

# MINISTERIAL STATEMENT ON UNIVERSITY FUNDING: 2019/20 AND 2020/21

November 2018

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# Section A: The Funding of Universities

## **1 INTRODUCTION**

This annual Ministerial Statement deals with the funding instruments to steer the university sector, and is issued in accordance with the requirements of the Higher Education Act, 1997 (Act 101 of 1997 as amended) and the funding framework for universities (Government Gazette, No 25824 of 9 December 2003). Other guiding policy documents include:

- Education White Paper 3 – A programme for the Transformation of Higher Education (1997);
- The National Plan for Higher Education (2001);
- The National Development Plan (2013); and
- The White Paper for Post-School Education and Training (2013).

Information relating to the budgets for the university sector is confidential until National Treasury releases the 'Estimates of National Expenditure' at the time the Minister of Finance delivers his budget speech in February 2019.

Given the economic forecast for government as a whole and the constraints on the current budget allocations, all government departments have to reprioritise and find efficiencies in the system as additional funding in the following Medium Term Expenditure Framework (MTEF) cycles will become limited. Universities are required to on an ongoing basis practice efficiency measures to ensure that available funding is effectively utilised. These measures could include:

- Reducing overheads relative to the core functions of universities;
- Collaboration amongst universities in order to save on spending;
- Improving debt collection; and
- Putting in place processes to generate additional third stream income funding (including sourcing additional donor funding).

## **2 THE CONTEXT**

This Ministerial Statement on University Funding contains:

- The preliminary budget allocations available for distribution to universities for 2019/20 and 2020/21, and the division of funds among various budget subcategories;
- The purpose of each funding category and, where applicable, its relationship with other funding categories;
- Details of the weightings and benchmarks employed in the calculation of grants;
- The sector's total funded teaching input units, total institutional factor units, total teaching output units and total research output units. Policy details are also provided for how a university would be able to calculate its own share of each of these sector totals, which also determines a university's own share of sub-block grant allocations for each of the next two years (2019/20 and 2020/21);
- Budget amounts per university for certain earmarked grants for 2019/20 and 2020/21;
- Changes to funding policy and reasons for changes; and

- Changes to government funding allocations in the 2019/20 and 2020/21 financial years.

### **3 REVIEW OF THE EXISTING FUNDING FRAMEWORK**

The Ministerial Statement on University Funding of February 2018 presents aspects of funding review which have been completed, as well as a process for finalising the revised framework.

A working group consisting of senior officials from the Department of Higher Education and Training (DHET), Universities South Africa (USAf) and senior representatives from the university sector was formed to interrogate the financial implications of the proposed changes for each university. Various models were discussed. However, due to changes in the context of the sector due to the additional funds provided to support students from poor and working class families in higher education studies, and the increase in baseline funding to reach 1% of GDP within five years, and the need to develop a regulatory framework to guide setting fees within the system, the process towards finalising the reviewed framework was put on hold for the time being.

During 2019, in-depth research on the funding of higher education, as well as the development of a regulatory framework for setting fees will be prioritised. Once that is done the framework for university funding will be revisited and final decisions on any changes will be made.

### **4 MTEF BUDGET ALLOCATIONS FOR 2019/20 AND 2020/21**

Table 1 sets out the Ministry's division of funds for the university sector among various budget subcategories.

Specific points to note about the financial information reflected in Table 1 are the following:

- National Treasury sets the base-line allocations per annum reflected in Table 1 for National Student Financial Aid Scheme (NSFAS), the two new universities, the clinical training of health professionals, and the overall state subsidies available for the university sector. In June of each year, the Department of Higher Education and Training (the Department) presents bids for additional funding to National Treasury (NT). NT engages with the Department during July to November on funds available for the rolling triennium. In November each year, NT issues a formal allocation letter indicating the total state budget which government can afford to spend on the university sector; and
- The Gap Grant for poor and missing middle student fee adjustments was implemented in 2016 through an earmarked grant. The funding that was made available in the baseline for this has now been included into the block grant as a fifth sub-block grant, and will be phased out at the national level over 4 years. Further details on the phase out of the grant are presented in Section B, sub-section 5. Universities will no longer claim gap grant funding from the Department from 2019/20 onwards. Each university is responsible for phasing out fee adjustment support for the cohort of poor and missing middle students who benefitted from the gap grant during the 2018 academic year, from the 2019 academic year onwards.

Table 1: State budgets for the university sector

Budget category	Budget totals for the university sector				Increase in budget from previous financial year		
	2017/18 (R'000)	2018/19 (R'000)	2019/20 (R'000)	2020/21 (R'000)	2018/19	2019/20	2020/21
<b>1 Block grants for universities</b>	<b>25 322 874</b>	<b>29 023 192</b>	<b>34 679 480</b>	<b>36 990 045</b>	<b>14.6%</b>	<b>19.5%</b>	<b>6.7%</b>
1.1 Teaching inputs	16 220 201	18 604 961	20 742 881	22 431 474	14.7%	11.5%	8.1%
1.2 Institutional factors	1 445 538	1 659 576	1 826 659	1 977 149	14.8%	10.1%	8.2%
1.3 Actual teaching outputs	4 310 654	4 936 259	5 865 336	6 491 885	14.5%	18.8%	10.7%
1.4 Actual research outputs	3 346 481	3 822 396	4 460 732	4 900 289	14.2%	16.7%	9.9%
1.5 Gap grant phased out			1 783 872	1 189 248			-33.3%
<b>2 Earmarked grants for universities</b>	<b>8 701 418</b>	<b>9 618 307</b>	<b>7 620 313</b>	<b>8 025 887</b>	<b>10.5%</b>	<b>-20.8%</b>	<b>5.3%</b>
2.1 Infrastructure & output efficiencies	2 541 903	2 791 493	2 958 594	2 994 717	9.8%	6.0%	1.2%
2.2 New universities							
Capital funds (SPU & UMP)	978 482	1 000 542	1 044 365	1 101 805	2.3%	4.4%	5.5%
Operational funds (SPU & UMP)	360 736	555 593	680 125	793 633	54.0%	22.4%	16.7%
Gap grant phased out			11 809	7 873			-33.3%
NIHE Northern Cape Pipeline Students	6 500	0	0	0			
Health Sciences Operational (SMU)		100 000	200 000	200 000		100.0%	0.0%
2.3 University Capacity Development	225 000	945 000	997 920	1 052 806	320.0%	5.6%	5.5%
Teaching Development	510 000	0	0	0			
Research Development	165 000	0	0	0			
2.4 Foundation Provision	335 794	366 068	389 654	441 085	9.0%	6.4%	13.2%
2.5 Clinical Training of Health Professionals	475 026	574 334	650 722	709 512	20.9%	13.3%	9.0%
2.6 HDI Development Grant (8 universities)	454 992	481 382	508 339	536 298	5.8%	5.6%	5.5%
2.7 Veterinary Sciences	156 638	165 723	175 000	184 625	5.8%	5.6%	5.5%
2.8 MBChB students	27 900	16 700	0	0	-40.1%	-100.0%	
2.9 Interest & redemption on historic loans	3 647	3 484	3 785	3 533	-4.5%	8.6%	-6.7%
2.10 Gap grant for poor & missing middle student fees	2 459 800	2 617 988	0	0	6.4%	-100.0%	
<b>3 Grants to institutions</b>	<b>9 881 270</b>	<b>14 945 950</b>	<b>24 066 319</b>	<b>28 305 986</b>	<b>51.3%</b>	<b>61.0%</b>	<b>17.6%</b>
3.1 NSFAS - Cape Town	9 849 421	14 901 269	24 023 952	28 236 289	51.3%	61.2%	17.5%
3.2 Institute for Human and Social Sciences	26 323	38 837	36 196	38 187	47.5%	-6.8%	5.5%
3.3 African Institute for Mathematical Studies	5 526	5 844	6 171	6 510	5.8%	5.6%	5.5%
3.4 Council on Higher Education				25 000			
<b>4 Sector oversight</b>	<b>10 500</b>	<b>15 109</b>	<b>15 731</b>	<b>16 596</b>	<b>43.9%</b>	<b>4.1%</b>	<b>5.5%</b>
4.1 Sector Planning, Monitoring, Evaluation & Support	10 500	15 109	15 731	16 596	43.9%	4.1%	5.5%
<b>TOTAL</b>	<b>43 916 062</b>	<b>53 602 558</b>	<b>66 381 843</b>	<b>73 338 514</b>	<b>22.1%</b>	<b>23.8%</b>	<b>10.5%</b>

## 5 UNIVERSITIES' STATE BUDGET FOR 2019/20 AND 2020/21

Universities receive state funds in the form of block grants and earmarked grants. Block grants (excluding the gap grant) comprise about 77% of the total state budget towards universities (excluding NSFAS). Block grants are intended for operational costs, including operational maintenance of assets related to university teaching, learning and research activities. Block grants are council-controlled funds, which can be used at the discretion of council and university management.

