



HIGHER EDUCATION FUNDING IN SOUTH AFRICA

**REPORT TO THE MINISTERIAL COMMITTEE:
REVIEW OF THE FUNDING OF UNIVERSITIES**

October 2011

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PART ONE INTRODUCTION

1 Structure of report

The main purpose of this report is that of offering an empirical as well as a policy overview of higher education funding in SA. The report has the following structure:

Part Two deals with the empirical overview through data analyses and indicators. Section 2 considers aspects of the total income of public higher education institutions over the 10-year period 2000 to 2009. The data ends with 2009 because a full set of financial reports for 2010 is not yet available.

Section 2 also deals with total government allocations to the higher education system over the 8 financial years of 2004/05 to 2011/12. This period was selected because 2004/05 was the first year in which the current funding framework was implemented, and 2011/12 is the latest year for which government financial data are available

Section 3 of Part Two uses a set of income indicators to present a picture of the financial state and funding of the 23 public higher education institutions. These are descriptive indicators, which will refer to these properties of higher education institutions:

- their financial health, as measured by ratios between total income and total expenditure;
- their income sources, and in particular the availability of private funds;
- their totals of government block plus earmarked transfers;
- their levels of government funding under the previous funding and the new, post-2004 funding framework.

Part Four deals with various policy issues which arise in the context of the current review of the funding framework. It incorporates into these discussions the views of nine institutions which sent their funding submissions to HESA. The main areas covered are funding principles, the block grant and its various components, and earmarked grants.

Because this report has been conceived of as being primarily an overview of higher education funding, it deliberately does not draw any overall conclusions or formulate any recommendations.

PART TWO DATA ANALYSES AND INDICATORS

2 Overview of the income of the public higher education system

2.1 Total income from all sources: 2000-2009

Table 1 offers a broad overview of the total income of all institutions in the public higher education system for the 10-year period 2000-2009. The sources of the data collected for the table are: (a) the Department of Education's annual publication *Information on the State Budget of Higher Education*, (b) the annual *Ministerial Statements on Higher Education Funding*, and (c) the summaries of the annual financial reports of public higher education institutions produced by the Department of Education/Higher Education and Training.

TABLE 1

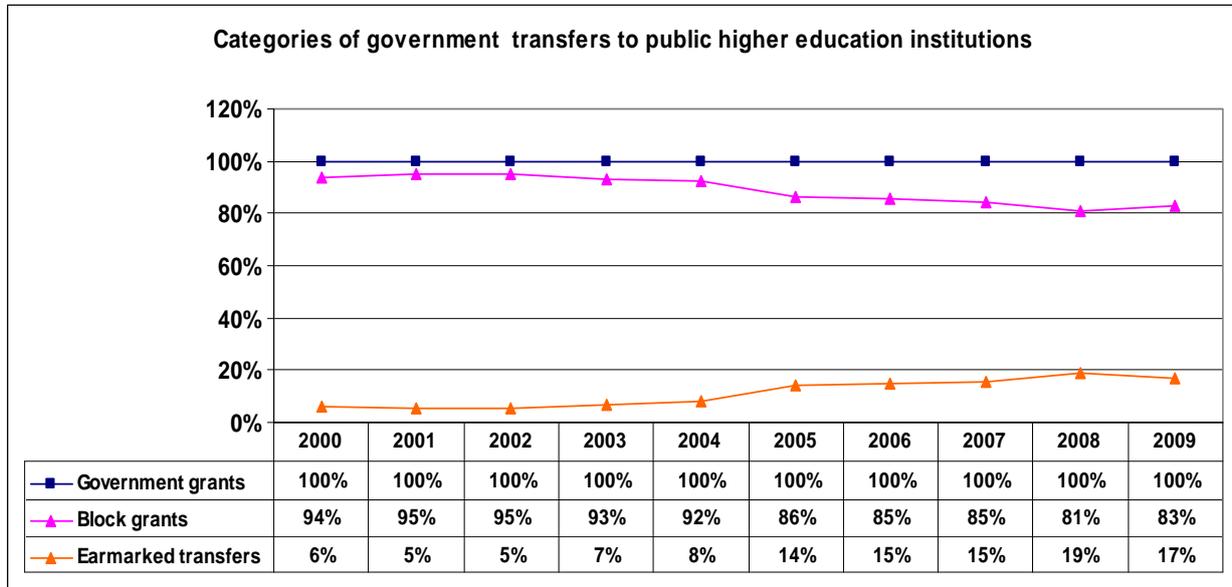
INCOME OF PUBLIC HIGHER EDUCATION INSTITUTIONS: RANDS MILLIONS											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average annual increase: 2000-2009
Government grants to HE institutions	6,628	7,082	7,520	8,380	9,301	9,916	10,729	11,941	13,426	15,258	9.7%
Block grants	6,204	6,718	7,123	7,818	7,988	8,541	9,171	10,100	10,853	12,700	8.3%
Earmarked: transfers to HE institutions	424	364	397	562	1,313	1,375	1,558	1,841	2,573	2,558	22.1%
Student fees	3,381	4,020	4,444	5,405	6,236	7,446	7,379	7,698	9,082	10,696	13.7%
Tuition & related fees	2,844	3,434	3,752	4,579	5,330	6,449	6,323	6,606	7,747	9,181	13.9%
Accommodation	537	586	692	826	906	997	1,056	1,092	1,335	1,515	12.2%
Private income	3,591	4,136	4,501	5,167	6,060	6,613	8,361	9,099	11,376	11,551	13.9%
Research contracts	948	811	973	950	966	974	1,136	1,205	1,538	1,839	7.6%
Other contracts	197	108	181	464	300	263	324	310	642	606	13.3%
Private gifts & grants	851	1,096	1,128	1,233	1,396	1,068	1,585	1,806	3,585	2,722	13.8%
Investment income	695	1,026	1,018	1,108	1,246	1,573	1,617	2,083	2,503	2,480	15.2%
Sales of goods & services	400	608	705	842	1,263	1,511	1,574	1,663	1,759	1,939	19.2%
All other income	500	487	496	570	889	1,224	2,125	2,031	1,349	1,965	16.4%
TOTAL INCOME	13,600	15,238	16,465	18,952	21,597	23,975	26,469	28,738	33,884	37,505	11.9%

