

RHODES UNIVERSITY

# BUDGET 2013

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## GUIDELINES

ISSUED BY RHODES UNIVERSITY

FINANCE DIVISION

23 JULY 2012



RHODES UNIVERSITY  
*Where leaders learn*

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# 1. INTRODUCTION

The Budget is the financial expression of strategic decisions made to achieve the Vision, Mission and Strategic objectives of the University. While a budget is an essential tool in meeting strategic objectives, the quality of the budget determines could determine the extent to which the objectives are met. The benefits of a quality budget include:

- The opportunity to step back and critically evaluate the application of scarce resources in the most effective way
- Demands proactive management of the organisation by prediction of the future
- It serves as a tool for making decisions based on changing circumstances in the short-term
- It provides a basis to measure performance at different levels within the organisation
- It provides managers with a spending authority for the following financial year

The quality of a budget is developed over time, and during this budgeting process another step is taken in this development. In particular, the following have been introduced:

## 1. Monthly phasing of Income and Expenditure

All budget submissions must include a schedule that indicates timing of Income and Expenditure during the year. This schedule must indicate the Income and/or Expenditure items and the amounts in the month(s) in which it will occur. Where relevant, budget templates will accommodate this.

## 2. Budget templates for Support Divisions

Budget templates have been created for Support Divisions and other non-academic departments that are required to submit a budget. Submissions must include monthly budgets against detailed accounts – the budget template makes provision for this.

## 3. Revision of Computer Equipment Budget forms

The budget forms for Computer Equipment are in ADOBE PDF format instead of Word. This allows for online submission (similar to the SARS online submission).

You will also notice a change in communication with the introduction with this guideline document. The aim is to provide as much information as possible to assist those who are involved in the budget process.

The budgeting process kicks off in July and culminates with the approval of the budget by Council in November. The draft budget will go through a process of review and refinement before it is submitted to Council. Budget requests should be realistic and reasonable to ease the review and refinement process. The process is transparent, and with the being the responsibility of the entire University participation at the budget meetings is encouraged.

During this period demands will be placed on budget process participants to meet quality and time requirements. It is understood that these demands are placed on top of existing ones, and the Finance team will be on hand to provide support during the process.

Please feel free to provide feedback on errors and/or omissions, or any other or any other observations, since they contribute to improvements in the process.

With the above in mind, **good luck to all!**

**Geoff Erasmus**

Management Accountant & Budget Co-ordinator



## 2. MESSAGE FROM DESIREE PHILIPSON, DIRECTOR: FINANCE

The current economic environment continues to be challenging; not only in South Africa and Africa. Despite the denial of a crisis in education by some, I am sure that as a tertiary education institution we do not need convincing that there is indeed a crisis. Access to effective primary and secondary schooling, never mind tertiary education is a financial challenge for many of our young people and a major challenge for the Higher Education sector is to ensure that tertiary education is affordable and that sufficient provision is made to assist financially needy students with academic ability. Headline CPI indicates that the annual inflation rate in June 2012 was 5.5%. The province with the lowest rate is the Western Cape at 5.3% and the highest rate is experienced by the Northern Cape at 7%. The annual inflation rate in the Eastern Cape is 5.9% which is higher than the headline inflation rate. Primary and secondary education show a year-on-year increase of 8.5% and tertiary education inflation is 9.7% nationally.

An economic commentary published toward the end of May by Nedbank indicates that it expects the MPC to keep interest rates steady until around March 2013. Inflation is projected to average 6% in 2012, 5.5% in 2013 and 5% in 2014. The rand's exchange rate is a risk to the inflation outlook and the effect on inflation will depend on the extent and duration of the weakness which in turn will depend on developments internationally.

### **The Objectives of the budget process are:**

- To develop a budget which fully supports the objectives of the University as articulated through the Institution Plan. The reference used to identify the elements of the planning is the Vice-Chancellor's report included in the 2011 Annual Report. The 2011 Annual Report is available on the Finance Division website and the Vice-Chancellor's report is recommended reading. Predetermined objectives which the budget must support are:
  1. Enrolments
  2. Academic programmes
  3. Staffing
  4. Infrastructure
  5. Financial sustainability
- The process seeks to be transparent and fully inclusive of all stakeholders in the University
- The budget must be balanced; we may not budget for a deficit.

