

# MINISTERIAL STATEMENT ON UNIVERSITY FUNDING: 2014/15 AND 2015/16

November 2013

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# Section A: The Funding of Universities

## **1. INTRODUCTION**

The 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 (Government Gazette, No 25824 of 9 December 2003). The current performance orientated funding framework was first introduced in the 2004/05 financial year. Other guiding policy documents include:

- Education White Paper 3 – A programme for the Transformation of Higher Education (August 1997);
- The National Plan for Higher Education (2001), and
- The Green Paper for post-school Education and Training.

This is the tenth annual Ministerial Statement on University Funding. Previous Ministerial Statements are obtainable on the website of the Department of Higher Education and Training at [www.dhet.gov.za](http://www.dhet.gov.za) under the Directorate: Financial and Physical Planning (Universities).

## **2. THE CONTEXT**

This Ministerial Statement on University Funding contains:

- The budget allocations likely to be available for distribution to the universities for the next two financial years (2014/15 and 2015/16) and the division of funds among various budget subcategories;
- The purpose of each funding category and its relationship with other funding categories;
- Details of the weightings and benchmarks employed in the calculation of block and earmarked grants;
- In terms of the block grant, it contains:
  - Shares of funded teaching input units, as well as the institutional factors, teaching and research output unit totals of the sector;
  - Policy details of how a university would be able to calculate its own share of the institutional factor, teaching and research output unit totals of the sector, which also determines the university's share of sub-block grant funding allocations for each of the next two years (2014/15 and 2015/16);
- Institutional shares and budget amounts of certain earmarked grants for the next 2 years (2014/15 and 2015/16);
- Improvements in the university system within funding categories as a result of the implementation of funding policies, and the impact of such improvements on existing funding policy;
- Details regarding the two new universities;
- Changes to funding policy and reasons for changes; and
- Changes to government funding allocations in the next two financial years (2014/15 and 2015/16).

### **3. REVIEW OF THE FRAMEWORK AND CHANGES TO FUNDING ALLOCATIONS**

A final report of the Ministerial Committee for the Review of the Funding of Universities, chaired by Mr Cyril Ramaphosa, was provided to the Minister, and a presentation was made in 2013 by the Committee. The Minister will release the report after it has been tabled in Cabinet. Government protocol requires that Cabinet is provided with any Report prior to its release, especially if such a Report has financial implications for Government. Following the finalisation of the Report by the Ministerial Committee, a Technical Team and a Reference Group have been appointed, consisting of members from the university sector and the Department which will model the financial impact of the recommendations made by the committee and will draft a revised funding framework for further consultation, approval and implementation.

Funding policy and grants for 2016/17 are not reflected in this Ministerial Statement in order to allow for the possible implementation of recommendations from the funding review/ revised funding framework. In the Funding Review a recommendation has been made to provide additional funding to disadvantaged institutions. An amount of R410,743 million in 2015/16 has been set aside for a new factor that will be linked to disadvantage. The distribution of this fund first need to be modelled and approved before details are provided. No university will be adversely affected by this change as National Treasury had provided R500 million additional funding in the 2015/16 financial year.

### **4. MTEF BUDGET ALLOCATIONS FOR 2014/15 AND 2015/16**

The current economic and financial environment places enormous responsibilities on all spheres of government to do more with less. The transfers (subsidies) to universities are government's contribution towards meeting the needs of a developmental state while trying to remain globally competitive. The volatility in the global financial system has had a huge impact on the revenue raising capability of the country and the recent downward economic projection for the country which has also resulted in credit downgrades shows that the South African economy is not performing optimally.

On an annual basis, the Department presents National Treasury with bids for additional funding in June, and thereafter National Treasury engages with the Department during the period July – November on the funds available to be distributed for the rolling triennium. National Treasury determines the total state budget which government can afford to spend on the university sector, and informs the Department officially in writing by the end of November.

In 2013, National Treasury did not request bids from government departments for the 2014 MTEF as the fiscus is facing mounting pressure due to the less than desirable growth. In his Medium Term Budget Policy Statement Speech, the Minister of Finance, Pravin Gordhan indicated that the global economic activity remains subdued and a modest growth of 2.1% is projected for the South African economy this year. The result is that low growth affects the ability of government to provide additional funding or new priorities for the 2014 MTEF.

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

Table 1: State budgets for the university sector

Budget category	Budget totals for the university sector				Increase in budget from previous financial year			
	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2015/16 (R'000)	2012/13	2013/14	2014/15	2015/16
<b>1 Block grants</b>	<b>17 433 861</b>	<b>18 438 584</b>	<b>19 561 234</b>	<b>20 947 875</b>	<b>6.4%</b>	<b>5.8%</b>	<b>6.1%</b>	<b>7.1%</b>
1.1 Teaching inputs	11 658 601	12 148 219	12 713 266	13 140 290	6.9%	4.2%	4.7%	3.4%
1.2 Institutional factors	1 011 573	1 054 055	1 103 392	1 170 372	6.9%	4.2%	4.7%	6.1%
New Disadvantaged Factor				410 743				
1.3 Actual teaching outputs	2 537 108	2 712 979	2 974 475	3 213 301	10.0%	6.9%	9.6%	8.0%
1.4 Actual research outputs	2 226 579	2 523 331	2 770 101	3 013 169	0.1%	13.3%	9.8%	8.8%
<b>2 Earmarked grants</b>	<b>6 846 900</b>	<b>7 643 478</b>	<b>8 508 752</b>	<b>9 390 330</b>	<b>22.0%</b>	<b>11.6%</b>	<b>11.3%</b>	<b>10.4%</b>
2.1 NSFAS	3 377 902	3 693 295	3 914 893	4 094 978	27.7%	9.3%	6.0%	4.6%
2.2 Infrastructure & output efficiencies	1 800 000	2 000 000	2 200 000	2 301 200	10.2%	11.1%	10.0%	4.6%
2.3 Capital funds for 2 new universities		150 000	500 000	1 000 000			233.3%	100.0%
2.4 Establishment funds for 2 new universities	100 000	150 000	159 000	166 314	100.0%	50.0%	6.0%	4.6%
2.5 National Institutes in 2 provinces	43 050	45 418	48 143	50 358	5.0%	5.5%	6.0%	4.6%
2.6 Research development	176 820	176 820	187 429	200 000	2497.2%	0.0%	6.0%	6.7%
2.7 Teaching development	499 000	575 000	609 500	620 000	18.8%	15.2%	6.0%	1.7%
2.8 Foundation provision	194 033	204 705	236 560	306 000	9.7%	5.5%	15.6%	29.4%
2.9 Clinical training of health professionals	367 290	387 491	410 740	429 635	5.0%	5.5%	6.0%	4.6%
2.10 Veterinary Sciences	121 800	128 500	136 210	142 476	5.0%	5.5%	6.0%	4.6%
2.11 Institute for Human and Social Sciences				23 829				
2.12 Merger multi-campus	148 000	118 400	94 720	44 864	0.0%	-20.0%	-20.0%	-52.6%
2.13 Interest & redemption on loans	14 605	9 255	6 757	5 676	-25.6%	-36.6%	-27.0%	-16.0%
2.14 African Institute for Mathematical Studies	4 400	4 594	4 800	5 000	10.0%	4.4%	4.5%	4.2%
<b>TOTAL</b>	<b>24 280 762</b>	<b>26 082 062</b>	<b>28 069 986</b>	<b>30 338 205</b>	<b>10.4%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>8.1%</b>

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

- National Treasury sets the minimum base-line allocations per annum reflected in Table 1 for NSFAS, the two new universities, and the clinical training of health professionals. The Ministry cannot change (decrease) these baselines without prior approval from National Treasury. Table 1 is based on the 2013 MTEF baseline budget.
- The Institutional Factor sub-block grant for 2015/16 changes significantly in 2 areas. Firstly, R410,743 million additional funding from Treasury has been set aside for a new 'disadvantaged' factor. The distribution of this amount will be modelled by a Technical Team and Reference Group. Secondly, approximately R30 million has been added to the institutional size factor for the unbundling of the Medunsa campus from the University of Limpopo and the establishment of a new university incorporating the Medunsa campus.
- The Multi-campus grants for universities that merged in 2004 and 2005 are being phased-out. The grant has served its purpose and institutions receiving this grant should have streamlined their operations by now. Budget reductions in this grant category are absorbed back into the block grant.
- An amount of R23,829 million for 2015/16 from additional funding provided by National Treasury has been allocated for the National Institute for Human and Social Sciences (NIHSS). The Institute will enhance the Human and Social Sciences in South Africa, and advise government and civil society on Humanities and Social Sciences related matters.
- An amount of R25 million has been added to the Foundation Provision Grant in 2015/16 from additional funding from Treasury. This is to make provision for the increased numbers of students in historically disadvantaged universities.