Public accountability for these funds remains paramount for institutions and the Ministry. Public accountability requires that institutions receiving public funds be able to report on the effective and efficient spending of the funds, the results they achieve with the resources, and how they would meet national policy goals and priorities. This reporting must be done in terms of the Regulations for Reporting by the Public Higher Education Institutions (Government Gazette No. 37726, Notice 9 June, 2014).

In order for a university to determine its own share of each of the 2019/20 and 2020/21 block grants, Table 2 sets out the funded total units of the sector in each of the block grant sub-categories reflected in Table 1. The values in Table 2 are the funded units of year (n-1), which is audited and used in year (n) to calculate the budget for financial year (n+1). Data for the 2020/21 financial year has not yet been audited. The funded teaching input units recorded in Table 2 are sourced from the Ministerial Statement on Enrolment Planning as planned and approved.

For a particular budget year, a university's share of funded units in each of the first 4 categories in Table 2 determines the university's share of funds in each of the 4 sub-block grant categories shown in Table 1.

**Section B** of this Ministerial Statement provides the policy details for a university to determine its own funded unit totals and therefore ultimately its own share in each of the first 4 sub-block grant categories in Table 2. Such calculations by universities should be regarded as preliminary until their funding allocations have been confirmed in writing through a Ministerial letter.

A more detailed example of how a university should make calculations in each sub-block grant category in order to determine its own block grant budget allocation for 2019/20 is also available on request.

Table 2A: Actual and estimated funded units of the university sector within the block grant categories

Block grant categories	Unit totals for the university sector							
	2017/18	2018/19	2019/20	2020/21	2017/18	2018/19	2019/20	2020/21
Funded teaching inputs	1 323 719	1 362 140	1 404 033	1 437 880	3.6%	2.9%	3.1%	2.4%
Institutional factors	117 135	119 154	126 611	132 941 <sup>1)</sup>	4.6%	1.7%	6.3%	5.0%
Actual teaching outputs	176 164	187 280	193 294	202 959 <sup>1)</sup>	4.4%	6.3%	3.2%	5.0%
Actual research outputs	31 211	34 540	36 602	39 530 <sup>1)</sup>	6.4%	10.7%	6.0%	8.0%

Table 2B: Actual and estimated funded units of the sector within earmarked grants related to the block grant

Foundation units	21 887	23 743	25 651	27 703 <sup>1)</sup>	5.3%	8.5%	8.0%	8.0%
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1) Estimated values

The annual public report "University state budgets", available on the Department's website, presents the final input data of each university in each of the 4 sub-block grant categories, which were used to determine each university's block grant allocation for each of the years from 2004/05 onwards, as well as the total block grant and earmarked allocations from 2004/05 onwards according to university. Data of all universities for 2019/20 will be available on the Department's website after the Minister of Finance delivers his budget speech in February 2019.

**Sections C & D** of this Ministerial Statement highlight budgets per institution in some earmarked grant categories reflected in Table 1. Earmarked state grants are grants that must be used for a specific purpose and are not council controlled. Earmarked grants require a range of inputs, such as project proposals from universities and annual progress reports to the Department. Earmarked grants are used to steer the sector towards the targets agreed upon within the enrolment planning exercise and to ensure national priorities are addressed by universities.

## 6 RELIABILITY OF HIGHER EDUCATION MANAGEMENT INFORMATION SYSTEM (HEMIS) DATA SUBMITTED BY UNIVERSITIES

Both block grant calculations and progress reports of earmarked funds depend heavily on reliable audited Higher Education Management Information System (HEMIS) data submitted annually by universities to the Department.

The Department will continue to monitor the reliability of the data in HEMIS submissions. A small number of universities resubmit their data quite late after the deadline for the third and final HEMIS submission of 31 July has passed, due to errors in their final audited data submission. Such a late resubmission adversely impacts on the planning and verification processes within the Department and on the running of the subsidy allocations.

If the verification process by the Department suggests that a university's data submissions are incorrect, then the university will be required to correct errors and resubmit the amended database with a new audit certificate. Should an institution notify the Department that they have detected an error in their final submission, the Department will require the resubmission with the revised audit report by the latest in the middle of September in order to complete the verification processes. Where necessary, the university may be required to amend the historical databases for the past 3 years. If this is deemed necessary, the university's block grants or earmarked funds for specific years will be re-calculated for the past 3 years according to Section 11 (d) of the Prescription Act, No 68 of 1969. Any over-payments for these 3 years will be deducted from existing budgets to the applicable university before funds are paid to the university and from future budgets to this university.

The Department will also, when necessary, make adjustments to any data of the university, which the Department uses for funding purposes, if the data and/or the progress reports submitted to the Department, whether endorsed by external auditors or not, indicate that a university has not complied with the Department's policies/HEMIS directives, or if analyses undertaken by the Department indicate that a university's data submissions for block and earmarked funds are flawed. It is the responsibility of a university to ensure that it complies at all times to the policies and directives issued by the Department.

In 2007 the Department introduced a code "W" for element 025 (qualification requirement status) to enable universities to report students who had fulfilled the requirements of their qualifications, but their certificates were being withheld due to administrative reasons. Students whose HEMIS records are coded "W" and "F" are included as graduates for Teaching and Research output funding calculations. Graduates whose certificates have been withheld must be reported in HEMIS in the year in which they fulfilled the requirements of the qualification but for which their certificates are withheld. These students are not allowed to be reported in HEMIS submissions of subsequent years.

For the audited HEMIS submission of academic year (n), no graduates with outstanding debt prior to academic year (n-1) may be included in the HEMIS database for Teaching and Research Output funding as this negatively impacts on allocations to other universities. For example in the 2018 HEMIS submissions, universities may include 2017 and 2018 graduates who have not completed their qualifications and who returned in the 2017 and 2018 academic years to graduate. The 2017 graduates would be graduates who were identified after the final audited 2017 HEMIS submission to the Department. These 2017 students could be those who may have been doing experiential training, who completed a module at another university or who stopped out. Students with outstanding debt from years prior to 2017 should not be included in the 2018 database.

Graduates prior to 2003 must be reported directly to the National Learner Records' Database (NLRD) and never be included in the current HEMIS databases. These graduates would have been funded for their courses enrolled and courses passed under the old cost based funding formula. To include them in a current database would imply double funding for a university.

If the increase in graduate numbers is a result of graduate only registrations, the Department will investigate these records and may make adjustments to the data for funding purposes.

## **Section B: Block Grant Budget Calculations for Universities**

**Section B** focuses on the policy to calculate a university's funded units within each of the 4 sub-block grant categories; teaching input, teaching output, research output and institutional factors, for 2019/20 and 2020/21.

For a particular financial year, a university's own funded unit total in any one of the above 4 sub-block grant categories, can be used, together with the corresponding sector's funded unit total reflected in Table 2, to determine the university's own share, or fraction, of the funds in the corresponding block grant sub-category of funding noted in Table 1.

The annual public report "University performance within the block grant", available on Department's website, presents statistics on the annual improvements in the performance of each university within each of the sub-block grants from the 2004/05 financial year onwards. This report monitors the effectiveness of the funding instruments used within the block grant to steer the university sector.

### **1 THE TEACHING INPUT SUB-BLOCK GRANT**

This section deals with 1) the calculation of actual teaching input units, 2) approved teaching input units funded by the state, and 3) corrective measures taken concerning unacceptable deviations between actual and funded teaching input units.

