finance website), worksheet 2) before capturing units. There must be a price visible in the price per unit column BEFORE any units are entered. Currently only **staffing, telephone, network costs, and course fees** should be captured using **resources**.

9. *Non-Resource planning*

As a result of removing many of the X resources, prices for these generally used items have been added to 'Variable data' (Excel guidelines, worksheet 1). Please use these prices as a guide when planning for these items. 2018 pricelists for preferred suppliers of computer consumables will be added to the FND G drive (FM folder) when available.

10. *Upload of Non-Resource planning*

A program to upload NON-RESOURCE plans from an Excel spreadsheet to SAP is available for use by FMs. Please read the help document carefully before completing the template. Both the documentation and the template have been loaded to the FND G drive (FM folder). You are encouraged to use this tool rather than requesting a copy of V0/2017 to V29/2018 as there are usually many problems when copying prior year plans, particularly with staffing resources.

11. *Staffing (Resource planning)*

Staff resources have been loaded based on June 2017 COEs PLUS the add-on for CTC. [June 2017 COE + add-on costs = CTC = resource price].

It is assumed that staffing/payroll data is being checked by FMs on a monthly basis for management accounting and reporting purposes, and that any changes are forwarded by FMs to HR to make corrections. For **significant** changes to SAP CO Resources, arising **after** the June 2017 payroll, contact [Delfina de Góis](#). Changes will only be made on a weekly basis. Wherever possible, use the existing vacant post resources and make use of SAP long text functionality to add a note as to who the staff member is.

There is a deadline for requesting changes to staffing resources of 08h30 **14 August 2017**. No requests for changes to staffing will be considered after this date.

Detailed notes:

- 11.1 For staff members who will be in their position for the whole year, plan 12 units spread equally (Use Distribution Key (DK) "1").

- 11.2 All salaries must be planned using RESOURCE planning. The staff resources will be re-valued by Central Finance post the version 29 submission. It is therefore important to follow the procedure and plan all staffing using the resources provided.
- 11.3 *WGEN* resource (R1.00) will NOT be revalued.
- 11.4 Use the **correct payclass/level** of the vacant post resource, as resources will be re-valued with the approved salary increase **per payclass/level** and not an average increase. The “W” Resources are set as per standard package.
- 11.5 TUTORS/ASSISTANTS: Use *WTUTOR* resource for ALL tutors, part-time assistants or similar. Individual resources will NOT be created.
- 11.6 *WALLOWDD* & *WWALLOWHOD*: Resources are available for Deputy Dean and HOD allowances. Therefore, do NOT use Cost elements **1420** or **1440** in Non-Resource planning.
- 11.7 *W_T1&T2_A* & *W_T1&T2_P*: These resources are to be used for Academic & PASS contract staff. These will be revalued.

12. *Fee Income (Resource planning, captured on Real Internal Orders)*

The template to capture course fees and student head counts for courses is completed by the Faculty managers (Academic admin). The completed template is then handed over to FMs to capture on SAP, either by upload programme or manually.

UFC will recommend the 2018 general fee increase to Council in December 2017, together with the full 2018 budget proposal.

Process: (Refer to [Excel guidelines](#) (available on the UCT Finance website), worksheet 3 for the process flow chart). After the Faculty managers (Academic Admin) have completed the budget fee template (an Excel spreadsheet), FMs are expected to check the data for reasonability and completeness. The big picture must also be considered. It is also the responsibility of the FM to ensure that the course Real Internal Order (RIO) exists on SAP. The budget fee template must only be forwarded to [Delfina de Góis](#) once the RIOs have been created and it has been thoroughly checked. Course resources and prices will then be uploaded into SAP by Central Finance, and when completed, FMs will be notified. At this point the student headcounts must be captured on SAP by FMs. Do not forget to email the [Finance helpdesk](#) to settle your RIOs, together with a control/balancing total.

Detailed steps for faculty FMs:

- 12.1 After checking SAP master data (Transaction KO03: Display Individual Order OR KOK5: Master data list for orders, export to Excel, and use Excel VLOOKUP function to check against the courses on the template), send requests for missing RIOs to the Finance helpdesk. After the RIO is created, a new resource must ALSO be created. This will be done automatically by Central Finance after receipt of the final template and for any new RIO requests received thereafter.

NB: A RIO, a resource & a price must exist in SAP before capturing the headcount.

- 12.2 Once missing RIOs are created on SAP, send the final completed, checked and approved template to Delfina de Góis. This must be done BEFORE capturing/uploading the heads as there are NO fee resources in V29/2018.
- 12.3 If a resource has a zero value, please advise Delfina de Góis BEFORE inputting heads.
- 12.4 The headcounts can be entered either manually or as an upload to SAP.

Refer to SAP on-line help for documentation on [upload method](#).

NB: If capturing headcounts manually by RIO group, don't forget to change the course RIO number each time.