## 5. A UNIVERSITY'S BUDGET FOR 2014/15 AND 2015/16

Universities receive state funds in the form of block grants and earmarked grants.

The block grant of the university sector constitutes 70% of the total state funds for universities in a particular year. Block grants are intended for the operational costs of teaching and learning activities of universities and are council-controlled funds, which can be used at the discretion of council and university management. It needs to be emphasised that public accountability of these funds remains paramount for the 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.

Block grant calculations currently consist of 4 sub-block grant categories, namely teaching input, institutional factors, teaching output and research output. The teaching input sub-block grant consists of two-thirds of the total block grant for the university sector, and focuses on funding enrolled students from undergraduate up to the doctoral level.

The volumes of students to be funded within the teaching input sub-block grant are managed through the enrolment planning process. The main thrust of student enrolment planning is to stabilise student enrolment at affordable levels as indicated in Sub-Division 1 of Section A. Enrolment planning takes into account factors, such as:

- The percentage increase in a university's output targets relative the percentage increase in a university's input targets of student enrolments;
- The availability of infrastructure at the university;
- Constraints in state funding;
- Political priorities, such as increasing access of disadvantaged students and scarce skills; and
- Opportunities presented by the information technology revolution to accommodate more students without major financial implications.

Within the enrolment planning exercise, input and output targets for universities are agreed upon between the Ministry and the councils of universities.

Output targets are set 6 years ahead within the enrolment planning exercise in order to finalise teaching inputs within the block grant for each of the next 6 years as well, while earmarked state funds are used on an annual basis to support institutional processes to achieve some of the key output targets.

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 from universities and annual progress reports to the DHET. 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.

In order for a university to determine its own share of each of the 2014/15 and 2015/16 block grants, Table 2 sets out the funded unit total 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 2015/16 has not yet been audited.

For a particular budget year, a university's share of funded units in each of the 4 categories in Table 2 determines the university's share of funds in each of the 4 sub-block grant categories 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 4 categories in Table 2. Such calculations by universities should be regarded as preliminary until their funding allocations have been confirmed by the Ministry in writing.

Table 2: Actual and preliminary funded units for the university sector within the block grant categories

Block grant categories	Unit totals for the university sector				Increase in units from previous financial year			
	2012/13	2013/14	2014/15	2015/16	2012/13	2013/14	2014/15	2015/16
Funded teaching inputs	1 071 822	1 119 033	1 169 143	1 222 348	4.3%	4.4%	4.5%	4.6%
Institutional factors	87 020	93 073	99 462	108 651 1) 2)	2.8%	7.0%	6.9%	9.2%
Actual teaching outputs	134 272	141 344	149 138	159 578 2)	6.6%	5.3%	5.5%	7.0%
Actual research outputs	18 659	21 200	24 077	27 351 2)	7.1%	13.6%	13.6%	13.6%

1) Includes additional units for the institutional size factor for the unbundling of the Medunsa campus from the University of Limpopo and the establishment of a new university incorporating the Medunsa campus.

2) Estimated values

**Section C** of this Ministerial Statement highlights a university’s share of earmarked grant categories reflected in Table 1.

## 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 HEMIS data submitted annually by universities to the Department.

The Department will continue to monitor the reliability of the data in the HEMIS submissions. If the verification process 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. 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, and any over-payments for these 3 years will be deducted from budgets before new funds are paid to the university.

The Department will also, when necessary, make adjustments to university’s funding data, if the report submitted by its external auditors indicates 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.

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

**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 2014/15 and 2015/16.

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 category of funding noted in Table 1.

The annual public report “University performance within the block grant”, available on the DHET 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) the difference 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, or 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: 2014/15 and 2015/16

<b>Funding group</b>	<b>Undergraduate &amp; equivalent</b>		<b>Honours &amp; equivalent</b>		<b>Masters &amp; equivalent</b>		<b>Doctoral &amp; equivalent</b>	
	<b>Contact</b>	<b>Distance</b>	<b>Contact</b>	<b>Distance</b>	<b>Contact</b>	<b>Distance</b>	<b>Contact</b>	<b>Distance</b>
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 four funding groups in Table 3 consist of HEMIS student FTE aggregations according to the Classification of Educational Subject Matter (CESM) categories, set out in Table 4.

Table 4: Funding groups for 2014/15 and 2015/16

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 Ministry consults with each university concerning these future student enrolment targets. The enrolment targets are, in effect, a contract between the Department and councils, requiring confirmation by each university council. These agreements also ensures affordable student enrolment growth.

Table 5 sets out the funded totals of teaching input units per university for 2014/15 and 2015/16, as reflected in the Ministerial Statement on Student Enrolment Planning of July 2011. These units include both contact and distance tuition student data.

The Department will release a new Ministerial Statement on Student Enrolment Planning by the end of 2013, which will reflect the enrolment planning targets per university in terms of student headcount, FTE enrolled students, and funded teaching input units, consulted and negotiated with each university for the academic years 2014-2019.

Table 5: Ministerial approved teaching input units for the academic years 2012 and 2013

UNIVERSITY	MINISTERIAL APPROVED FUNDED TEACHING INPUT UNITS	
	YEAR 1) YEAR 2)	2014/15 2015/16 2012 2013
CAPE PENINSULA UT	55 028	57 094
CAPE TOWN	57 056	58 111
CENTRAL UT	17 783	18 251
DURBAN UT	39 068	40 314
FORT HARE	16 119	17 490
FREE STATE	55 784	59 556
JOHANNESBURG	76 707	79 500
KWAZULU-NATAL	80 561	79 862
LIMPOPO 3)	47 558	51 940
MANGOSUTHU UT	14 595	14 782
NELSON MANDELA	41 905	43 470
NORTH WEST	68 753	73 126
PRETORIA	98 606	99 965
RHODES	14 691	15 454
SOUTH AFRICA	119 803	128 503
STELLENBOSCH	62 043	65 800
TSHWANE UT	87 666	92 485
VAAL UT	31 005	33 068
VENDA	20 527	22 680
WALTER SISULU	40 665	42 992
WESTERN CAPE	37 465	39 668
WITWATERSRAND	64 491	65 433
ZULULAND	21 264	22 804
<b>TOTAL</b>	<b>1 169 143</b>	<b>1 222 348</b>

- 1) The State's financial year
- 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.
- 3) The split of the University of Limpopo for 2015/16 will be completed in 2014, using audited 2013 data.

### 1.3 Differences 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.

Enrolment planning was implemented in 2007 to deal with this difference between actual and funded teaching input units, after the average over-enrolment increased from 0,0% for students enrolled in 2002 to 12,0% for students enrolled in 2005.

The goal set in 2007 and reconfirmed in 2010, that there should be no over- or under-enrolment of students in the university sector, has not changed. Each university has to plan and manage its student admissions and enrolment in order to ensure that, for a particular year, its actual teaching input unit total calculated in Sub-Division 1.1

converges to the planned and state funded teaching input unit total approved by the Minister and indicated in Table 5 of Sub-Division 1.2 as well as in the new Ministerial Statement on Student Enrolment Planning.