#### **1.1 Actual teaching input units**

For the calculation of actual teaching input units, the weighting factor for funding purposes of a cell in the grid indicated in Table 3 will first be applied to the corresponding HEMIS unweighted enrolled full-time equivalent (FTE) student total (excluding experiential learning, work-integrated learning, FTE students) in that cell, thus generating weighted teaching input units for the particular cell. The grand total of weighted teaching input units for a university for all funding groups and course levels will then be the sum of the input units of all the grid cells.

Table 3: Funding weightings for teaching inputs: 2019/20 and 2020/21

Funding group	Undergraduate & equivalent		Honours & equivalent		Masters & equivalent		Doctoral & equivalent	
	Contact	Distance	Contact	Distance	Contact	Distance	Contact	Distance
1	1.0	0.5	2.0	1.0	3.0	3.0	4.0	4.0
2	1.5	0.75	3.0	1.5	4.5	4.5	6.0	6.0
3	2.5	1.25	5.0	2.5	7.5	7.5	10.0	10.0
4	3.5	1.75	7.0	3.5	10.5	10.5	14.0	14.0

The basic weightings of funding groups 1, 2, 3 and 4 for contact tuition for the four qualification types in Table 3 are based on HEMIS definitions to record students, whereby one undergraduate student head equals on average 0,8 full-time equivalent (FTE) student, one masters student head equals on average roughly a third FTE student, and one doctoral student head equals on average roughly a quarter of an FTE student.

The four funding groups in Table 3 consist of HEMIS FTE student aggregations according to the Classification of Educational Subject Matter (CESM) categories, set out in Table 4.

Table 4: Funding groups for 2019/20 and 2020/21

Funding group	CESM categories included in funding group
1	07 education, 12 law, 18 psychology, 19 public administration and services
2	04 business, economics & management studies, 05 communication & journalism, 06 computer & information sciences, 11 languages, linguistics & literature, 17 philosophy, religion and theology, 20 social sciences
3	02 architecture & the built environment, 08 engineering, 10 family ecology & consumer sciences, 15 mathematics & statistics
4	01 agriculture & agricultural operations, 03 visual and performing arts, 09 health professions & related clinical sciences, 13 life sciences, 14 physical sciences

## 1.2 Approved teaching input units funded by the state

The funding framework requires teaching input funding to be based on planned and approved FTE student enrolments, weighted for funding purposes as indicated in Sub-Division 1.1 of Section B. The Department consults with each university concerning these future student enrolment targets. The enrolment targets are, in effect, a contract between the Department and the Council of each university.

Table 5 sets out the funded totals of teaching input units (TIUs) per university for 2019/20 to 2021/22, as reflected in the Minister's letter on "Revision to the approved mid-term enrolment and efficiency targets for 2017-2019", dated 18 October 2018. These units include both contact and distance tuition student data.

## 1.3 Corrective measures taken concerning unacceptable deviations between actual and funded teaching input units.

This section deals with the difference between the actual units calculated by a university in Sub-Division 1.1 of Section B, and the approved funded units as indicated in Sub-Division 1.2 above for a particular year.

Each university is expected to plan and manage its student admissions and enrolment to ensure that, for a particular year, its actual teaching input unit total calculated in Sub-Division 1.1 converges to its planned and state funded teaching input unit total approved by the Minister, and set out in Table 5.

The Department makes adjustments to Ministerial approved and funded TIUs for unacceptable deviations between actual and funded TIUs before a university receives its final block grant budget for a particular year.

From 2015/16 to 2018/19 the focus of the corrective measures was on universities who substantially under-enrolled, as it impacted on providing access to students, in particular disadvantaged students. For the 2015/16, 2016/17, 2017/18 and 2018/19 financial years, the Minister has approved

deviations in under-enrolment of 5%, 4%, 3% and 2% from the Ministerial approved funded teaching input units as acceptable for 2013, 2014, 2015 and 2016 data respectively. In all of the above four years, one third of the units exceeding the approved acceptable deviation were removed from the funded units of a university which had under-enrolled beyond the acceptable deviation.

Table 5: Ministerial approved teaching input units

UNIVERSITY	MINISTERIAL APPROVED FUNDED TEACHING INPUT UNITS			
	YEAR 1) YEAR 2)	2019/20 2017	2020/21 2018	2021/22 2019
CAPE PENINSULA UT		59 383	60 406	62 333
CAPE TOWN		69 539	70 500	71 402
CENTRAL UT		26 324	27 533	29 502
DURBAN UT		46 793	48 653	51 087
FORT HARE		28 433	30 035	31 742
FREE STATE		55 850	57 526	59 252
JOHANNESBURG		89 854	90 356	91 848
KWAZULU-NATAL		92 893	96 298	99 494
LIMPOPO		40 095	40 571	41 046
MANGOSUTHU UT		19 263	20 370	21 509
NELSON MANDELA		51 064	52 978	54 265
NORTH WEST		81 630	82 545	82 701
PRETORIA		114 729	117 324	119 818
RHODES		17 762	17 845	17 985
SEFAKO MAKGATHO		20 102	22 076	24 060
SOUTH AFRICA		164 976	166 604	168 112
STELLENBOSCH		77 121	77 680	78 627
TSHWANE UT		97 375	101 083	104 937
VAAL UT		29 162	31 225	32 302
VENDA		31 703	32 590	33 502
WALTER SISULU		42 183	43 086	44 372
WESTERN CAPE		43 540	44 850	46 192
WITWATERSRAND		82 347	84 820	87 362
ZULULAND		21 911	20 925	19 983
<b>TOTAL</b>		<b>1 404 033</b>	<b>1 437 880</b>	<b>1 473 434</b>

1) The State's financial year in which enrolled students are funded.

2) The academic year of a university in which students are enrolled, which lags 2 years behind the financial year of the State's budget.

The corrective financial measures imposed on all universities are annually reported in detail in the public report: "University state budgets", noted in Sub-Division 5 of **Section A** of this Ministerial Statement.

Corrective measures will in future years become stronger in one or more of the following areas, namely:

- Reducing the acceptable range of deviations (over- and under-enrolments) from Ministerial approved funded teaching input units towards 2%, as was signalled as an acceptable variation from agreed upon targets in 2012;

- Removing an ever increasing share of Ministerial approved funded teaching input units from universities who operate outside of the acceptable deviation range in terms of under-enrolment and over-enrolment; and
- Re-allocating the revised funding towards universities who operate within the acceptable range of deviations from Ministerial approved funded teaching input units.

The Department had signalled in previous Ministerial Statements that it would start imposing penalties for over enrolment, as it impacts on the quality of teaching and learning provided to students and negatively impacts on the shares amongst universities and the rand-value of Teaching Input Units in future enrolment planning. Long term enrolment planning at a university stands or falls in the stability obtained in enrolled first-time entering students. A university has sufficient time at its disposal to finalise and ensure stability in its first-time entering students before the HEMIS census date(s). Students who are transferred from another university, or students who return to a university owing to better financial incentives made available to them, and thus increase over-enrolments in a university, will not affect the stability which should be obtained in enrolled first-time entering students. Universities have already been given notice in previous Ministerial Statements that the Department may financially penalise a university's TIUs in future years owing to over-enrolment in first-time entering headcount students, using the agreed upon enrolment plan of the university as the base.

The communiqué to University Vice Chancellors regarding free fee education, dated 22 December 2017, indicated that “sustainability of the new funding arrangements is important. Allocations will be based upon agreed enrolment targets in the public university sector. Institutions will be required to manage their enrolments in line with funded targets to ensure the delivery of quality university education, and long-term sustainability”. Thus, financial corrective measures will be imposed on universities who over-enrolled in 2018, taking into account over-enrolments in 2018 first-time entering students. This will be implemented in the November 2019 Ministerial Statement on University Funding for the 2020/21 financial year.

## **2 THE INSTITUTIONAL FACTOR SUB-BLOCK GRANT**

This section contains 2 factors, namely 1) the proportion which a university has of students from disadvantaged backgrounds, and 2) university size in terms of contact and distance FTE student enrolment.

