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## Finance Policy: Contingency Reserve: Regulations

<b>Type of Document:</b>	Regulation
<b>Purpose:</b>	To provide guidelines for the use of the Contingency Reserve
<b>Approved by:</b>	Executive Committee (Council)
<b>Date of Approval:</b>	2009/06/19
<b>Date of Implementation:</b>	2009/06/19
<b>Date of Next Revision:</b>	As required
<b>Date of Previous Revision(s):</b>	<ul style="list-style-type: none"><li>• 12 February 2004: Prepared by Manie Lombard.</li><li>• Recommended by the Rector's Management Team on 27 February 2004 and approved on behalf of the Council by the Executive Committee (Council) on 29 April 2004.</li><li>• 19 June 2009: Updated</li></ul>
<b>Policy Owner<sup>1</sup>:</b>	Chief Operating Officer
<b>Policy Curator<sup>2</sup>:</b>	Chief Director: Finance
<b>Keywords:</b>	Contingency Reserve Fund
<b>Validity:</b>	In case of differences in interpretation the English version of this policy will be regarded as the valid version.

SU Policies are available at [www.sun.ac.za/policies](http://www.sun.ac.za/policies)

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<sup>1</sup> Policy Owner: Head(s) of Responsibility Centre(s) in which the policy functions.

<sup>2</sup> Policy Curator: Administrative head of the division responsible for the implementation and maintenance of the policy



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## **REGULATIONS FOR THE CONTINGENCY RESERVE**

### **1. Purpose**

The purpose of the Contingency Reserve is to put aside an amount of money in the annual budget in order to fund, within the approved budget, certain events that have a substantial financial impact but cannot reasonably be foreseen and budgeted for, for example:

- a cutback in government subsidy;
- projected growth in the number of students that is not realised;
- redressing inequalities in remuneration in comparison with the market;
- larger-than-expected remuneration adjustments by the government for persons on the joint service register of the WCPG and SU at Medical Science; and
- larger-than-expected exchange rate fluctuations.

The establishment of the Contingency Reserve Fund also, among other things, gives effect to the following financial management principles, as approved by the Council on 19 May 2003:

- “6. Sound business principles are applied in the performance of the financial function.
14. The management of a budget overrun occurs in accordance with clear-cut procedures that are framed and applied by the Finance Division.
28. Any new spending needs that arise in the course of the financial year can be accommodated by the responsibility manager concerned through reapplication of funds within the budget concerned, allowing for the accepted conditions imposed by the SU Management. In case this is not possible, the spending need remains pending until other funds become available.
33. The management of financial crises is an operational management responsibility, with the Council that can take steps when certain predetermined precautionary limits are exceeded. When financial crises necessitate cutting, the order of preference is as follows: utilisation of favourable cash flow, utilisation of balance funds, cutting of operating expenditure, non-filling of posts, deferment of capital spending, scrapping of vacant posts, monetisation of assets and reduction of personnel.”

Except for very rare instances, it is not the intention to finance the regular operating expenditure of environments through the Contingency Reserve.

## **2. Extent**

There are no guidelines for the extent of this type of provision but, allowing for the real extent of unanticipated reductions in the large income categories of government subsidy and number of students and increases in the large expenditure categories, such as items subject to exchange rate fluctuations, a provision of 1,5% of income from government subsidy and study fees is regarded as reasonable. Such provision would currently amount to R10,5 million in 2004 rand value.

## **3. Requests for appropriation and approval process**

Any requests for appropriation of the Contingency Reserve should be directed to the Senior Director: Finance and Asset Management who acts as secretary of the Finance Committee. Requests that qualify in accordance with these Regulations are submitted to the Rector's Management Team for consideration and approval. When the requests are submitted, they are accompanied by a recommendation by the Chief Director: Finance.

**As recommended by the Rector's Management Team on 27 February 2004 and approved on behalf of the Council by the Executive Committee (Council) on 29 April 2004.**

Prepared by Manie Lombard  
12 February 2004