The average over-enrolment in students in terms of teaching input units increased from 4,7% in 2008 to 8,2% in 2010, but then gradually declined to 4,9% in 2012.

## 2 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 2014/15 and 2015/16 financial years will respectively be based on a university's actual 2012 and 2013 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 below. 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

Teaching output programmes	Weightings
1 st certificates and diplomas of 2 years or less	0.5
1 st diplomas and bachelors degrees: 3 years	1.0
Professional 1st bachelor's degree: 4 years and more	1.5
Postgraduate and post-diploma diplomas	0.5
Postgraduate bachelors' degrees	1.0
Honours degrees/higher diplomas/post-graduate diplomas approved under the new HEQF	0.5
Non-research masters degrees and diplomas	0.5

### 3 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 2014/15 and 2015/16 financial years will respectively be based on a university's 2012 and 2013 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, and 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 below.

Table 7: Funding weightings for research outputs for 2014/15 and 2015/16

<b>Research output categories</b>	<b>Weightings</b>
Publication units	1
Research masters graduates	1
Doctoral graduates	3

### 4 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. From 2015/16, a third institutional factor will be implemented to cater for 7 historically disadvantaged universities.

#### 4.1 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 is first made of the proportions it has of disadvantaged students in its 2012 *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 2014/15, additional 2012 funding teaching input units are then generated by multiplying its disadvantage factor by the university's approved 2012 funded total of contact plus distance teaching input units set out in Table 5 for the 2014/15 financial year.

For the dedicated distance university, the calculation of the disadvantage factor is based on the proportion of disadvantaged students which it has in its 2012 distance FTE enrolled student total.

The same calculations can be made for 2015/16, using the corresponding 2013 student data.

#### **4.2 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 2014/15, additional 2012 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 2014/15 financial year.

The same calculations can be made for 2015/16, using the corresponding 2013 student data.

#### **4.3 New disadvantaged factor**

In the Funding Review a recommendation has been made to provide additional funding to disadvantaged institutions. An amount of R410,743 million in 2015/16 has been set aside for a new factor that will be linked to disadvantage, as reflected in Table 1. The distribution of this fund first need to be modelled and approved before details are provided. No university will be adversely affected by this change as National Treasury had provided R500 million additional funding in the 2015/16 financial year.

A Technical Team and a Reference Group, consisting of members from the university sector and the Department, will develop a distribution mechanism to annually divide these funds.

## **Section C: Earmarked Grants**

**Section C** focuses on presenting relevant information that is in line with the context of this Ministerial Statement, set out in Sub-Division 3 of Section A.

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

- Teaching Development Grant;
- Foundation Provision Grant;
- Clinical Training Grant;
- Research Development Grant;
- National Student Financial Aid Scheme;
- Infrastructure and Efficiency Grant;
- Veterinary Sciences Grant;
- Merger Multi-campus Grant;
- New universities in Kimberley and Mpumalanga;
- The National Institute of Human and Social Sciences; and
- The African Institute for Mathematical Sciences

Earmarked grants require annual progress reports to be submitted to the DHET. Reporting on finances (e.g. expenditure data) within progress reports is required. The cut-off date for such reporting on financial data in progress reports is 28 February of the year in which a progress report is required. This is to obtain better alignment with the financial year of the state (1 Apr – 31 March). As of 2015/16 financial year, all progress reports and audited financial statements for earmarked grants will have to be provided by 30 April of each year.

## **1 TEACHING DEVELOPMENT GRANT**

### **1.1 The purpose of teaching development grants**

The teaching development grant supports the university sector towards improved student success.

The main purpose of teaching development grants is to enable the implementation of teaching and learning development activities that will lead to improvement in student success, indicated at the highest level through the university's *average student success rate* in all courses from one year to the next year, where success rates are measured in full-time equivalent (FTE) students.

Teaching development grants complement and support the teaching output sub-block grant. Any improvement in actual teaching outputs as a result of teaching development funding is to the benefit of a university, as these additional outputs are funded within the teaching output sub-block grant as well.

For the funding of university outputs, the teaching output sub-block grant targets students only in under-graduate level up to the level of taught masters; not up to doctoral level. This avoids funding research masters graduates and doctoral graduates twice, because the latter two types of students are funded separately in the research output sub-block grant. However, teaching development funds could be used to support improvement in student success at all levels of the university system, from under-graduate students up to doctoral students. Separate Ministerial Statements to be released shortly, and dealing specifically with the utilisation of research development grants and teaching development grants will provide clarity in any overlap in the use of these development grants.

### **1.2 Student success rates as the measuring instrument of teaching outputs**

According to the Public Finance Management Act and Treasury regulations, earmarked grants, which the DHET allocates to universities, require annual progress reports and audited financials. It is required of the Department to ensure that it has proper policies and monitoring mechanisms to ensure that public funds allocated to institutions are accounted for.

Measurable outcomes of improving outputs are required by both the Auditor-General and Treasury (in DHET bids to Treasury for additional state funding for the university sector).

Progress reports with reliable performance indicators which measure easily, and which could be audited as well, are required annually. The average FTE student success rate in all courses presented at a university fits these criteria, and is therefore the most appropriate measuring instrument to compare teaching outputs from one year to the next year.

Student data of year (n-1), audited by external auditors within the universities and reported by the universities to the DHET in HEMIS in year (n) are used to determine the official success rates of the DHET for a university. The enrolled student data are those captured on a census date, set according to HEMIS policy, at the midpoint of the

academic period for a course. The start date for the set period is the first teaching day for the course, while the end date is the last teaching day before the examination.

Improvements in the average success rate of a university per annum should ultimately in the long run lead to increased graduation rates (which are the total graduate headcount of a university divided by the total enrolled student headcount of a university in a particular year).

### **1.3 A more equitable distribution of teaching development funds amongst universities**

All universities are entitled to a teaching development grant.

Table 8 reflects the shares of teaching development funds and the state budgets for 2014/15 and 2015/16 according to university.

The shares in the second column of Table 8 for 2014/15 are based on a distributive mechanism announced by a Ministerial appointed Teaching Development Task Team in 2008, using 2006 student data. Within this mechanism, the average success rate of contact universities was 76%, which resulted in initially fixing a range of success rates from 70% to 80% around it. The total FTE unsuccessful students of each university was weighted between 1,0 and 1,5 for a university with an average success rate between 70% and 80% (using a linear scale), while a university with an average success rate lower than 70% were weighted at 1,5, and higher than 80% were weighted by 1,0. Contact and distance tuition data per university were initially calculated separately, and then combined, to determine the final shares of funding. For final implementation in 2010, 2009 HEMIS student data was used.

The funding shares of universities for 2014/15 reflected in the Ministerial Statement of Nov 2012 are again reflected in Table 8. From these particular shares, 5% for 2014/15 and 7% for 2015/16 are top-sliced and set aside for the national collaborative programme, as indicated in Table 8. Funds for the national collaborative programme will increase to 10% of total teaching development funding in the 2016/17 financial year. All universities are entitled to send through proposals to utilise these funds. The allocation of funds will be governed through the mechanisms set out in the Ministerial Statement on the Management and Utilisation of Teaching Development Grants.