### **2.1 Grants for universities with large proportions of disadvantaged students**

The aim of this grant is to increase the participation, success and graduation rates of disadvantaged students in general. This grant deems disadvantaged students to be African and Coloured students who are South African citizens.

For a contact tuition university, a calculation for the 2019/20 financial year is first made of the proportions it has of disadvantaged students in its 2017 *contact* FTE enrolled student total. A disadvantage-weighting factor is then

determined for the university. This factor is 0 for a university whose proportion of disadvantaged students is 40% or less, and increases linearly up to a maximum 0,10 at a disadvantaged proportion of 80%. The factor remains 0,10 for a university whose proportion of disadvantaged students is between 80% and 100%.

For 2019/20, additional 2017 funded teaching input units are then generated by multiplying its disadvantage factor by the university's approved 2017 funded total of contact plus distance teaching input units set out in Table 5 for the 2019/20 financial year.

For the dedicated distance university, the calculation of the disadvantage factor for the 2019/20 financial year is based on the proportion of disadvantaged students, which it has in its 2017 distance FTE enrolled student total.

The same calculations can be made for 2020/21, using the corresponding 2018 student data.

## **2.2 Grants related to the size of universities**

The size factor takes account of economies of scale as the FTE enrolment size of a university increases. The institutional size factor is used to give additional teaching input units to small universities, depending on the size of their FTE student enrolments. The institutional size factor amounts to 0,15 for universities with up to 4 000 contact plus distance FTE (unweighted) students, after which it decreases linearly to 0 for universities with totals of 25 000 or more contact plus distance FTE students (unweighted).

For 2019/20, additional 2017 funding units are then generated by multiplying its size factor by the university's approved funded total of contact plus distance teaching input units set out in Table 5 for the 2019/20 financial year.

The same calculations can be made for 2020/21, using the corresponding 2018 student data.

## **3 TEACHING OUTPUT SUB-BLOCK GRANT**

The aim of this sub-block grant is to fund and simultaneously incentivise increases in student graduates from under-graduate up to taught masters level. Research masters graduates and all doctoral graduates are excluded, as they are funded in the research output sub-block grant.

Student graduate numbers, instead of annual full-time equivalent (FTE) student success rates, are the focus of teaching outputs, because student graduate data are in essence, the final teaching outcomes at universities.

Funding of a university for the 2019/20 and 2020/21 financial years will respectively be based on a university's actual 2017 and 2018 totals of student graduate numbers reported in HEMIS, and audited by the universities' external auditors.

Teaching output grant allocations are determined on the basis of an actual weighted total of teaching outputs (in terms of funded units) produced by each university. The weightings for funding purposes to be applied to actual student graduate headcount outputs in order to obtain funded units for a university are set out in Table 6. There is no distinction between the teaching outputs of distance and of contact programmes.

Table 6: Funding weightings per student graduate head for contact and distance programmes for 2019/20 and 2020/21

Teaching output programmes	Weightings
UG certificates and diplomas (1 year)	0.5
UG certificates and diplomas (2 years)	0.5
UG certificates and diplomas (3 years)	1.0
UG 1st bachelors degrees (3 years)	1.0
UG 1 st bachelors degrees (4 years or more) NQF7	1.5
UG 1 st bachelor's degrees (4 years or more) NQF8	1.5
UG B Tech (1 year)	1.5
UG Advanced diplomas (1 year) NQF7	0.5
PG certificate in education (1 year) NQF7	0.5
PG diplomas and post-diploma dipl/cert (1 year)	0.5
PG bachelors degrees and advanced bachelors degrees	1.0
Honours degrees/higher diplomas/post-grad dipl (1 year)	0.5
Non-research masters degrees and diplomas	0.5

#### 4 RESEARCH OUTPUT SUB-BLOCK GRANT

The aim of this sub-block grant is to fund actual research outputs and simultaneously incentivise increases in research outputs.

Funding of a university for the 2019/20 and 2020/21 financial years will respectively be based on a university's 2017 and 2018 totals of actual publication units (books for the specialist, conference proceedings, and articles in accredited journals), as well as doctoral and research masters graduate numbers reported in HEMIS. All are audited by the Universities' external auditors.

Research output grant allocations are determined on the basis of an actual weighted total of research outputs (in terms of funded units) produced by each university. The weightings for funding purposes to be applied to actual research outputs in order to obtain funded research output units for a university are set out in Table 7.

Table 7: Funding weightings for research output units for 2019/20 and 2020/21

Research output categories	Weightings
Publication units	1
Research masters graduates	1
Doctoral graduates	3

New policy relating to evaluating creative outputs and innovations produced by South African public higher education institutions has been finalised (Government Gazette,

No 40819 of 28 April 2017). Universities will be required to compile and submit to the Department for the first time these additional outputs in November 2019. Evaluation of these additional outputs will be finalised during 2020, and will be taken into account by the end of 2020 to determine a university's research output sub-block grant budget for 2021/22.

Table 8 sets out the new research output categories which will apply for the 2021/22 financial year.

Table 8: Funding weightings for research output units for 2021/22

Research output categories	Funding weighting
Doctoral graduates	3
Research masters graduates	1
Journal articles	1
Books and chapters	1
Conference proceedings	1
Innovations	
- Patents	1
- Plant Breeders' Rights	1
Creative outputs	
- Fine Arts and Visual Arts	1
- Music	1
- Theatre, Performance and Dance	1
- Design	1
- Film and Television	1
- Literary Arts	1

Any journal on any of the lists/indices recognised by the Department for subsidy purposes, which does not comply with the policies and directives of the Department, will be removed immediately from the list, and articles published in such journals will not be state funded with immediate effect. Research units will be withheld from a university for funding purposes from both predatory journals and those journals pending investigation. The Department will reserve the right to recover the funds from a university that has claimed for and been paid out subsidies for such articles in error, for a period of 3 historical years, as stated in Sub-Division 6 of **Section A**. Should the Department establish that some of the pending journals are not predatory, then those research units will be awarded to a university in the next financial year.

The Department communicates the list of accredited journal titles to universities at the start of each academic year. The list should be used as proxy. Even if a journal is on the list approved by the Department, if later it is established that the journal is predatory, the Department will not fund publications published in the journal.

Each university should place emphasis on research ethics, the importance of quality research outputs, and the need to strengthen the university's research office to monitor the journals their researchers are publishing in.

The deadline within the Department to obtain the final research output unit totals per university of year (n-1) in order for the Department to determine in year (n) a budget for a university for year (n+1) is 15 October of year (n). Any changes/adjustments in these research unit totals after the deadline of 15 October of year (n) will be

accommodated by 15 October of year (n+1) for funding in year (n+2). There could therefore be a difference between the final approved research output units for a university for year (n-1), and the total units of year (n-1) funded within the research output sub-block grant to determine a budget in year (n) for a university for year (n+1).

## **5 THE PHASING OUT OF THE FORMER EARMARKED GAP GRANT**

The former earmarked gap grant for poor and missing middle students introduced in 2016/17 has been placed into the block grant.

The gap grant for the sector is reflected separately within the block grant as a fifth sub-block grant, as indicated in Table 1, and will be phased out over 4 years (2019/20 to 2022/23), as indicated in Table 9 below.

The 2018/19 total gap grant claims per university for 2018/19 has been used to determine the total gap grant set aside within the block grant for 2019/20. The sector total is approximately R1,8 billion as indicated in Tables 1 and 9. The remainder of the carry-through amount of the former earmarked gap grant of R2,76 billion for 2019/20, which amounts to approximately R1,0 billion, has been distributed among the other 4 traditional sub-block grant categories.

Universities will no longer claim gap grant funding from the Department from 2019/20 onwards. Each university is responsible for phasing out from the 2019 academic year the cohort of poor and missing middle students who benefitted from the gap grant during the 2018 academic year. Each university will manage surpluses and shortages in gap grant funding until all members of this cohort of students is no longer enrolled at the university, even if it takes more than 4 years.

