University of Cape Town

Business plan process

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Last modified: 3 July 2015

Introduction

This document sets out the approved process for business plans at UCT. It includes business plans for activities that may or may not become mainstream. A pre-requisite for consideration of the business plan is the long-term profitability or gain (can be non-financial value) of the activity, event or project.

(1.) Business plan context

Business plans fall mainly into two types:

a) Those proposed with the intention of generating additional surplus, subject to the interests of the university.
b) Those with the purpose of protecting existing activities which are of importance to the university, but do not generate a surplus. In the latter case, the emphasis is on the non-financial value to the university, subject to the extent of the financial cost.

(2.) Application for business plan funding

Business plan applications will be accepted at any time, as and when business ideas arise. A central business plan team, with the roles and responsibilities within the team allocated, is provided in the following section.

(3.) Central business plan review team

The members are:

- Executive Director: Finance.
- Small finance team comprising: Manager: Financial Information Management, Manager: Operations Finance & Projects and Manager: Finance Support & Projects.
- The DVC who is part of the Planning and Budget Working Group or involved in the Planning and Budgeting portfolio.
- The Principal Planning Officer: Institutional Planning Department.

The following are the individual roles and responsibilities of the team:

- Financial and risk review (DVC and at least 2 members of the Finance dept.)
- Institutional planning and support (The Principal Planning Officer)
- Servicing Officer from Finance team (Manager: Finance Support & Projects) will be responsible for:
  - Communication (Notices w.r.t. to applications, updates, etc. – clarity of process is important)
  - Coordination (Meeting arrangements, Report submission checks and Report packs preparation / Report packs distributed electronically (or shared folder)
  - Note taking (Recording or taking notes at meetings, Action list compiled)

The business plan review team does not replace any existing structures or committees, that are responsible for, amongst others, Academic planning or Quality assurance, Space allocation, Information and Communication Technology, etc. All business plans submitted to the business plan review team must already have addressed these issues. Evidence of support from the parent committee must be provided, together with the business plan. The responsibility of the business plan review team is the financial viability and sustainability of the project.

(4.) Application process and internal area reviews

a) The business plan narrative and budget is the responsibility of the applicant. The business plan should give clear and concise information on all the important aspects of the proposed business.
   - The narrative report must be no more than three pages (including Budget sheet – see bullet point directly below).
   - A Budget - Refer Attachment 1 & 2 for guidelines and format. Area Finance Managers to assist with the Budget compilation as necessary and review.
   - Refer Appendix A. and B. for SAP procedures and reporting.
   - It is important that the final review function not be delegated, but must remain with the area Finance Manager.

b) The business plan narrative and budget must be presented by the applicant to the Dean/Executive Director for approval. Finance Managers must be included in the review, to provide financial input and expertise.

c) The Dean/Executive Director must inform applicant(s) of approval or non-approval.

d) The Dean/Executive Director must submit the approved business plan narrative and budget to the Servicing Officer of the business plan review team, with the Faculty/Pass area (Dean/Executive Director's) recommendation for the new proposal.

e) The business plan team to meet for reviews.

f) Applicants may be asked to do a 10 minute presentation to the business plan review team.

(5.) Authorities and approval process

After the central review team process, the Executive Director: Finance and the applicable area DVC will discuss and assess the business plan proposal. The recommendations of the central business plan review team will inform the Executive, and the Executive Director: Finance, in conjunction with the DVC for the relevant area, who will sign off on the business plan. The business plan will be circulated to RAAG for endorsement. The principles in terms of funding approvals follow the GEN002 Delegated authority limits policy. (URL:http://www.uct.ac.za/usr/finance/policies/gen002.pdf). The business plan viability and future sustainability needs to be considered in totality. The business plan review team will communicate the outcome of the review to the Dean/Executive Director and the Finance Manager. The Dean/Executive Director will in turn communicate the central approval or non-approval to the applicant.

(6.) Reporting

Reporting requirements to the Centre will be for the financial periods ending 31st March and 31st August. The due dates will be one week after the Monthly Management Accounting reporting deadline.

Reports which will be required from Finance Managers are:

a) Income & Expenditure Statement. (Actuals, Budget, Forecast)
b) Variance Analysis
c) For existing business plans (year 2014 onwards), a Funds Management report showing remaining funds at year end.
d) Applicants are to submit a business plan project narrative report of no more than 2 pages, outlining progress against planned outcomes and a rationale for continuation of funding.

Finance Managers are to co-ordinate reporting (a) to (d) and send the full pack electronically to the Servicing Officer.

A report with the consolidated summary of UCT business plans will be tabled for information at a UFC meeting. The timing of this is to be arranged with the Chairperson of the UFC.

(7.) Continuing/Non-Continuing operations

Some business plans are included as part of Continuing operations and some as part of Non-Continuing operations. It was decided that business plans that are integrated into the Continuing operations of the faculty/department, must be included in Continuing operations with effect from 2014. All courses that are part of the faculty offerings should be considered part of Continuing operations, and therefore these were duly integrated in 2014.

(8.) Funding and repayment

For business plans within Non-Continuing operations, funding will be allocated via a bridging loan from UCT Treasury department with a repayment date or schedule as appropriate. Form FM012, – Application for bridging finance must be completed.

For business plans within Continuing operations, budget will be allocated based on the expenses of the SAP CO plans input. Therefore there is no need for bridging finance to be requested via UCT Treasury department.