Table 8: Earmarked teaching development state budgets for 2014/15 and 2015/16

UNIVERSITY	Funding shares			State budgets	
	2014/15 (%)	2014/15 (%)	2015/16 (%)	2014/15 (R'000)	2015/16 (R'000)
CAPE PENINSULA UT	3.370	3.202	3.134	19 513	19 432
CAPE TOWN	1.968	1.869	1.830	11 392	11 345
CENTRAL UT	2.476	2.352	2.303	14 337	14 277
DURBAN UT	3.459	3.286	3.217	20 027	19 943
FORT HARE	1.287	1.223	1.197	7 452	7 421
FREE STATE	4.970	4.721	4.622	28 775	28 655
JOHANNESBURG	8.036	7.635	7.474	46 533	46 338
KWAZULU-NATAL	4.433	4.211	4.123	25 667	25 560
LIMPOPO 1)	1.839	1.747	1.710	10 649	10 604
MANGOSUTHU UT	1.250	1.187	1.162	7 236	7 206
NELSON MANDELA	3.752	3.565	3.490	21 727	21 636
NORTH WEST	2.856	2.713	2.656	16 538	16 469
PRETORIA	4.531	4.305	4.214	26 238	26 128
RHODES	0.643	0.610	0.598	3 721	3 705
SOUTH AFRICA	22.839	21.697	21.240	132 245	131 691
STELLENBOSCH	2.405	2.285	2.237	13 926	13 867
TSHWANE UT	11.354	10.786	10.559	65 743	65 468
VAAL UT	3.477	3.303	3.233	20 131	20 046
VENDA	1.538	1.461	1.430	8 905	8 867
WALTER SISULU	5.759	5.471	5.356	33 346	33 206
WESTERN CAPE	1.880	1.786	1.749	10 888	10 843
WITWATERSRAND	3.471	3.297	3.228	20 097	20 013
ZULULAND	2.407	2.287	2.239	13 939	13 880
National Collaborative Programme	0.000	5.000	7.000	30 475	43 400
<b>TOTAL</b>	<b>100.000</b>	<b>100.000</b>	<b>100.000</b>	<b>609 500</b>	<b>620 000</b>

1) The split of the University of Limpopo for 2015/16 will be completed in 2014, using audited 2013 data.

Table 8 shows that the state budgets per university remain fairly stable. This will ensure a more efficient utilisation of state funds within these years.

#### 1.4 Performance outcomes and its impact on funding policy

Table 9 reflects the success rates and graduation rates of students over a 10-year period, for 2002 and 2012, according to university. Graduation rates are reflected here together with success rates for the sake of comparison and to highlight again that the ultimate output of universities are graduates.

The following observations can be made from the data in Table 9:

- The number of universities with an average success rate of 80% or more increased from 2 in 2002 to 11 in 2012 (i.e. about half of all the universities) Furthermore, the average success rate of all contact universities increased by 9,6% (from 72,7 to 79,7);
- The average graduation rates of all contact universities increased by 28,2% (from 17,7 to 22,7) respectively, even though all contact universities grew in size by 28% during this 10-year period, from 481 949 enrolled student heads in 2002 to 617 087 enrolled student heads in 2012. Graduates at contact universities increased by 64%, from 85 091 in 2002 to 139 783 in 2012; and

- HDIs and UoTs have increased their success and graduation rates by an average of 8,5 and 6,7 percentage points respectively, compared to 5,9 and 4,0 for other contact universities. The average success and graduation rates in 2012 of HDIs and UoTs were 78,0% and 21,1% respectively, while those of other contact universities were 81,0% and 23,8% respectively.

Table 9: Student success & graduation rates for 2002 and 2012 according to university

UNIVERSITY	2002		2012		increase from 2002 to 2012	
	Average success rate (A) (%)	Graduation rate (D) (%)	Average success rate (B) (%)	Graduation rate (E) (%)	Average success rate (B-A) (%)	Graduation rate (E-D) (%)
CAPE PENINSULA UT	75.5	19.1	77.2	23.6	1.7	4.4
CAPE TOWN	80.4	23.4	83.6	26.1	3.2	2.7
CENTRAL UT	70.3	16.4	77.0	24.8	6.6	8.4
DURBAN UT	71.8	15.2	79.5	23.7	7.7	8.5
FORT HARE	59.8	9.6	76.3	21.4	16.4	11.8
FREE STATE	75.1	20.2	73.8	20.0	-1.3	-0.2
JOHANNESBURG	75.4	19.9	81.5	23.4	6.1	3.5
KWAZULU-NATAL	75.4	19.7	79.3	22.7	3.8	3.0
LIMPOPO	73.9	15.1	82.5	19.3	8.6	4.2
MANGOSUTHU UT	72.7	14.1	78.7	18.1	6.0	3.9
NELSON MANDELA	71.3	12.1	78.0	22.5	6.7	10.4
NORTH WEST	73.0	20.0	83.8	25.0	10.8	5.0
PRETORIA	77.1	24.2	80.1	23.3	3.0	-0.9
RHODES	80.5	23.6	84.8	31.1	4.4	7.4
SOUTH AFRICA	54.3	8.7	66.2	7.8	11.9	-0.9
STELLENBOSCH	78.2	23.7	84.9	27.9	6.6	4.2
TSHWANE UT	65.6	13.3	74.3	20.8	8.7	7.5
VAAL UT	67.9	11.7	73.5	18.5	5.5	6.9
VENDA	69.9	11.5	83.6	17.1	13.7	5.6
WALTER SISULU	67.2	14.4	78.1	19.6	11.0	5.2
WESTERN CAPE	69.1	15.4	80.0	18.9	10.9	3.5
WITWATERSRAND	77.8	18.8	82.4	22.4	4.6	3.6
ZULULAND	76.0	14.7	81.3	24.7	5.2	10.0
VISTA	63.6	14.6				
<b>TOTAL</b>	<b>68.9</b>	<b>15.2</b>	<b>76.0</b>	<b>17.4</b>	<b>7.1</b>	<b>2.2</b>
<b>ALL CONTACT UNIVERSITIES</b>	<b>72.7</b>	<b>17.7</b>	<b>79.7</b>	<b>22.7</b>	<b>7.0</b>	<b>5.0</b>
- <b>DHIs and UoTs</b>	<b>69.5</b>	<b>14.4</b>	<b>78.0</b>	<b>21.1</b>	<b>8.5</b>	<b>6.7</b>
- <b>Other contact universities</b>	<b>75.1</b>	<b>19.8</b>	<b>81.0</b>	<b>23.8</b>	<b>5.9</b>	<b>4.0</b>

1) Includes students from undergraduate up to doctoral level

## 2 FOUNDATION PROVISION GRANT

### 2.1 The purpose of foundation provision grants

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 dropping out due to their poor educational backgrounds. Such students are placed on Ministerially approved extended curriculum programmes, which are in most cases one year longer than the regular qualification.

Table 10 shows the results of a data analysis of 2007 cohorts of undergraduate students of the university sector. For example, in a 3-year qualification in the contact tuition mode, the drop-out rates are on average 18,9% from the first year to the second year of study, with a further 6,0% from the second to the third year and 0,5% in the third year, thus reflecting a total of 25,4% of students dropping out over the 3-year period. In this case, the dropout rate of first time entering students is 3 times larger than the dropout rate of students in their second year of study.

Table 10: Dropout rates of 2007 first-time entering undergraduate students within the minimum periods of study of qualifications.

	Tuition mode	1 st year	2 nd year	3 rd year	4 th year	Total
3-year qualification	Contact	18.9%	6.0%	0.5%		25.4%
	Distance	48.8%	11.0%	4.9%		64.7%
4-year qualification	Contact	13.2%	3.5%	2.5%	2.7%	21.9%
	Distance	43.5%	10.8%	3.6%	2.2%	60.1%

The above-mentioned dropout rates use student data measured on HEMIS census dates, which is set at the midpoint of the academic period of each course.

Table 10 shows that the university system is not providing reasonable opportunities for success of its students, whilst households are burdened by having to pay high student fees (accommodation and tuition) annually.

Foundation provision funds indirectly support other funding steering instruments promoting greater access of disadvantaged students, such as the NSFAS and the institutional factor sub-block grant for disadvantaged students.

However, earmarked foundation provision funds mainly complement earmarked teaching development funds, and therefore also the teaching output sub-block grant. Both teaching development funds and earmarked foundation provision funds aim to increase the average success rate and the graduation rate of a university. Any improvement in the graduation rate 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 as well.

## 2.2 The state funding of approved extended curriculum programmes

Additional earmarked funds are provided to universities, as the extended nature of the curriculum of these students requires effort from universities to maintain.

Weighted 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.

Table 1 reflects that the Ministry has prioritized earmarked foundation provision funding. Budget increases have been approved for the sector of 15,6% from 2013/14 to 2014/15, and 31,5% from 2014/15 to 2015/16.