Students who are still in the university system and who benefited from the gap grant in the 2018 academic year, will pay the agreed upon increase on their discounted 2018 fee in 2019, and in each year thereafter, their fee will increase in line with the agreed upon increment, until they exit the system. Universities will manage the fee accounts of these individual students without submitting claims for individual students to the Department. However, this must be audited as part of the universities annual audit and must be reported each year in the annual report submitted to the Department until such time as all students in the cohort have exited the university.

In 2019 all first-time entering students (FTENs) into universities will pay the actual fee set for 2019, and will not be eligible for discount supported by the state.

The gap grant for a university reflected in Table 9 for 2019/20 has to be added to the usual block grant for 2019/20 based on the standard 4 sub-block grants in order to determine a university's total block grant amount for 2019/20. The same principle applies for the 2020/21 financial year.

Table 9: Phasing out of the 2018/19 gap grant claims for poor and missing middle students

UNIVERSITIES	Gap Grant claims phased out as part of block grant				
	2018/19 actual claims (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2022/23 (R'000)
CAPE PENINSULA UT	37 261	37 261	24 841	12 420	0
CAPE TOWN	68 780	68 780	45 853	22 927	0
CENTRAL UT	38 415	38 415	25 610	12 805	0
DURBAN UT	99 386	99 386	66 257	33 129	0
FORT HARE	49 282	49 282	32 855	16 427	0
FREE STATE	87 638	87 638	58 425	29 213	0
JOHANNESBURG	193 758	193 758	129 172	64 586	0
KWAZULU-NATAL	181 061	181 061	120 707	60 354	0
LIMPOPO	61 676	61 676	41 117	20 559	0
MANGOSUTHU UT	39 040	39 040	26 027	13 013	0
NELSON MANDELA	55 294	55 294	36 863	18 431	0
NORTH WEST	114 335	114 335	76 223	38 112	0
PRETORIA	82 907	82 907	55 271	27 636	0
RHODES	32 688	32 688	21 792	10 896	0
SEFAKO MAKGATHO	9 616	9 616	6 411	3 205	0
SOUTH AFRICA	15 007	15 007	10 005	5 002	0
STELLENBOSCH	32 301	32 301	21 534	10 767	0
TSHWANE UT	190 270	190 270	126 847	63 423	0
VAAL UT	80 074	80 074	53 383	26 691	0
VENDA	33 831	33 831	22 554	11 277	0
WALTER SISULU	61 999	61 999	41 333	20 666	0
WESTERN CAPE	48 360	48 360	32 240	16 120	0
WITWATERSRAND	123 578	123 578	82 385	41 193	0
ZULULAND	47 315	47 315	31 543	15 772	0
<b>SUB-TOTAL</b>	<b>1 783 872</b>	<b>1 783 872</b>	<b>1 189 248</b>	<b>594 624</b>	<b>0</b>

  

NEW UNIVERSITIES	Gap Grant claims of new universities phased out				
	2018/19 actual claims (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2022/23 (R'000)
MPUMALANGA	7 855	7 855	5 237	2 618	0
SOL PLAATJE	3 954	3 954	2 636	1 318	0
<b>SUB-TOTAL</b>	<b>11 809</b>	<b>11 809</b>	<b>7 873</b>	<b>3 936</b>	<b>0</b>

  

<b>GRAND TOTAL</b>	<b>1 795 681</b>	<b>1 795 681</b>	<b>1 197 121</b>	<b>598 560</b>	<b>0</b>
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## **Section C: Earmarked Grants for Universities**

**Section C** focuses on presenting budgets per university in certain earmarked fund categories, in line with the context of this Ministerial Statement, set out in Sub-Division 2 of **Section A**.

Earmarked grants elaborated in this section of the Ministerial Statement are:

- Infrastructure and Efficiency Grant (IEG);
- New universities;
- University Capacity Development Grant (UCDG);
- Foundation Provision Grant;
- Clinical Training Grant (CTG);
- Historically Disadvantaged Institutions Development Grant (HDI-DG);
- Veterinary Sciences Grant; and
- Gap grant for poor and missing middle students

### **1 GENERAL POLICY ON PAYMENTS OF EARMARKED GRANTS**

Earmarked grants require annual progress reports to be submitted to the Department. Reporting on finances (e.g. expenditure data) within progress reports is required. Financial data in progress reports must be reported to at least 31 March of the year in which a progress report is required. This was implemented to ensure closer alignment with the financial year of the state (1 April – 31 March). However, the allocation of the UCDG is aligned to a university's academic year. Thus, progress reports within the UCDG are aligned to the university's financial year (1 January – 31 December).

All progress reports and audited financial statements for earmarked grants, apart from those linked to the UCDG, must be provided on or before 31 May of each year. This will ensure that the more reliable second submission HEMIS data, which has to be submitted to the Department by 30 April of each year, can be used in progress reports. In the case of the UCDG reports, the due date for the submission is the end of February of each year.

An amount of between 20% and 40% of each earmarked grant aligned to the Department's financial year will be released to universities during the first quarter of 2019/20, based on progress reports and audit certificates already approved by the Department during 2018/19 relating to the use of 2017/18 grants. The release of these initial funds during the first quarter of 2019/20 is not linked to the assessment of the reports during 2019/20. The purpose of the upfront payment is to assist universities to implement projects/programmes funded through earmarked grants during their academic year. The remaining percentage of the 2019/20 earmarked allocation will be released, based on the Department's assessment of progress reports on the use of 2018/19 grants and the accompanying audit certificate(s). Major under-spending and/or spending of funds for purposes not approved by the Department may result in withholding of funds. If funds are withheld, these may be reallocated with the approval of the Minister.

## **2 INFRASTRUCTURE AND EFFICIENCY GRANT**

The purpose of the infrastructure and efficiency grant is to ensure:

- Synergy between the availability of infrastructure within the university sector and the range of needs linked to the expansion of the system in terms of the enrolment planning processes;
- Equity in the quality of infrastructure at all universities; and
- Equity in the distribution of state funds amongst universities.

The funding pattern towards the establishment of infrastructure, such as a new building, differs vastly from the daily operational costs of a university. Within the university system, backlogs in infrastructure have accumulated, not keeping up with student enrolment growth. Thus, within the funding framework, infrastructure and efficiency grants are closely linked with enrolment planning.

The Infrastructure and Efficiency Grant (IEG) has been allocated over four distinct cycles (2007/08 to 2009/10; 2010/11 to 2011/12; 2012/13 to 2014/15; and 2015/16 to 2017/18). During the first three IEG cycles, the Minister approved IEG allocations on the basis of identified funding categories requiring expansion and individual university bids for funds in these areas. In the fourth cycle information gathered through the process of the maintenance audits, disability audits and development of macro campus plans, was used to introduce a backlog maintenance allocation to each institution, as well as funding for student housing and specific priority projects.

The Department has now adopted a broader, more systemic approach to infrastructure development requirements across the system. A Macro Infrastructure Framework (MIF) for the university system has been developed to support the planning, budgeting and monitoring of university infrastructure allocations. The framework assists in channelling infrastructure funding towards specific areas where scarce resources are needed and are likely to have the strongest impact, bearing in mind that each university has its own infrastructure needs and priorities. The allocations for the fifth IEG funding cycle (2018/19 to 2020/21) were determined in line with the Framework and they were based on a balance between national and institutional priorities. Spending on previous infrastructure allocations was also used as a yardstick to determine prospective infrastructure allocations.

The Department's budget for university infrastructure for the MTEF period 2018/19-2020/21 is R8,5 billion, which has been distributed amongst all 24 public universities. In addition, the 2 new universities, Sol Plaatje University and the University of Mpumalanga received a total of approximately R3,1 billion over the MTEF as a separate earmarked grant to enable the continuous development of new infrastructure in line with their ten to fifteen year approval spatial development plans.

The Department's Student Housing Infrastructure Programme aims to develop 200 000 new university beds by 2026. One of the objectives of the programme is to encourage universities to build student villages with thousands of beds instead of the usual practice of building individual student residences with only 200 or 300 beds, funded directly from the Department's infrastructure grant. For the period 2015/16 to 2020/21 approximately R3,9 billion has been allocated towards student housing projects from the IEG. These funds together with other resources will be used to accelerate the delivery of additional student housing in the system.