### **Budget challenges:**

- 55% of our total income is from Block Grant Funding from the Department of Higher Education and Training. Our share in the national funding is dependent on our performance and as the smallest university in South Africa we are very vulnerable to changes in this funding. A relatively small change in the national data can have a significant impact on our financial situation. Natalie Ripley and I have worked together on an initial calculation based on our Rhodes University information and some guesstimates of the national data and cautiously predict an 8% increase in subsidy income for 2013. Our prediction may require adjustment once the national data is available.
- Student fee and residence fee increases for 2012 were 8%. The factors affecting the setting of an increase in 2013 are:
  1. Pressure from Government to keep fee increases to a minimum in order to work towards enabling access to higher education from a financial perspective
  2. Rhodes is already a fairly expensive relative to other Universities. Recommended reading in this respect is our Statistics Digest (Section D). The Statistics Digest is available on the Rhodes Intranet.
  3. The staff costs budget is under significant pressure
    - a) The acceptable benchmark of staff costs as compared to total income is currently at its maximum of 68% and is a limiting pressure. The benchmark is set as a guide in respect of the sustainability of the staff costs budget. To maintain this benchmark the % increase in staff costs cannot exceed the % increase in total income.
    - b) A decision to increase the staff costs will have a direct impact on other areas of the University and wisdom of such a decision will have to be carefully evaluated.

The Management Team at Rhodes have been working towards ensuring remuneration packages which are fair and equitable within the Higher Education Sector and which will enable the attraction and retention of staff. Attempts to reach reasonable compa-ratios exert enormous upward pressure which has to be carefully balanced with financial sustainability.

### 3. BUDGET PRINCIPLES

The budget and the budgeting process need to adhere to principles that comply and are in line with the University's Vision and Mission, as well as with its obligations to all stakeholders.

The budget principles are:

- **Balanced Budget:** Income must equal Expenditure. A budget deficit may not be planned for.
- **Zero-based budgeting:** The budget for each income and expenditure item must be developed and motivated anew for the new budget period.
- **Cross-subsidisation:** For strategic reasons operating units with a surplus will cross-subsidise units with a deficit.
- **Fairness, Transparency and Participation:** The budgeting process should allow for wide stakeholder input.
- **Accountability and Ownership:** Accountability for and Ownership of the budgeting process and the budgets should be clear.

### 4. KEY PARAMETERS

The parameters below are proposed keeping in mind the objectives that need to be achieved and the budget principles to be applied. As such, they may change with the finalisation of the budget.

RU BENCHMARKS			COMMENT
INCOME			
1	Block Grant Subsidy increase	8%	Preliminary
2	Student Fee increase	<= 8%	
3	Student Enrolments	7645	Based on approved enrolment plan for 2011 - 2013
3.1	Under-graduate	5329	
3.2	Post-graduate	2273	
3.3	Occasional	43	
EXPENDITURE			
4	Staff Cost : Income ratio	68%	

ECONOMIC INDICATORS			COMMENT
CPI			
5	Headline	5.7%	May 2012
6	Eastern Cape	6.7%	May 2012
7	Tertiary Education	9.7%	May 2012

## 5. TIME-TABLE

DATES	TIME	ACTIVITY	ACCOUNTABLE	VENUE
23-Jul-12	12h00	Budget Packs made available via Finance website (TopList)	Finance	
<b>31-Aug-12</b>	<b>17h00</b>	<b>Due date for return of Budget Requests from Budget Holders</b>	<b>Departments / Divisions / Units</b>	
15-Oct-12	09h00	Budget Meeting - 1st review of draft budget	All	Council Chamber
5-Nov-12	09h00	Budget Meeting - final review of draft budget	All	Council Chamber
15-Nov-12	11h00	Budget presented to F&GP	Finance	Council Chamber
23-Nov-12	14h15	Fees Schedule presented to Senate for comment	Finance	Council Chamber
29-Nov-12	10h30	Budget presented to Council for approval	Finance	Council Chamber
14-Dec-12	12h00	Advise Departments/Divisions/Units of budget allocations	Finance	
3-Apr-13		Spending against Academic Capital Grants Commence	Departments	

## 6. BUDGET REQUESTS

### 6.1. FEES

The Fees schedule must be completed by all academic departments and should include all fees that could be raised on a student account. Examples of fees that could be included are:

- Hand-out charges
- Computer usage
- Field trips

Form A Schedule of Fees 2013 must be completed and submitted to Debby Wolhuter at [d.wolhuter@ru.ac.za](mailto:d.wolhuter@ru.ac.za) on or before 31 August 2012.

### 6.2. STAFF COSTS

The development of the Staff Cost budget will be co-ordinated by the Human Resources Division. All staffing requests for 2013 should be done in line with the procedure outlined in the HR Division request that was sent out at an earlier stage. Liaise with Adrienne Tait at [a.tait@ru.ac.za](mailto:a.tait@ru.ac.za) in this regard.

### 6.3. ACADEMIC RUNNING GRANTS

Academic Running Grants refer to expenditure required for the day-to-day running of an academic department.

It includes, amongst others:

- Stationery and Printing
- Consumables
- Telephone
- Consultancy Fees
- Small Capital items below R3,000

It excludes Staff Costs, Capital Equipment above R3,000, Research Activity costs, Conference and related travel costs.

The file “**Form B Department Running Grant.xlsx**” must be completed by **Academic Departments only**. Instructions on how to develop this budget is in the file.

Submit the completed file to Sonia Kivitts at [s.kivitts@ru.ac.za](mailto:s.kivitts@ru.ac.za) on or before 31 August 2012.