For earmarked foundation funding, the total FTE enrolled foundation students are weighted according to 3 groups of CESM categories as set out in Table 11.

Table 11: CESM categories and weightings of FTE foundation students for earmarked funds

Funding group	CESM categories included in funding group	Weightings
Science and technology	01 agriculture and agricultural operations, 02 architecture & the built environment, 06 computer & information sciences, 08 engineering, 09 health professions & related clinical sciences, 10 family ecology & consumer sciences, 13 life sciences, 14 physical sciences, 15 mathematics & statistics	2.0
Business	04 business, economic & management studies	1.5
Humanities	03 visual and performing arts, 05 communication and journalism, 07 education, 11 languages, linguistics & literature, 12 law, 17 philosophy, religion and theology, 18 psychology, 19 public administration and services, 20 social sciences	1.0

## 2.3 A better distribution of foundation funds amongst universities

In 2010, universities were required for the first time to submit information on foundation FTE students in HEMIS as well as in their progress reports. HEMIS data has confirmed the data in university progress reports that some universities have not reached their own foundation student enrolment targets for which the Department has made available earmarked funds per university. Some universities are currently over-funded in their earmarked allocation, whilst others have over-enrolled. Current funding shares of universities concerning earmarked foundation funding are therefore distorted compared to the shares of actual weighted FTE foundation student enrolments per university reflected in HEMIS.

For the 3 years 2013/14, 2014/15 and 2015/16, a funding migration strategy is implemented to align the old distorted funding allocation shares with shares based on audited historical HEMIS student data. This funding migration strategy will on a rolling basis move towards new institutional shares of total weighted FTE foundation student enrolments, which uses the standard funding principle of: HEMIS student data 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 2014/15.

Table 12: Earmarked foundation provision grants for 2014/15

UNIVERSITY	2013/14 (R'000)	2014/15 (R'000)
CAPE PENINSULA UT	16 936	20 048
CAPE TOWN	10 232	12 876
CENTRAL UT	3 065	2 655
DURBAN UT	3 264	3 305
FORT HARE	6 571	8 385
FREE STATE	13 458	18 020
JOHANNESBURG	23 859	27 899
KWAZULU-NATAL	10 356	14 399
LIMPOPO	7 401	8 634
MANGOSUTHU UT	3 596	4 813
NELSON MANDELA	9 244	7 483
NORTH WEST	9 888	12 758
PRETORIA	10 925	14 081
RHODES	1 458	1 390
SOUTH AFRICA	10 074	5 884
STELLENBOSCH	4 525	5 720
TSHWANE UT	22 735	29 797
VAAL UT	3 482	3 512
VENDA	4 035	4 279
WALTER SISULU	11 049	9 026
WESTERN CAPE	14 158	16 138
WITWATERSRAND	1 184	519
ZULULAND	3 210	4 939
<b>TOTAL</b>	<b>204 705</b>	<b>236 560</b>

### **3 CLINICAL TRAINING GRANT**

The work previously done by the Health Science Review Committee which has been dissolved will be taken into consideration by this new joint committee called the Joint Health Sciences Education Committee (JHSEC). The JHSEC is a partnership between the Department of Health (DoH) and the Department of Higher Education and Training (DHET). The main purpose of the JHSEC will be to propose a clear vision and policy relating to health sciences student education and training. It furthermore aims to co-ordinate and align strategy, policy and financing of health sciences education with co-responsibility between the DHET and the DoH. This necessitates the inclusion of National Treasury as a participating member.

The allocation of the Clinical Training Grant for 2014/15 onwards will be made in line with the programmes approved in 2010/11 and 2011/12 and any new programmes will be considered by the Minister on recommendation from the JHSEC.

JHSEC is currently tasked with work on the expansion of the Clinical Training Grant for the unfunded categories and the refinement of costing of the Clinical Training Grant for all funded categories.

Universities that qualify for the clinical training grant will still be required to submit clinical training grant budget proposals once in every two years. However, from 2014 onwards Universities will be 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 to enable better planning at Universities. The annual audited student enrolments to be submitted in year (n) are those of year (n-1).

Budgets per university for clinical training are calculated according to the formula explained and approved programmes in the Ministerial Statement on Clinical Training Grants of 26 January 2010, available on the website of the DHET at [www.dhet.gov.za](http://www.dhet.gov.za).

The clinical training grants for 2014/15 and 2015/16 according to university are reflected in Table 13 below.

Table 13: Earmarked Clinical Training Grants for 2014/15 and 2015/16

UNIVERSITY	2014/15 (R'000)	2015/16 (R'000)
CAPE PENINSULA UT	5 325	5 570
CAPE TOWN	35 425	37 055
CENTRAL UT	2 559	2 677
DURBAN UT	8 356	8 741
FORT HARE	5 233	5 474
FREE STATE	28 266	29 567
JOHANNESBURG	6 440	6 736
KWAZULU-NATAL	68 974	72 144
LIMPOPO 1)	42 047	43 981
MANGOSUTHU UT	435	455
NELSON MANDELA	7 513	7 859
NORTH WEST	8 957	9 369
PRETORIA	40 879	42 760
RHODES	871	911
SOUTH AFRICA	0	0
STELLENBOSCH	35 159	36 777
TSHWANE UT	5 263	5 505
VAAL UT	2 549	2 666
VENDA	3 341	3 495
WALTER SISULU	14 759	15 438
WESTERN CAPE	26 142	27 344
WITWATERSRAND	57 345	59 983
ZULULAND	4 902	5 128
<b>TOTAL</b>	<b>410 740</b>	<b>429 635</b>

1) The split of the University of Limpopo for 2015/16 will be completed in 2014, using audited 2013 data.

## **4 RESEARCH DEVELOPMENT GRANT**

### **4.1 The purpose of research development grants**

The main purpose of earmarked research development grants is to develop research capacity among academic staff at universities so that they can contribute to post-graduate teaching and to research output. This goal can be achieved by increasing a university's total weighted research output per permanent instruction/research staff member per annum. The weighted total of research output is the sum of research masters student graduates, doctoral student graduates and research publication units (books for the specialist, conference proceedings, and articles in accredited journals), each weighted according to the funding weightings set out in Table 7.

Within the performance-orientated funding framework, research development grants complement and support the research output sub-block grant. Any improvement in actual research outputs as a result of research development funding is to the benefit of a university, as additional research outputs produced are funded within the research output sub-block grant as well.

### **4.2 The equitable distribution of research development funds amongst universities**

All universities are entitled to a research development grant.

In 2002 when the performance-funding framework was introduced, 11 of the 23 universities (i.e. about half of all universities) performed low in total research outputs produced relative to other universities, namely the UoTs and HDIs excluding the University of the Western Cape. These 11 universities contain 30% of all permanent instruction/research staff members in the university sector.

Table 14 sets out the research output norms in terms of total weighted research output units per permanent instruction/research staff member per annum which universities have to achieve, by using the research development funds. Table 14 shows 3 broad groups of norms for universities, namely 1,1, 1,7 and those above 1,7 where each university has its own unique norm to achieve.

Universities will in 2014/15 still be migrating towards the institutional shares of 2015/16, as reflected in Table 14. These shares of 2015/16 were based on a snapshot of the sector's research output shortfalls for the 2013/14 financial year, using 2011 data. The shortfall in research output units of a university is the difference between the normative total of research output units and the actual total of research output units produced by the university. The normative total of research output units is determined by the total headcount of permanent instruction/research staff at a university multiplied by the university's research output norm set out in Table 14.

The shares of research development funds for 2014/15 and for 2015/16 set out in Table 14 remain unchanged even though a university may exceed its norm. This will ensure stability in research development funds per university for the next 2 years.