Points to note about the government grants category are these:

- Block grants are the funds generated by the teaching input and output, the institutional factor, and the research input and output components of the current formula. Because they are funds which can be expended at the discretion of the council of each institution, teaching development and research development grants have been moved to the category of earmarked transfers to universities.
- Earmarked transfers to institutions include the teaching and research development grants referred to above, as well as recapitalisation grants and grants for foundation programmes, clinical training, veterinary sciences, infrastructure development, and institutional restructuring including redevelopment of former Vista campuses.
- Earmarked grants which appear in the government budget for the higher education system but not in the income statements of universities are grants for NSFAS, the African Institute for Mathematical Studies, the national institutes in the Northern Cape and Mpumalanga, and the establishment of new universities in these two provinces. Further details of these amounts appear in Table 4 which follows in the next subsection.

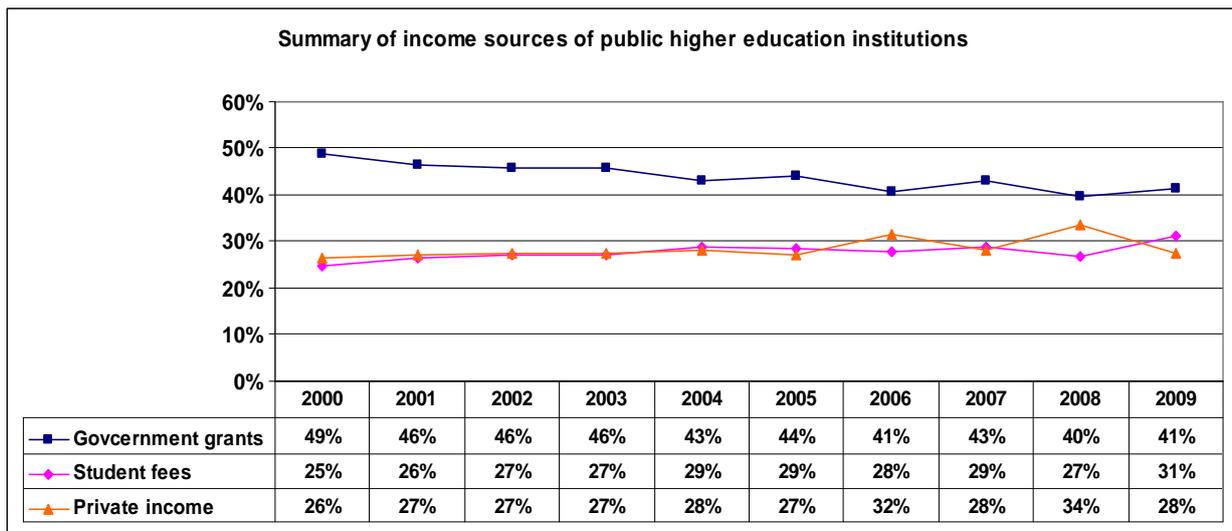
Graph 1 below offers a summary of changes which occurred in the shares which block grants and earmarked transfers had of the state allocation to higher education institutions. The graph shows that in the five-year period 2000 to 2004 (when the previous funding framework still applied), block grants had on average a 94% share of direct state allocations to public higher education institutions. After implementation of the new framework had begun, the block grant share fell to 81% in 2008 and 83% in 2009.