An additional earmarked amount of R103,430 million for 2018/19 and R120 million for 2019/20 have been allocated by NT from the Budget Facility for Infrastructure: Student Housing Infrastructure Programme. The following institutions will benefit from this earmarked amount: Nelson Mandela University (R33,5 million for each of 2018/19 and 2019/20); Sefako Makgatho Health Sciences University (R31,250 million for 2018/19 and R31,200 million for 2019/20); and Vaal University of Technology (R38,680 million for 2018/19 and R40,300 million for 2019/20). Funds for a Project Management Office of R15 million for 2019/20 have also been secured.

Table 10 presents the infrastructure and efficiency grants for 2019/20 and 2020/21 according to university, which excludes the once-off ring-fenced R120 million secured for student housing noted in the previous paragraph.

Table 10: Infrastructure and efficiency grants for 2019/20 and 2020/21

UNIVERSITY	2019/20 (R'000)	2020/21 (R'000)
CAPE PENINSULA UT	113 000	163 000
CAPE TOWN	68 000	49 021
CENTRAL UT	87 170	69 264
DURBAN UT	100 000	121 212
FORT HARE	71 888	57 333
FREE STATE	109 280	112 071
JOHANNESBURG	79 900	29 700
KWAZULU-NATAL	105 000	131 000
LIMPOPO	106 421	154 390
MANGOSUTHU UT	116 243	101 060
NELSON MANDELA	59 730	42 494
NORTH WEST	127 991	162 098
PRETORIA	77 700	112 865
RHODES	124 682	143 314
SEFAKO MAKGATHO	50 000	0
SOUTH AFRICA	84 676	63 529
STELLENBOSCH	75 000	90 350
TSHWANE UT	0	0
VAAL UT	121 507	131 301
VENDA	94 211	94 211
WALTER SISULU	100 000	90 300
WESTERN CAPE	106 259	94 445
WITWATERSRAND	109 936	133 030
ZULULAND	100 000	250 000
OTHER 2)	650 000	598 729
<b>TOTAL</b>	<b>2 838 594</b>	<b>2 994 717</b>

1) Budgets rounded off to the nearest thousand rand

2) Contingency funds for all universities and funds for TUT and SMU subject to meeting Departmental requirements.

### 3 NEW UNIVERSITIES

The Minister established the University of Mpumalanga (UMP) and Sol Plaatje University (SPU) as juristic persons in August 2013, in terms of section 20 of the Higher Education Act, 1997. The institutions were established as comprehensive universities offering a range of formative and vocationally-focused undergraduate

programmes. Over time the institutions will develop post graduate and research programmes in niche areas.

SPU and UMP will, when they reach their full planned capacity, provide spaces for 7 500 and 18 000 students respectively. Growth in student numbers will match the planned developments in infrastructure over time. The range of programmes offered by each of the universities will also extend in accordance with a planned and evolving Programme and Qualification Mix as capacity to deliver is developed.

The purpose of the two new universities' earmarked grants is to provide funding to SPU and UMP for development until such time that they become self-sustainable in terms of all income streams. These universities are not yet funded as part of the existing funding formula for the other 24 universities, and receive earmarked funding for operational expenses and for infrastructure development.

Sefako Makgatho Health Sciences University (SMU) the third new university, that was established in 2015 through an unbundling of the former MEDUNSA campus from the University of Limpopo, receives a block grant for operational expenses. However, in order to support the university to develop and become a sustainable comprehensive health sciences university, it requires a special grant. Its current programme qualification mix does not enable it to cross-subsidise from less expensive programmes, since all its programmes are in the more expensive health sciences. Therefore, an additional earmarked grant has been allocated to SMU, amounting to R200 million for each of the 2019/20 and 2020/21 financial years respectively as indicated in Table 1. This grant was introduced in 2018/19, and is expected to be allocated for a period of 5 years.

#### **4 UNIVERSITY CAPACITY DEVELOPMENT GRANT**

The University Capacity Development Grant (UCDG) was introduced in 2018, and 2019 and 2020 represent the second and third years of a three-year cycle. The UCDG is intended to enable universities to implement 3-year University Capacity Development Programme (UCDP) Plans, as described in the Ministerial Statement on the Implementation of the University Capacity Development Programme through Effective Management and Utilisation of the University Capacity Development Grant, 2018-2020, which was approved and signed by the Minister of Higher Education and Training on 31 March 2017.

The share allocation model for the first three years of the UCDG is based on two variables which serve as proxies for student development needs and staff development needs:

- The proportion of students at institutions from historically disadvantaged population groups, specifically African and coloured students; and
- The proportion of permanent instructional and research staff at the institution that must still achieve a doctorate.

Table 11 reflects the UCDG state budget for 2019 and 2020 according to university based on the funding shares model for the grant. The table also shows the amounts allocated for the three national capacity development programmes.

The University of South Africa is allocated 15% of the total amount available for disbursement to universities, and the share model is applied to distribute the remainder to 23 universities.

Sol Plaatje University and the University of Mpumalanga receive an operational earmarked grant and are expected to allocate a portion of the earmarked grant to fund their University Capacity Development Plans.

In addition to the allocation for individual universities, the UCDG makes provision for the allocation of funds to national capacity development programmes as follows:

- The New Generation of Academics Programme (nGAP)
- The Higher Education Leadership and Management Programme (HELMP)
- National Collaborative University Capacity Development Projects

Table 11: Earmarked UCDG state budget for 2019 and 2020

	Share allocation for the 2019 academic year	Share allocation for the 2020 academic year and beyond	2019/20 Financial year		2020/21 Financial Year		Jan - March 2021 (R'000)
			2019 academic year		2020 academic year		
			Jan - March 2019 (R'000)	Apr - Dec 2019 (R'000)	Jan - March 2020 (R'000)	Apr - Dec 2020 (R'000)	
CAPE PENINSULA UT	5.08	5.82	6 771	21 452	8 259	27 344	9 114
CAPE TOWN	2.14	1.95	2 853	9 037	2 767	9 161	3 054
CENTRAL UT	2.38	2.38	3 172	10 050	3 378	11 182	3 727
DURBAN UT	4.63	4.69	6 172	19 552	6 656	22 034	7 345
FORT HARE	2.69	2.87	3 586	11 359	4 073	13 484	4 494
FREE STATE	5.18	4.17	6 905	21 874	5 918	19 591	6 530
JOHANNESBURG	9.08	8.91	12 103	38 344	12 644	41 861	13 954
KWAZULU-NATAL	7.09	6.92	9 451	29 940	9 820	32 511	10 837
LIMPOPO	4.05	5.33	5 398	17 103	7 564	25 041	8 347
MANGOSUTHU UT	2.18	2.18	2 906	9 206	3 094	10 242	3 414
NELSON MANDELA	4.57	4.23	6 092	19 298	6 003	19 873	6 624
NORTH WEST	5.48	5.31	7 305	23 141	7 536	24 947	8 316
PRETORIA	4.55	3.90	6 065	19 214	5 535	18 323	6 108
RHODES	1.22	1.00	1 626	5 152	1 419	4 698	1 566
SEFAKO MAKGATHO	2.79	2.62	3 719	11 782	3 718	12 309	4 103
STELLENBOSCH	2.14	2.14	2 852	9 037	3 037	10 054	3 351
TSHWANE UT	10.04	10.02	13 383	42 397	14 220	47 076	15 692
VAAL UT	3.19	3.19	4 252	13 471	4 527	14 987	4 996
VENDA	3.11	3.56	4 145	13 133	5 052	16 726	5 575
WALTER SISULU	7.10	7.10	9 464	29 982	10 076	33 357	11 119
WESTERN CAPE	3.69	3.52	4 919	15 582	4 995	16 538	5 513
WITWATERSRAND	3.99	3.99	5 318	16 849	5 662	18 746	6 249
ZULULAND	3.63	4.20	4 839	15 329	5 960	19 732	6 577
SOUTH AFRICA			23 523	74 521	25 043	82 907	27 636
<b>TOTAL ALLOCATION TO UNIVERSITIES</b>			<b>156 820</b>	<b>496 805</b>	<b>166 956</b>	<b>552 724</b>	<b>184 241</b>
New Generation of Academics Programme			59 981	190 019	62 500	196 611	65 537
Higher Education Leadership and Management Programme			2 015	6 385	2 164	7 106	2 369
National Collaborative Programme			17 434	55 231	17 860	33 164	11 054
<b>TOTAL</b>			<b>236 250</b>	<b>748 440</b>	<b>249 480</b>	<b>789 605</b>	<b>263 201</b>
<b>OVERALL TOTAL FOR ACADEMIC YEAR</b>			<b>984 690</b>		<b>1 039 085</b>		-
<b>OVERALL TOTAL FOR FINANCIAL YEAR</b>				<b>997 920</b>		<b>1 052 806</b>	

In discussion with the sector around measures that should be put in place to limit the possibility of under-expenditure due to misalignment between the academic year and the state's financial year, it was agreed the universities would develop their University Capacity Development Plans and implement them over the academic year. The table thus provides amounts that show what the academic year allocation is in comparison to the financial year allocation.