Table 14: Earmarked research development state budgets

UNIVERSITY	Research output norms 1)	Share of research development funds		State budgets	
		2014/15 (%)	2015/16 (%)	2014/15 (R'000)	2015/16 (R'000)
CAPE PENINSULA UT	1.1	6.84	8.24	12 821	16 484
CAPE TOWN	2.4	1.65	2.48	3 094	4 953
CENTRAL UT	1.1	2.77	3.03	5 190	6 064
DURBAN UT	1.1	6.50	6.98	12 190	13 965
FORT HARE	2.1	2.15	2.62	4 039	5 246
FREE STATE	1.7	3.32	3.87	6 225	7 733
JOHANNESBURG	1.7	2.37	3.55	4 440	7 107
KWAZULU-NATAL	1.7	3.02	4.53	5 656	9 054
LIMPOPO	1.1	13.12	8.62	24 586	17 245
MANGOSUTHU UT	1.1	2.53	2.75	4 746	5 501
NELSON MANDELA	1.7	1.90	2.85	3 563	5 704
NORTH WEST	1.7	7.63	8.66	14 302	17 318
PRETORIA	2.2	2.12	3.18	3 976	6 361
RHODES	2.5	1.03	1.54	1 926	3 082
SOUTH AFRICA	1.1	11.53	5.91	21 605	11 814
STELLENBOSCH	2.5	1.10	1.65	2 060	3 298
TSHWANE UT	1.1	5.48	6.83	10 263	13 653
VAAL UT	1.1	3.59	3.85	6 734	7 698
VENDA	1.1	4.29	2.35	8 039	4 706
WALTER SISULU	1.1	9.89	8.88	18 527	17 758
WESTERN CAPE	2.0	3.19	4.09	5 974	8 180
WITWATERSRAND	2.1	1.13	1.69	2 116	3 387
ZULULAND	1.1	2.86	1.84	5 357	3 689
<b>TOTAL</b>		<b>100.00</b>	<b>100.00</b>	<b>187 429</b>	<b>200 000</b>

1) Norms in terms of total weighted research output units per instruction/  
research staff member per annum

Table 14 also reflects the funding allocations per university for 2014/15 and 2015/16, based on the shares of development funds indicated in Table 14.

#### 4.3 Performance outcomes and its impact on funding policy

There is a direct relationship between a university's ability to produce research outputs and its staff having doctoral qualifications.

Universities are required to focus on increasing their percentage instruction/research staff with doctoral qualifications. All the research output types are dependent on staff been properly qualified, having at least doctoral qualifications, and then taking upon themselves to improve the skills of fellow staff as well as students, that is, producing masters and doctoral students themselves.

Table 15 reflects the % permanent instruction/research staff with doctoral qualifications according to university versus the actual weighted total of research output units produced per instruction/research staff member for 2002 and for 2012.

The data in Table 15 highlights the following trends during the 10-year period 2002 to 2012, and its impact on funding policy:

- The % of instruction/research staff with doctoral qualifications in the university sector increased by 26,6% (from 30,5 to 38,6), while the actual weighted total research output per instruction/research staff head increased on average by 72,5%, or 0,58 units (from 0,80 to 1,38 units) even though the number of instruction/research staff heads at universities grew by 16,5% during this 10-year period, from 14 973 in 2002 to 17 451 in 2012. Research output units increased by 99,8%, from 12 051 in 2002 to 24 074 in 2012; and
- In 2012, the university sector produced 1 215 South African doctoral graduates, which is 7% compared to the total instruction/research staff of 17 451 in the sector in 2012 (see Table 15). This low percentage of 7% reveals that the university sector does not produce sufficient doctoral student graduates to change the staffing profile at universities within a few years, taking into account staff growth of about 2% per annum (deducted from data in Table 15), and taking into account the annual attrition rate of university staff.

Table 15: Percentage of staff with doctoral qualifications versus research outputs per staff head in 2002 and 2012

UNIVERSITY	2002				2012			
	Headcount of instruction/ research staff		% of staff with doctoral qualifi- cations (A/B) (%)	Actual weighted total research output units per instruction/ research staff head	Headcount of instruction/ research staff		% of staff with doctoral qualifi- cations (C/D) (%)	Actual weighted total research output units per instruction/ research staff head
	staff with doctoral qualifications (A)	Total staff (B)			staff with doctoral qualifications (C)	Total staff (D)		
CAPE PENINSULA UT	44	535	8.2	0.10	124	765	16.2	0.47
CAPE TOWN	326	755	43.2	1.71	699	1 077	64.9	2.38
CENTRAL UT	23	138	16.7	0.32	72	274	26.3	0.34
DURBAN UT	27	619	4.4	0.15	88	599	14.7	0.22
FORT HARE	31	183	16.9	0.36	119	315	37.8	1.54
FREE STATE	286	583	49.1	1.43	380	949	40.0	1.26
JOHANNESBURG	197	795	24.8	0.92	294	1 009	29.1	1.48
KWAZULU-NATAL	500	1 369	36.5	0.93	663	1 399	47.4	1.78
LIMPOPO	135	757	17.8	0.20	132	825	16.0	0.55
MANGOSUTHU UT	0	141	0.0	0.01	16	179	8.9	0.10
NELSON MANDELA	121	506	23.9	0.56	242	596	40.6	1.43
NORTH WEST	331	736	45.0	0.93	628	1 248	50.3	1.41
PRETORIA	479	1 321	36.3	1.56	627	1 281	48.9	2.14
RHODES	147	343	42.9	1.33	171	336	50.9	2.31
SOUTH AFRICA	534	1 244	42.9	0.65	612	1 588	38.5	1.05
STELLENBOSCH	398	789	50.4	1.79	518	973	53.2	3.06
TSHWANE UT	76	853	8.9	0.17	178	855	20.8	0.59
VAAL UT	14	312	4.5	0.07	44	341	12.9	0.37
VENDA	88	274	32.1	0.06	103	328	31.4	0.49
WALTER SISULU	27	517	5.2	0.05	70	583	12.0	0.14
WESTERN CAPE	171	444	38.5	0.54	290	559	51.9	1.51
WITWATERSRAND	446	1 054	42.3	1.01	595	1 074	55.4	1.94
ZULULAND	68	264	25.8	0.69	79	298	26.5	0.68
VISTA	104	441	23.6	0.25				
<b>TOTAL</b>	<b>4 573</b>	<b>14 973</b>	<b>30.5</b>	<b>0.80</b>	<b>6 744</b>	<b>17 451</b>	<b>38.6</b>	<b>1.38</b>

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

### **5.1 The purpose of the NSFAS**

The Tertiary Education Fund of South Africa (TEFSA) was introduced in 1991, receiving funds to administer mostly from universities, overseas donors and trusts. In 1996, the National Department of Education invested for the first time an earmarked R300 million state funds into TEFSA, which represented 86% of the total income of TEFSA in 1996. The National Student Financial Aid Scheme (NSFAS) became a statutory body in 1999, acting in terms of the NSFAS Act (Act 56 of 1999) as amended.

The NSFAS supports the performance-orientated funding framework by increasing access of disadvantaged students into universities.

### **5.2 Changes in NSFAS funding policy**

Following the publication of the report of the Ministerial Review Committee of the (NSFAS) in March 2010, the Minister approved the implementation of a number of recommendations for improving the efficiency and effectiveness of the Scheme.

One of the main findings of the Review was that the NSFAS Loans Management System was out-dated and wholly inadequate for the disbursement of billions of rands annually in compliance with the Public Finance Management Act (PFMA). A new core loans and bursaries management system is being implemented, which will introduce a student-centred model of financial aid. The new model will enable NSFAS to establish a direct relationship with students from the time they are learners in school, throughout their studies to the time they graduate, become employed and start repaying their student loans.

The first phase of the new model is being implemented in 2014 in a selected group of universities. This will give the sector an opportunity to experience this new system before the full rollout. The selected universities represent a diverse community that will be able to test the effectiveness of the new system. The selected universities are the University of Venda, University of Cape Town, Nelson Mandela Metropolitan University, Durban University of Technology and the University of South Africa. The University of Mpumalanga and Sol Plaatjie University will also start their bursary operations under the new NSFAS system.