GRAPH 1



Graph 2 offers a summary of the income sources reported in Table 1 above. The graph shows that the proportion which government grants had of the total income of the system fell from 49% in 2000 to 41% in 2009. The drop in the government funding share of the total income was picked up by student fees. The student fees proportion rose from 25% in 2000 to 29% in 2004, and then to 31% in 2009.

GRAPH 2



2.2 Total income in real and nominal Rands

Changes in the income totals between 2000 and 2009 led to the changes in the sources of income reflected in Graph 2. Aspects of these changes can be seen in Table 2, which compares income in 2000 with nominal and real totals of 2009. These real income totals were derived by deflating the actual or nominal totals for 2001 to 2009 by Statistics SA's average consumer price index (CPI) for those years.

Table 2 shows that the total income of public higher education institutions grew over the 10-year period 2000 to 2009 at average annual rates of 11.9% in nominal Rands and 5.5% in real Rands. There were however differences between growth rates in the three main funding categories. Government grants increased in real Rands at an average annual rate of 3.4% over the period 2000 to 2009, which was less than half of the real increases of 7.1% and 7.3% that occurred in student fees (tuition plus accommodation) and in the private income of institutions.

TABLE 2

INCOME IN 2000 COMPARED TO 2009 INCOME: RANDS MILLIONS					
	2000	2009		Average annual growth: 2000-2009	
		Nominal	Real	Nominal	Real
Government grants	6,628	15,258	8,923	9.7%	3.4%
Block grants	6,204	12,700	7,427	8.3%	2.0%
Earmarked transfers	424	2,558	1,496	22.1%	15.0%
Student fees	3,381	10,696	6,255	13.7%	7.1%
Tuition & related fees	2,844	9,181	5,369	13.9%	7.3%
Accommodation	537	1,515	886	12.2%	5.7%
Private income	3,591	11,551	6,755	13.9%	7.3%
Research contracts	948	1,839	1,075	7.6%	1.4%
Other contracts	197	606	354	13.3%	6.7%
Private gifts & grants	851	2,722	1,592	13.8%	7.2%
Investment income	695	2,480	1,450	15.2%	8.5%
Sales of goods & services	400	1,939	1,134	19.2%	12.3%
All other income	500	1,965	1,149	16.4%	9.7%
TOTAL INCOME	13,600	37,505	21,933	11.9%	5.5%

Table 3 divides the income totals in Table 2 by the higher education system's FTE enrolled student totals, which were 385 000 in 2000 and 569 000 in 2009. These totals do not take account of the weightings in the funding grid for teaching input units.