(9.) Principles

In order to successfully manage the business plan process, the following principles will apply:

Transitioning from Non-Continuing to Continuing operations
If a business plan terminates, it should be assessed to ascertain whether it can and should transition to Continuing operations. Such business plan projects terminating during the course of a calendar year, will be transitioned to Continuing operations/Recurrent budget at the start of the next calendar/financial year.

Changes and obligation – what if the Business plan changes?
All changes need to be communicated to the Dean/Executive Director and then to the business plan review team. The team will need to re-evaluate the business plan and go via the relevant authorities (Refer 4. above) and approve the change or terminate the project.

Failure – What if the repayment cannot be made?
The Faculty/PASS area will need to first explore possibilities to earn income to cover the losses. If this is unsuccessful, the area will be required to repay the loss from available PYR. In the event of insufficient PYR, the loss will be written off; a risk sharing strategy applies and net losses will be divided between the Faculty/PASS area and the Centre, on an agreed basis, considering circumstances.

Staff appointments – can staff be appointed for the full period of the multi-year business plan?
Posts can be advertised for the entire business plan term as areas will be reliant on receiving funding for the full term of the multi-year business plan. However, if funds are raised via external sources during the term of the multi-year business plan to support the original business plan proposal, the funding will revert to UCT Treasury department. The same risk strategy applies as for project failures above (Refer section 'Failure' above).

Appendix

SAP procedures and reporting

A. BUSINESS PLANS AS PART OF NON-CONTINUING ACTIVITIES

A.1. SAP master data

Business plans which are project-type related activities would form part of Non-Continuing operations. Budgets/Plans and Actuals are captured in SAP using Real Internal Orders, which settle to a Non-Continuing Cost Center. Real Internal Orders are used for project type activities and settle to Cost Centers (which are used for long-term business activities).

Once the business plan project has been approved, the Finance Manager needs to ensure that all parties concerned, including purchasers, are made aware of the **Real Internal Order number** that must be used against the project, for all costs and revenues for that project. This should either be communicated by email or a project kick-start meeting. Real Internal Orders and their numbers can be explained to unfamiliar SAP users as 'Projects and their Project numbers.'

Real Internal Order reports already exist at UCT.

A.2. Funding

On approval of business plans, and form FM012 referred in Section (7.), Central finance will load funding budget in SAP Funds Management to the Treasury bridging finance Control Fund. Treasury will then transfer the bridging finance to the Area bridging finance Control Fund. Finance Managers will then open a Fund for the business plan and transfer the budget from the Control Fund to the business plan Fund. Finance Managers to enter the plan into the SAP CO Plan version as specified.

B. BUSINESS PLANS AS PART OF CONTINUING ACTIVITIES

B.1. SAP master data

The key requirement is for a separate Fund and Cost Center to be in place, into which the specific costs be posted, whether directly or via a journal, based on a calculation.

Real Internal Orders may or may not be used, depending on the set up and involvement of courses/project activities. It is recommended that Real Internal Orders only be used if there is more than one related activity involved, otherwise there is no point if it is just a one –to – one relationship with the Cost Center.

There should be a separate **Fund for each business plan**, with the following master data.

- RIB – OFF (Budget will be allocated from SAP CO based on expenses required on an annual basis)
- Maintain Balance – ON (These funds should receive Revenue, therefore it makes sense for Maintain Balance to be on)
- Fund type – CNLNON – Council controlled NON-GOB application
- VAT status – Exempt
- YE rule – to the faculty

The following **General Ledger accounts** were set up under Revenue when business plans moved to Continuing operations:

- GL445 LOAN ADJUSTMENT BUSINESS PLANS – Business Plan Loan account – balancing in SAP CO plans and actuals
- GL315 FEES TRANSFER BUSINESS PLANS – Tuition Fee transfer – in order to keep GL300 FEES ACADEMIC untainted with transfers

B.2. SAP CO plans

Revenue and costs are to be entered on a separate Cost Center in SAP CO, with an ALT-hierarchy set up for business plan Cost Centers.
The bottom-line of the SAP CO plan must be ZERO in any year.
The balance must be adjusted to GL445 LOAN ADJUSTMENT BUSINESS PLANS until the net over the years equals zero.

B.3. SAP CO actuals

In order for the business plans to ZERO on actuals, an actual transaction needs to be processed to GL445 LOAN ADJUSTMENT BUSINESS PLANS.
These adjustments need to be done quarterly, in line with the forecasts.

B.4. Bridging finance/Business Plan Loan

Budget will be allocated as part of the main budget, but also separately identified as business plan budget.

The balancing figure in SAP CO will be via GL445 LOAN ADJUSTMENT BUSINESS PLANS.

- The SAP CO plan is a one sided entry
- For SAP CO actuals – Dr/Cr the same GL between the area Control Fund and the Treasury business plan loan Fund – the Treasury Fund must be part of Non-Continuing so that the effect on the University bottom-line of actual business plans is ZERO. The reason for the loan amount to go to the area Control Fund (and business plan Cost Center) is because the balance on the business plan Fund should be the real balance carried forward, and an assessment of when the project is breaking even.

Over the duration of the project, the net business plan loan account should reduce to zero, before the project is then ‘main-streamed’.

C. PRIOR YEAR RESERVES (PYR)

Until break-even is reached, the effect on PYR is zero as both the plans and actuals have a ZERO effect on the bottom-line.