### **5.3 Funds available for the National Student Financial Aid Scheme**

The pool of funds available for student financial aid have increased substantially over the past few years.

The introduction of a new funding category, the Final Year Programme contributed more than R1 billion in available funding. The purpose of increasing funding for the Final Year Programme was twofold: to incentivise final year students to pass all of their subjects and graduate; and to achieve the goal of improving access by correspondingly increasing the pool of funds available for first and second year students. This level of

funding will also be provided in the following years. NSFAS is currently conducting research on the implementation and effectiveness of the Final Year Programme and will report its findings and recommendations to the Minister.

The earmarked budgets for the university sector for the National Student Financial Aid Scheme (NSFAS) reflected in Table 1 exclude:

- NSFAS Funza Lushaka teacher training bursaries on the budget of the Department of Basic Education;
- National Skills Funds;
- State fund allocations by other government departments towards NSFAS;
- Savings on NSFAS state budgets of previous years;
- Funds recovered from previous beneficiaries of this student aid system;
- Funds invested by universities themselves into the NSFAS from council-controlled funds; and
- Funds towards the administration of the Scheme, which is shared by the Further Education and Training (FET) Sector.

#### 5.4 Summary of performance outcomes within the performance-orientated funding framework

Table 16: Growth in NSFAS student headcount

Year	headcount of students			average annual increase (%)	
	1996	2002	2012	from 1996 to 2002	from 2002 to 2012
NSFAS	67 709	86 194	194 504	2.4%	8.5%
University sector	574 771	667 182	953 373	1.5%	3.6%
NSFAS as % of Sector	11.8%	12.9%	20.4%		

Table 17 reflects the participation rates according to race for 2002 and 2012, i.e. a period of 10 years. Substantial increases in the NSFAS funds have contributed to more students been able to use NSFAS funds, while the sector has been growing in size as well

Table 17: Participation rates of 20-24 year olds according to race for 2002 and 2012

Year		Race	Black	Coloured	Indian	White	Total 1)
2002	Population	(A)	3 741 004	389 060	104 260	290 677	4 525 001
	Student enrolment	(B)	399 915	38 329	47 706	179 380	667 182
	Participation rate	(C) = (B/A) (%)	10.7%	9.9%	45.8%	61.7%	14.7%
2012	Population	(D)	4 128 451	412 243	110 337	315 660	4 966 691
	Student enrolment	(E)	662 123	58 692	52 296	172 654	953 373
	Participation rate	(F) = (E/D) (%)	16.0%	14.2%	47.4%	54.7%	19.2%
increases	Population	(D-A)	387 447	23 183	6 077	24 983	441 690
		(D-A)/A (%)	10.4%	6.0%	5.8%	8.6%	9.8%
	Student enrolment	(E-B)	262 208	20 363	4 590	-6 726	286 191
		(E-B)/E (%)	65.6%	53.1%	9.6%	-3.7%	42.9%
Participation rate	(F-C) (%)	5.3%	4.4%	1.6%	-7.0%	4.5%	

1) The student enrolment totals includes students reflecting unknown race.

The data in Table 17 shows that:

- The total participation rate of 20-24 year olds increased from 14,7% in 2002 to 19,2% in 2012.
- Increasing the total participation rate is mainly dependent on increasing the participation rate of Blacks. Enrolment of Black students in universities increased by about 262 000 during the 10-year period, which allowed the participation rate of Blacks to increase by 50%; from 10,7 in 2002 to 16,0 in 2012. Enrolment of White students during the 10-year period remained within the range of 170 000 and 180 000.

## 6 INFRASTRUCTURE AND EFFICIENCY GRANT

### 6.1 The purpose of the infrastructure and efficiency grant

The aims of infrastructure grants are to ensure:

- Synergy between the availability of infrastructure within the university sector and the range of needs to expand emanating from 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, as indicated in Sub-Division 2 of Section A.

### 6.2 The distribution of infrastructure grants

Following a thorough process of evaluating applications and engagements with universities, the Minister approved the 2012/13 to 2014/15 infrastructure allocations totalling R6 billion, as reflected in Table 18. This amount excludes the new funds from National Treasury earmarked for capital expenditure on the 2 new universities in the Mpumalanga and Northern Cape provinces. Of the R6 billion, R130,5 million has been set-aside for Information and Communication Technology (ICT) needs of universities and will be allocated in a separate process in 2014/15. An amount of R210 million has also been set aside for infrastructure for the new Health and Allied Health Sciences University (with the unbundling and incorporation of the Medunsa campus).

The infrastructure funding made available to universities, represents a significant investment by government, particularly in the current economic and financial climate. These funds must be utilised to address the transformation agenda of the country in addition to being used prudently and efficiently to respond to the national shortages of scarce and critical skills in areas such as engineering, health sciences, life and physical sciences and teacher training. It is for this reason that some universities with capacity constraints have been allocated funding to assist with improving their project management to ensure that there is value for money in all infrastructure projects.

The Ministry is concerned about the low enrolment at universities of disabled students. Funding has been allocated to all universities to carry out an infrastructure audit and provide equipment such as lifts, ramps and Braille equipment to improve access.

Table 18: Infrastructure and efficiency funding over 3 years, 2012/13 to 2014/15

Category of University	Funding categories	Total allocation (R'000)
Historically Disadvantaged universities (HDIs)/	Student housing - upgrading and new	1 412 638
	Infrastructure backlog -	1 114 195

Campuses	upgrading and new	
Universities/campuses other than HDIs	Student housing - upgrading and new	239 136
All universities	Teacher Training - meeting scarce skills Needs	662 460
	Health sciences - meeting scarce skills Needs	442 519
	Engineering - meeting scarce skills needs	513 779
	Life and Physical Sciences - meeting scarce skills needs	555 721
	Cooperative Projects - partnerships with HDIs	134 500
	Development of African Languages, Humanities and the Social Sciences	311 654
	Disability units - upgrading and new	123 835
	Research infrastructure - well founded laboratories	74 053
	Project Management for universities	50 000
	DHET monitoring & oversight support	5 000
	ICT	130 509
	New Allied Health Sciences University	210 000
	<b>Total</b>	

The infrastructure site visits undertaken by the Department revealed a number of concerns about the state of infrastructure across a number of universities particularly on lack of adequate provision of maintenance in some universities. As a result, all universities have been requested to submit a comprehensive maintenance plan outlining how old and new infrastructure will be kept to the required minimum standard.

Each university must submit the following audits/plans to the Department by the end of July 2014:

- An infrastructure audit in line with funding allocation for disability infrastructure to provide universal access;
- A comprehensive maintenance plan outlining how old and new infrastructure will be properly maintained;
- A comprehensive infrastructure audits and submitted campus master plans; and
- Medium and long-term infrastructure plans in line with its growth trajectory over the next 10-20 years, which will be used as the basis for the next infrastructure funding cycle.

A process is underway with the allocation for ICT funding for distribution in 2014/15 and the universities will receive a letter from the Minister in 2014 in this regard.

The process to allocate funding for the fourth cycle from 2015/16 to 2017/18 will start in the first half of 2014.

The Draft Policy on Student Housing at Public Universities and Minimum Norms and Standards Applicable were published for comment in April 2013. The comments received by end of July were assessed and the necessary amendments made to the draft Policy. Following engagements with National Treasury, the Policy on Student Accommodation is being reviewed to take into account the funding principles and parameters for the sector. It is likely to be published during 2014 for implementation.

## 7 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 state Department.

Table 19 presents the allocations per university for Veterinary Science Programmes for 2014/15 and 2015/16.

Table 19: Earmarked budgets for Veterinary Science Programmes

Year	2014/15	2015/16
University	(R'000)	(R'000)
North West	3 500	4 000
Pretoria	130 210	135 476
South Africa	1 000	1 000
Tshwane UT	1 500	2 000
<b>Total</b>	<b>136 210</b>	<b>142 476</b>

## 8 MERGER MULTI-CAMPUS GRANTS

A merger multi-campus grant has served its purpose and institutions receiving this grant should have streamlined their operations by now. Budget reductions in this grant category are absorbed back into the block grant. The previous Ministerial Statement explained this issue in detail.