### 6.4. SUPPORT DIVISION EXPENDITURE

Support Division Expenditure refers to expenditure required for the day-to-day running of a support division.

It includes, amongst others:

- Stationery and Printing
- Consumables
- Telephone
- Consultancy Fees
- Small Capital items below R3,000

It excludes Staff Costs, Capital Equipment above R3,000, Conference and related travel costs.

The file “**Form E Support Division Expenditure.xlsx**” must be completed by **Support Divisions only**. Instructions on how to develop this budget is in the file.

Submit the completed file to Sonia Kivitts at [s.kivitts@ru.ac.za](mailto:s.kivitts@ru.ac.za) on or before 31 August 2012.

## 6.5. CAPITAL EQUIPMENT

### 6.5.1. FURNITURE AND EQUIPMENT

Furniture and Equipment specifically relate to all capital items for general use. While furniture is self-explanatory, equipment includes a wide range of items, amongst others:

- Video and Electronic Equipment
- Workshop Machinery
- Shredders and Binding Machines
- Tele-machines
- Kitchen Appliances
- Vehicles and Trailers
- And many more

It excludes:

- Computer Equipment
- Data and Overhead Projectors
- Teaching and Scientific Equipment
- Heavy-duty staplers, punches and related equipment – should be budgeted under stationery
- Fitted items such as built-in shelves, fitted carpets, etc. – requests for these items must be submitted during the budget year (2013) as and when required.

The file named “**Form C Furniture & Equipment 2013.xlsx**” must be completed by all who request these items. The instructions for on how to complete the file are in the file. Note that you do not need to provide amounts or quotations since they will be provided by the Buying Office. If you need any assistance you can contact Merrill Prinsloo on ext. 8136.

Submit the completed file to Rodney Bridger at [r.bridger@ru.ac.za](mailto:r.bridger@ru.ac.za) on or before 31 August 2012.

### 6.5.2. ACADEMIC CAPITAL EQUIPMENT

Academic Capital Equipment includes equipment that is used specifically in to facilitate teaching and learning. Examples of such equipment are:

Musical instruments and equipment  
Data collectors/loggers  
Laboratory equipment  
Photographic equipment  
Licence renewals of teaching programs  
Data projectors

It excludes:

Furniture and general equipment  
Computer Equipment



The file named “**Form D Capital Equipment Grant 2013.xlsx**” must be completed by Academic Departments and submitted to Rodney Bridger at [r.bridger@ru.ac.za](mailto:r.bridger@ru.ac.za).

### 6.5.3. COMPUTER EQUIPMENT

Computer Equipment includes applications for upgrade computers, new desktop and laptop computers, printers/Multi-function Printers, monitors and related IT equipment.

Each department and division must complete the relevant application forms that will be submitted to the IT Division. These forms will be available by Monday, 30 July 2012. The forms must be completed by 31 August 2012.

The link named “**IT Capital Equipment 2013**” will appear on the Finance – Budget 2013 web page and will take you to the relevant forms that need to be completed. The forms are self-explanatory and easy to complete. For further assistance contact Chantelle Ferguson at [c.ferguson@ru.ac.za](mailto:c.ferguson@ru.ac.za).

### 6.5.4. 4/5 YEAR ROLLING PLANS FOR CAPITAL EQUIPMENT

Departments that have 4/5 Year Rolling Plans for Capital Equipment should meet with Desiree Philipson (Director: Finance) to discuss further requirements for the 2013 – 2016 cycle.

## 7. CONTACTS

NAME	POSITION	RESPONSIBILITY	E-MAIL	EXT
Desiree Philipson	Director: Finance	Budget Process Owner	<a href="mailto:d.philipson@ru.ac.za">d.philipson@ru.ac.za</a>	8123
Geoff Erasmus	Management Accountant	Budget Co-ordination	<a href="mailto:g.erasmus@ru.ac.za">g.erasmus@ru.ac.za</a>	7541
Ingrid Ford	Ass. Financial Accountant	Budget Support	<a href="mailto:i.ford@ru.ac.za">i.ford@ru.ac.za</a>	8634
Sonia Kivitts	Administrator & Secretary to Director: Finance	Budget Administrative Support	<a href="mailto:s.kivitts@ru.ac.za">s.kivitts@ru.ac.za</a>	8123
Rodney Bridger	Senior Buyer	Equipment Budget quotes & consolidation	<a href="mailto:r.bridger@ru.ac.za">r.bridger@ru.ac.za</a>	8137
Tracey Chambers	Support Manager - IT	Computer Equipment Budget	<a href="mailto:t.chambers@ru.ac.za">t.chambers@ru.ac.za</a>	8288
Debby Wolhuter	Assistant Accountant	Fees	<a href="mailto:d.wolhuter@ru.ac.za">d.wolhuter@ru.ac.za</a>	8165

**END**