## **5 FOUNDATION PROVISION GRANT**

The main purpose of foundation provision is to improve the academic performance of those first-time entering undergraduate students, who already comply with the minimum requirements to enrol for a particular university qualification, and who have already enrolled for that qualification, but who are at risk of failing or dropping out. Such students are placed on Ministerial approved extended curriculum programmes, which are in most cases one year longer than the regular qualification.

Earmarked foundation provision funds complement the teaching output sub-block grant in which graduates are funded. Any improvement in the student success rate of a university that will eventually result in more students graduating as a result of students been placed on extended/foundation programmes funded by earmarked foundation funds is to the benefit of a university, as additional graduates are funded within the teaching output sub-block grant.

Weighted Full-time equivalent (FTE) foundation students are annually funded in 2 ways simultaneously:

- By generating teaching input subsidy within the teaching input sub-block grant; and
- Through the distribution of earmarked (ring-fenced) state funds for foundation purposes.

For earmarked foundation funding, FTE enrolled foundation students are weighted according to the groups of CESMs in the teaching input funding grid set out in Tables 3 and 4.

The total weighted FTE foundation student enrolments, reported in HEMIS for year (n-1) determine in year (n) a university's earmarked state budget for foundation provision for year (n+1).

Table 12 reflects the foundation provision grants per university for 2019/20, based on final audited HEMIS foundation student data for 2017.

The preliminary state budget of a university for 2020/21 can be determined by multiplying the university's weighted FTE enrolled students in courses in extended curriculum programmes in year 2018 by the estimated rand value for a weighted FTE enrolled student in courses in extended curriculum programmes for year 2020/21. The latter is determined by dividing the estimated funded units of students in extended courses for 2018 reflected in Table 2 of the Ministerial Statement on University Funding into the total earmarked extended programme grant for 2020/21 reflected in Row 2.4 in Table 1 of this Ministerial Statement on University Funding. Although the grant in Table 1 is expected to remain unchanged in most cases, the total funded units of students in extended courses in year 2018 is a projected value in Table 2, which may change as final audited student data becomes available for 2018 at a later stage.

Foundation provision, through Ministerial approved extended curriculum programmes will be strengthened and extended.

Table 12: Earmarked foundation provision grants for 2019/20

UNIVERSITY	YEAR 2018/19 (R'000)	2019/20 (R'000)
CAPE PENINSULA UT	43 122	41 438
CAPE TOWN	5 275	14 290
CENTRAL UT	4 794	4 336
DURBAN UT	10 957	8 843
FORT HARE	8 987	12 694
FREE STATE	43 851	49 720
JOHANNESBURG	40 128	44 137
KWAZULU-NATAL	24 253	18 892
LIMPOPO	21 548	29 420
MANGOSUTHU UT	5 987	7 690
NELSON MANDELA	9 928	10 054
NORTH WEST	16 534	23 432
PRETORIA	17 319	20 179
RHODES	1 661	1 690
SEFAKO MAKGATHO	4 330	4 135
STELLENBOSCH	8 297	6 802
TSHWANE UT	48 594	54 667
VAAL UT	1 906	0
VENDA	6 068	6 840
WALTER SISULU	10 546	8 126
WESTERN CAPE	17 724	18 323
WITWATERSRAND	462	465
ZULULAND	2 797	3 481
<b>TOTAL</b>	<b>355 068</b>	<b>389 654</b>

## 6 CLINICAL TRAINING GRANT

Budgets per university for clinical training are calculated according to the approved programmes and the formula explained in the Ministerial Statement on Clinical Training Grants of 26 January 2010.

Clinical training grants according to university for 2019/20 are reflected in Table 13. Additional funding in the category "OTHER" in Table 13 of R120 million for 2019/20 are for health science programmes at all universities which are not yet funded within this earmarked grant.

Universities that qualify for the clinical training grant are required to submit clinical training grant budget proposals once every two years. However, from 2014 onwards, universities were required to submit their audited student enrolments by 31 July every year. The submission of student enrolments annually is to enable the Department to calculate clinical training grants per university two years ahead, in order to enable better planning at universities. The annual audited student enrolments to be submitted in year (n) are those of year (n-1).

The Department is in the process of considering the recommendations of the report of the National Review of the Clinical Training Grant. Some of the recommendations require further work, refinements and consultation. In order to make a determination on which programmes should be funded in future, further information and modelling needs to be undertaken. As a result the allocations for 2020/21 are not yet completed. This work will be completed in 2019/20.

Table 13: Clinical Training Grants for 2019/20

UNIVERSITY	YEAR 2019/20 (R'000)
CAPE PENINSULA UT	7 943
CAPE TOWN	46 808
CENTRAL UT	2 899
DURBAN UT	15 072
FORT HARE	6 979
FREE STATE	31 421
JOHANNESBURG	8 885
KWAZULU-NATAL	72 644
LIMPOPO	10 109
MANGOSUTHU UT	1 176
NELSON MANDELA	11 254
NORTH WEST	15 382
PRETORIA	47 490
RHODES	1 286
SEFAKO MAKGATHO	43 725
SOUTH AFRICA	0
STELLENBOSCH	46 376
TSHWANE UT	8 084
VAAL UT	3 947
VENDA	5 505
WALTER SISULU	19 000
WESTERN CAPE	34 080
WITWATERSRAND	81 828
ZULULAND	8 829
OTHER	120 000
<b>TOTAL</b>	<b>650 722</b>

## 7 HISTORICALLY DISADVANTAGED INSTITUTIONS DEVELOPMENT GRANT (HDI-DG)

Details of the administrative framework for the allocation and use of these grants are set out in the November 2014 Ministerial Statement on University Funding. Eight contact universities benefit from these grants, namely the Universities of Fort Hare, Limpopo, Venda, Walter Sisulu, Western Cape, Zululand, Mangosuthu University of Technology and Sefako Makgatho Health Sciences University.

Following the decision to implement a zero % fee increase in 2016, approval was granted by the Minister to use R361 million in the 2015/16 HDI-DG to help the eight universities fund the shortfall of this decision for a no fee increase and other costs related to the #feesmustfall campaign. The remainder was allocated to universities to assist with the additional costs emanating from the damages as a result of the student protests.

The initial 5-year period (2015/16-2019/20) has therefore been shifted to 2016/17-2020/21. The overall purpose of these funds is to put in place systems to develop and ensure sustainability of a financially healthy situation at each university, and to enable the university to strengthen its academic enterprise and fully realise its potential, taking up a sustainable position within a differentiated higher education system.

The allocation of funds was based on approved plans. Each HDI submitted a business plan which was assessed in the 2016/17 financial year by a working group of experts, and on the basis of the assessment and further engagement with each institution a final allocation per university was approved by the Minister before release of funds. In March 2017, the Minister approved the outcome of the evaluation of the Historically Disadvantaged Institutions Development Grant (HDI-DG) business plans and recommended 5-year allocations presented in Table 14.

The Department has since allocated a total amount of R1 003 474 688 leaving an unallocated amount of R1 411 068 312 for the five-year project period as reflected in Table 13. The Department plans to allocate the unallocated amount in 2019/20 post a development support process to assist universities to refine their plans to indicate sustainability beyond the 5 years.