The multi-campus funding allocations for merged universities are reflected in Table 20 below.

Table 20: Multi-campus grants for merged universities

University	2014/15	2015/16	2016/17
	(R'000)	(R'000)	(R'000)
Cape Peninsula UT	10 368	5 184	0
Johannesburg	9 984	4 992	0
KwaZulu-Natal	13 056	6 528	0
Limpopo	4 992	0	0
Nelson Mandela	9 280	4 640	0
North West	19 648	9 824	0
Tshwane UT	9 088	4 544	0
Walter Sisulu	18 304	9 152	0
<b>TOTAL</b>	<b>94 720</b>	<b>44 864</b>	<b>0</b>

The University of Limpopo receives zero funds in 2015/16 (see Table 20) owing to its split into two smaller universities in 2015/16, during which it will receive more state funding again within the institutional sub-block grant for size (see notes on Table 1, reflected in Sub-Division 5 of Section A).

## **9. NEW UNIVERSITIES: SOL PLAATJE UNIVERISTY AND THE UNIVERSITY OF MPUMALANGA**

In 2010 the Minister of Higher Education and Training appointed two task teams to investigate the feasibility and possible models for the establishment of universities in Mpumalanga and the Northern Cape respectively. The task teams engaged stakeholders in the provinces, and, taking into account provincial and national needs, made recommendations on the type and size of the two new institutions, including information on possible sites for the institutions.

Since November 2011, the Department of Higher Education and Training (DHET) has appointed a project management team to take forward the planning process under the guidance of a project steering committee, which includes academics from existing universities as well as representatives of the Premiers and of the National Institutes of Higher Education in the two Provinces.

The project management team visited and assessed 18 sites put forward by a range of stakeholders in the two provinces. Its recommendations on the main seats of the new universities are set out in a separate document together with the selection criteria. After consultation within national and provincial government, these recommendations have been approved by the Minister, namely that the main campuses and seats of learning are located:

- In the inner city of Kimberley in the Northern Cape; and
- On the site of the Lowveld Agricultural College, Nelspruit in Mpumalanga.

Development Frameworks for each university were formulated and gazetted on 31 August 2012 for public comment in terms of the Promotion of Administrative Justice Act (PAJA) and calls were made for naming of the universities. A comprehensive stakeholder engagement process was undertaken in term of PAJA in both provinces regarding the seats of the universities and impacts on affected stakeholders.

Comprehensive feasibility assessments were carried out for each university, for a projected 10 year development programme. This culminated in feasibility reports which were submitted to National Treasury for assessment and allocation of budgets for the establishment of the universities.

The feasibility reports include preliminary academic planning and development of the Programme and Qualification Mix (PQM) for each university, the space requirements to accommodate the academic programmes and administration together with student housing, the infrastructure and building programmes to accommodate the academic development, the institutional establishment costs and operating costs, land assembly and financial modelling including a cash flow projection over the 10 year development programme.

Both the universities have been legally established through publication in the Government Gazette and launched. The sod turning ceremony of Sol Plaatje University was held on 19 September 2013 and for the University of Mpumalanga on 31 October 2013. An Interim Council and an Interim Management for each university has been appointed, with the first intake of students to be in 2014. Following an architectural competition for each of the universities, a group of architects have been appointed to

design the new universities. In terms of facilities, a combination of existing buildings will be used, followed by new construction. Below is a table of the breakdown of how it is estimated the earmarked allocations (as shown in table 1) will be used.

Earmarked allocations to Sol Plaatje University and the University of Mpumalanga

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total</b>
<b>EARMARKED AMOUNTS</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
A. Establishment costs of the new universities	150 000	159 000	166 314	475 314
B. Capital expenditure on the new universities	150 000	500 000	1 000 000	1 650 000
<b>Total for both universities</b>	<b>300 000</b>	<b>659 000</b>	<b>1 166 314</b>	<b>2 125 314</b>
<b>University of Mpumalanga</b>				
A. Establishment of the university	82 500	95 400	108 104	286 004
B. Capital expenditure of the university	82 500	300 000	650 000	1 032 500
<b>MP Total</b>	<b>165 000</b>	<b>395 400</b>	<b>758 104</b>	<b>318 504</b>
<b>Sol Plaatje University</b>				
A. Establishment of the university	67 500	63 600	58 210	189 310
B. Capital expenditure of the university	67 500	200 000	350 000	617 500
<b>NC Total</b>	<b>135 000</b>	<b>263 600</b>	<b>408 210</b>	<b>806 810</b>

## **10 THE NATIONAL INSTITUTE OF HUMAN AND SOCIAL SCIENCES (HIHSS)**

In early 2010 the Minister appointed a Task Team under the leadership of Professor Ari Sitas, from the University of Cape Town, to develop a Charter for Humanities and Social Sciences, aimed at strengthening research and teaching in these fields. This was necessitated by the Minister's concern that since 1994, there had been a decline in research and teaching of humanities and social sciences, with focus being shifted to natural sciences, engineering, and other technology studies. The Minister received the report on the Charter for Humanities and Social Sciences on 4 August 2011.

The report was circulated and made available for public comment between October 2011 and February 2012. One of the key recommendations was about the creation of a new and dynamic entity to redress the deficits and coordinate the programmes, projects, collaborations and activities in the tertiary education landscape. The Minister indicated in his budget speech of April 2012 that the model for the establishment of an Academy for Humanities and Social Sciences would be that of a National Institute. Section 38A and B of the Higher Education Act, 1997 (Act No. 101 of 1997), as amended by the Higher Education and Training Laws Amendment Act, 2012 (Act No. 23 of 2012) published in Government Gazette No. 36022 of 19 December 2012 provides afresh for the establishment of a national institute and its functions.

The Amendment enabled the Minister, after consultation with the Council on Higher Education, to establish a national institute for higher education as a juristic person with a specific scope or application. The role of this entity will be, broadly, to enhance and support the HSS in South Africa and beyond, and to advise government and civil society on Humanities and Social Sciences (HSS) related matters. It will do so through its various programmes, including the Virtual Schools, the Catalytic Projects, the African Pathways Programme, and through supporting the DHET in the implementation of proposed corrective interventions. The mandate to set up and realise these programmes, and the entity as a whole, emerged from the process of consultation that resulted in the drafting of the Charter Report.

The Ministerial Special Project on the Future of the Humanities and Social Sciences was established to put in place a pilot phase and a process to establish the National Institute for the Humanities and Social Sciences. This included a call for public comment on the draft regulations and development of a business case for consultations with National Treasury and the Department of Public Service and Administration (DPSA). The call for public comments was published in Government Gazette No. 36584 on 19 June 2013 and have been analysed.

The operating expenditure for the institute amounts to R22 million for the 2014/15 financial year and increases to R23,829 million in 2015/16. No baseline funding from the university transfers is currently available to fund the activities for the Human Sciences Institute in 2014/15. Bridging funding for operating expenditure for the 2014/15 financial year will be provided in the interim from the DHET-NSF Grant and to enable the HSS project to continue with the pilot phase until the end of the 2014/15 financial year.

Funding projects and scholarships for a four-year period will be provided through the National Skills Fund. The administration and transfer of these funds will be subjected

to the Ministerial Project submitting a full and costed project proposal to the National Skills Fund. Baseline funding for the establishment of the NIHSS amounts to R23,829 million for the 2015/16 financial year and will be institutionalised over the MTEF through the Ministerial Statement on University Funding.

## **11 AFRICA INSTITUTE FOR MATHEMATICAL SCIENCES**

The African Institute for Mathematical Sciences (AIMS) offers 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 the Western Cape universities. AIMS has approximately 53 students. As required for any other earmarked grant, funding is allocated with certain conditions and AIMS needs to submit annual progress and audit reports. No block grant subsidy is allocated to the three universities for these students.