*Although the course resource numbering is exactly the same as the RIO number, they are considered to be two **different** objects in SAP, and **both must exist** before attempting to capture the headcounts, either by upload, or manually. Do not capture headcounts until notified by Delfina de Góis that resources and prices have been uploaded.*

For the example of the budget fee template, and the notes given to Faculty Managers (Academic Admin), please refer to the finance website, 2018 budget heading, on right. A checklist has also been added to the template for Academic Admin managers to sign off before handing the template over on **07 August 2017**. Please note that the PeopleSoft report, on which the template is based, **excludes** students that dropped courses. Data including students that dropped courses is provided in a separate sheet on the template.

13. Course Expenditure

If you do not report on course expenditure in detail, i.e. by course, then planning for these expenses can be added to the Management and Support Cost center, to which the course revenue settles. This route is NOT recommended as it results in a problem with quarterly reporting where the actual may not follow the plan, particularly in the case of the cost of printing/photocopying, where the plan is part of *admin and operating costs*, whereas the actual is part of *course costs*.

Alternatively, please continue to plan on RIOs, using planner profile UCT200 (RESOURCES) & UCT210 (NON-RESOURCES), **AND** email the [Finance helpdesk](#) when finished, **WITH** a control/balancing total, so that RIOs can be settled to Cost centers.

Please note that a Cost element group has been set up for course expenditure planning, **PLCOURSES**. FMs should forward requests for additional Cost Elements to the finance helpdesk.

14. Copyright costs

14.1 Full time courses:

- Copying that falls within the terms of the blanket licence (single articles, single poems or short stories, single book chapters, single law statutes and less than 10% of a single book) will not incur copyright charges to faculties since these costs are met in terms of UCT's blanket licence with DALRO, with the fee paid via the Registrar's Office (an amount per full time equivalent student).

14.2 Transactional copyright charges (all charges outside the terms of the blanket licence) are for the account of the faculty, with appropriate advance planning. These costs may not be charged directly to students, since this would be contrary to UCT's inclusive course fee policy. Such individual course fees must remain comparable to similar course offerings and may not be varied on the basis of course notes provided.

14.3 Short courses:

Copyright costs for short courses need to be budgeted for individually.

15. Asset Replacement

Replacement of operating assets, which are part of a multi-year replacement cycle (e.g. replacement of lab PCs) must not be budgeted as CAPEX, but as operating costs. For example, where computers are replaced every 5 years, and 1/5 is provided annually, this provision for replacement would be planned on GL4320 (Computer Equipment < R15,000). The actual journal must follow the plan as a debit (to a continuing Cost center) and credit (to a non-continuing Cost center) on the same GL4320. The debit and credit will nett off from a UCT perspective. When the

computers are actually purchased in year 5, GL account 4320 will be debited with the cost of the computers on the non-continuing Cost center.

Note

Following the detailed review of IT spend done by ICTS on behalf of the Special Budget Task Team, it was agreed that the replacement cycle for PCs/Laptops be 5 years. Replacement after a period less than 5 years is an exception rather than the rule. Please refer to [ICT001](#)- Replacement cycle of end-user ICT equipment policy.

Please note that this section of the budget is a requirement for both PASS and Faculties. If you need assistance, please contact [Tony Dollery](#).

Please submit an electronic copy of your detailed PC replacement spreadsheet and computation to Tony Dollery by 08h30 on 30 August 2017. An example computation is available on the FND G drive (FM folder). Basic information required on spreadsheet: By location, number of machines, replacement cycle.

16. *Once-off capital requests (CAPEX)*

16.1 Assets (CAPEX - Capital items with a unit cost greater than R15,000)

Please submit [Excel guidelines](#) worksheets 5.1 - 5.7 to Tony Dollery. Sheet 5.0 is a summary report. This will be consolidated into CAPEX requests for the P&BWG review.

16.2 Planned maintenance (part of Properties and Services [P&S] Operational plans ONLY)

This is planned via P&S as part of their planned maintenance and routine support provisions, and will be considered as part of their plans.

16.3 Major capital projects

Proposals with justifications and motivations go via the University Building & Development Committee (UB&DC), which are then considered in competition with other proposals.

Areas must ensure NO double counting occurs between themselves and Properties & Services. FMs must liaise with [Roland September](#) (Acting Executive Director: Properties & Services) before submitting plans.

17. *Non-continuing activities (including Prior Year Reserves utilisation)*

All plans for non-continuing activities must be entered in SAP, by Cost center, by Cost element or Resource, and within the newly developed non-continuing structure. All non-continuing specific projects, workshops etc. should be on RIOs (not Cost centers), and it is up to FMs whether or not to plan on these. Plans should be captured exactly the same as per continuing activities and must include minor assets and capital projects < R15,000.

18. *Budget Process Flow Diagram*

A [flow diagram](#) of the budget process has been uploaded to the UCT Finance website.

19. *Key dates*

A spreadsheet giving [key dates](#) is on the finance website.