The release of funds allocated will be made on the basis of detailed progress report and satisfactory audit reporting on the use of the funds, as required by the Treasury Regulations for any earmarked grants.

Table 14: HDI development grant allocations 1)

University	2016/17 (Rand)	2017/18 (Rand)	2018/19 (Rand)	2019/20 (Rand)	2020/21 (Rand)	TOTAL (Rand)
Fort Hare	96 700 000	27 987 813	0	0	0	124 687 813
Limpopo	20 495 440	39 558 042	0	0	0	60 053 482
Mangosuthu	13 495 020	56 730 654	0	23 448 386	27 350 000	121 024 060
Sefako Makgatho	20 566 018	26 517 173	0	0	0	47 083 191
Venda	75 073 230	58 443 819	0	17 129 498	6 007 712	156 654 259
Western Cape	56 460 086	64 520 000	0	738 430	782 736	122 501 252
Walter Sisulu	80 947 405	102 385 346	0	5 064 000	1 954 000	190 350 751
Zululand	69 794 801	78 849 153	0	16 233 398	16 242 528	181 119 880
<b>Currently Allocated</b>	<b>433 532 000</b>	<b>454 992 000</b>	<b>0</b>	<b>62 613 712</b>	<b>52 336 976</b>	<b>1 003 474 688</b>
<b>HDI Total Allocation</b>	<b>433 532 000</b>	<b>454 992 000</b>	<b>481 382 000</b>	<b>508 339 000</b>	<b>536 298 000</b>	<b>2 414 543 000</b>
<b>Still to be Allocated</b>	<b>0</b>	<b>0</b>	<b>481 382 000</b>	<b>445 725 288</b>	<b>483 961 024</b>	<b>1 411 068 312</b>

1) The total budget for 2018/19 has not yet been allocated per university. A total of R164,697 million transferred in 2017/18 to universities have already been approved and allocated towards projects in 2018. These approved projects also require budget amounts in 2019/20 and 2020/21.

## 8 VETERINARY SCIENCES GRANT

Most of the earmarked funds for veterinary sciences are allocated to the University of Pretoria (UP), which is responsible for the animal hospital. Unlike hospitals for humans, which are funded by the Department of Health, the animal hospital is not funded by any other government department.

Table 15 presents the allocations per university for Veterinary Science Programmes for 2019/20 and 2020/21.

Table 15: Earmarked budgets for Veterinary Science Programmes

Year	2019/20	2020/21
University	(R'000)	(R'000)
North West	7 642	8 345
Pretoria	160 088	168 895
South Africa	2 796	2 197
Tshwane UT	4 474	5 188
<b>Total</b>	<b>175 000</b>	<b>184 625</b>

## **Section D: Grants to Institutions**

Earmarked grants elaborated in this section of the Ministerial Statement are:

- National Student Financial Aid Scheme (NSFAS) Grant;
- The National Institute for Human and Social Sciences;
- The African Institute for Mathematical Sciences (AIMS);
- The Council on Higher Education

### **1 NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS) GRANT**

The National Student Financial Aid Scheme (NSFAS) is an independent juristic organisation set up to manage student financial aid governed by the NSFAS Act (Act number 56 of 1999). Since its inception, NSFAS is responsible for providing loans and bursaries to eligible students at all universities and TVET colleges throughout the country. Further mandates for the entity include the recovery of student loans and raising funds for student loans and bursaries.

On 16 December 2017, the former President Jacob Zuma announced that government would be phasing in “fully subsidised free higher education and training for poor and working class South Africans”. This will be implemented from 2018 through the provision of full bursaries for tuition and study materials to qualifying South African students at public TVET colleges and universities, and subsidised accommodation or transport capped at specific levels for those who qualify. In the 2018 academic year all registered university students from South African households with gross annual incomes of R350 000 or less will qualify and receive bursaries. The new policy will be phased in over a period of five years starting with first time entry students in 2018. For returning existing NSFAS funded university students, in 2018 and going forward, their loans will be converted into full bursaries.

NSFAS will continue to manage and administer bursaries for the poor and working class South African students at university and TVET colleges through the new student centred model.

The earmarked NSFAS budgets for the university sector reflected in Table 1 exclude:

- The Department of Basic Education’s Funza Lushaka Bursary Scheme for funding initial teachers training managed by NSFAS;
- Funds for scarce skills and disabilities, including the National Skills Fund, Sector Education and Training Authorities (SETAs) and provincial governments;
- State fund allocations by other government departments, provincial governments and public entities including SETAs towards NSFAS;
- Funds recovered from previous beneficiaries of this student aid system;
- Council-controlled funds of universities invested into NSFAS;
- Funds towards the administration of the Scheme, which is shared by the TVET sector; and
- Private donors and non-governmental organisations.

## **2 THE NATIONAL INSTITUTE OF HUMAN AND SOCIAL SCIENCES**

The Minister established the National Institute for the Humanities and Social Sciences (NIHSS) through the publication of Government Notice No. 37118 on 5 December 2013. The role of this entity is, broadly, to enhance and support the Human and Social Sciences (HSS) in South Africa and beyond, and to advise government and civil society on HSS related matters. It will do so through its various programmes, including the Doctoral Schools, Catalytic Projects and African Pathways Programme. The NIHSS provides doctoral scholarships for postgraduate students studying in the humanities and social sciences in South Africa. During 2015 the Minister also appointed the NIHSS as the official South African BRICS Think Tank (SABTT) organisation.

For 2019/20, funds amounting to R36,196 million have been allocated for the operations of NIHSS. Funding for projects and scholarships for a four-year period is provided through the National Skills Fund (NSF), subject to the approval of a full and costed proposal submitted to NSF each year.

## **3 THE AFRICAN INSTITUTE FOR MATHEMATICAL SCIENCES (AIMS)**

The Department provides a grant to the African Institute for Mathematical Sciences (AIMS) to offer a masters degree in mathematical sciences on behalf of three universities, namely Stellenbosch University, University of the Western Cape and the University of Cape Town. Students at AIMS have been registered at one of these universities. As required for any other earmarked grant, funding is allocated with certain conditions and AIMS needs to submit annual progress and audit reports. These students are not recorded in HEMIS, and therefore no block grant subsidy is allocated to the three universities for these students.

The programme builds core mathematical skills common to all modern science, gives exposure to cutting edge fields, especially those of relevance to African development and provides intensive training in scientific paper and report writing and in presentational skills. For South Africa, this is also an important New Partnership for Africa's Development (NEPAD) initiative.

## **4 THE COUNCIL ON HIGHER EDUCATION**

The CHE has an important mandate within the higher education system that is defined by the Higher Education Act (101 of 1997, as amended).

Over the past few years the CHE has been under significant budget pressure. Due to fiscal constraints, the average annual growth in the CHE's budget over the period 2017/18 to 2020/21 is 3.7% per annum, which is below inflation.

The Department has engaged with the CHE to try to find a solution and to support it to undertake its crucial quality assurance function. An analysis of the CHE's budgetary requirements suggests that a 50% increase is needed in its baseline transfers from the Department to effectively support it to carry out its mandate.

The Minister has therefore made a decision to provide an additional amount of R25 million for the MTEF beginning 2020/21, through a direct transfer in the form of an institutional grant, to enable the CHE to effectively carry out its core mandate. This amount has been top sliced from the additional funding made available in higher education subsidies over the MTEF.

## **Section E: Sector oversight**

### **1 SECTOR PLANNING, MONITORING, EVALUATION AND SUPPORT PROGRAMME**

These funds aim to improve the Department's capacity to:

- Monitor and evaluate the utilisation of earmarked grants much more closely and intensely in order to ensure the effective use of funds and to steer the system more appropriately as well as to comply with the requirements of the Auditor-General;
- Administer other planning and support projects such as the transfer of agricultural colleges to the national competency, and the Staffing South Africa's Universities' Framework (SSAUF);
- Plan for new projects and innovation in higher education;
- Provide governance and development support to institutions; and
- Implement the processes for the evaluation of annual performance plans and annual reports linked to public accountability of the block grants.