TABLE 3

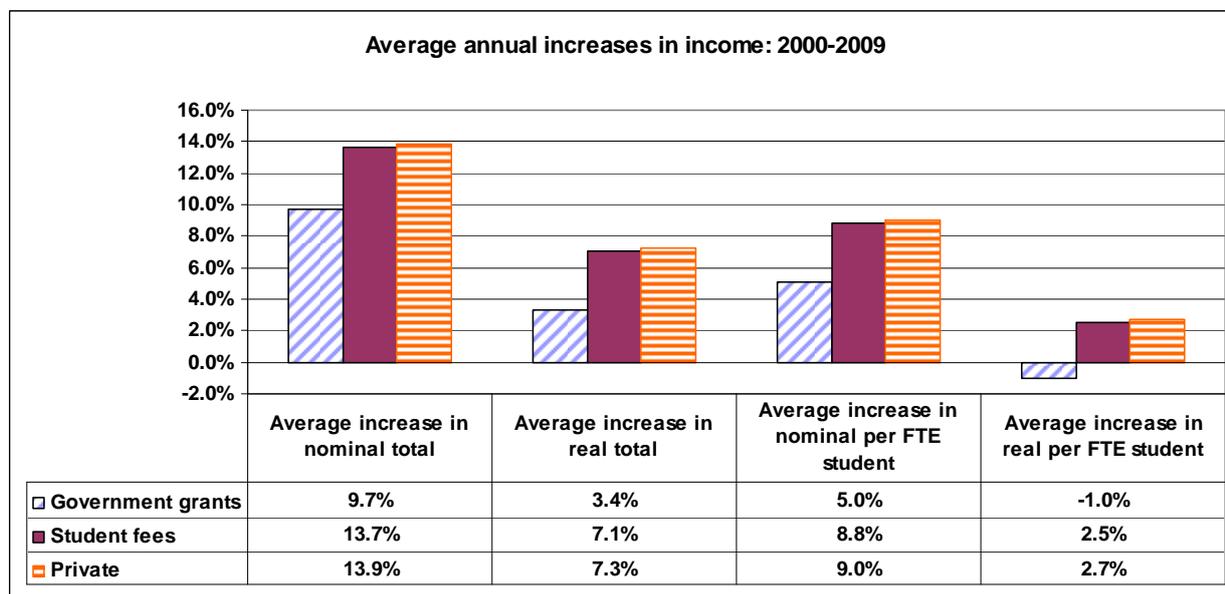
INCOME PER FTE ENROLLED STUDENTS: RANDS THOUSANDS					
	2000	2009		Average annual growth: 2000-2009	
		Nominal	Real	Nominal	Real
Government grants	17.2	26.8	15.7	5.0%	-1.0%
Block grants	16.1	22.3	13.1	3.7%	-2.3%
Earmarked: transfers to universities	1.1	4.5	2.6	16.9%	10.2%
Student fees	8.8	18.8	11.0	8.8%	2.5%
Tuition & related fees	7.4	16.1	9.4	9.1%	2.8%
Accommodation	1.4	2.7	1.6	7.4%	1.2%
Private income	9.3	20.3	11.9	9.0%	2.7%
Research contracts	2.5	3.2	1.9	3.1%	-2.9%
Other contracts	0.5	1.1	0.6	8.5%	2.2%
Private gifts & grants	2.2	4.8	2.8	9.0%	2.7%
Investment income	1.8	4.4	2.5	10.3%	3.9%
Sales of goods & services	1.0	3.4	2.0	14.1%	7.5%
All other income	1.3	3.5	2.0	11.5%	5.0%
TOTAL INCOME	35.3	65.9	38.5	7.2%	1.0%

The table shows that, in nominal Rands, state grants per FTE enrolled student rose from R17 200 in 2000 to R26 800 in 2009. Student fees (tuition + accommodation) per FTE enrolled student, also in nominal Rands, rose from R8 800 in 2000 to R18 800 in 2009. The real Rand averages in Table 3 present important issues for the system. They show that in real Rands the block grant component of state funding per FTE enrolled student fell by 2.3% pa between 2000

and 2009, while student tuition fees (not including accommodation) per FTE enrolled increased at a rate of 2.8% pa over this period.

Graph 3 below sums up the increases in income which occurred over the period 2000 to 2009.

GRAPH 3



2.3 Further analyses of total government grants

These further analyses of government funding grants begin with 2004/05 because the triennium 2004/05 to 2006/07 was the first in which the new funding framework was implemented.

A migration strategy was adopted in 2004/05 to ensure that the implementation of the new framework did not have the effect of destabilising the funding of individual higher education institutions. The 2004 *Ministerial Statement on Higher Education Funding* describes the operation of the three-year migration strategy for block grant payments to individual universities. This strategy did not change the government's total block grant allocations over this period.

Table 4 offers a detailed account of government higher education grants over the period 2004/05 to 2011/12. It should be noted that, because of the two-year data lag, block grants for 2004/05 were based on input and output data for the academic year 2002 and those for 2011/12 on data for the 2009 academic year.

Table 5, which also follows on the next page, shows what proportion each category and subcategory had of the total government grant over this period. Some of points to note about Tables 4 and 5 are these:

During the period of the operation of the new framework, block grant allocations grew at a lower rate than earmarked allocations. The average annual rate of increase of block grants between 2004/05 and 2011/12 was 10.8%, compared to average annual growth rates of 11.7% for earmarked transfers to universities and 20.1% for other earmarked allocations.

The high rate of increase in earmarked transfers to public higher education institutions was the result of two new funds being established. The first was funding for projects designed primarily to enable universities to meet enrolment planning targets and to function more efficiently. The amount allocated will rise from the R445 million available in 2007/08 to R1 615 million in

2011/12. The second of the new funds was for projects designed to improve the clinical training of students in the health sciences. This amount will rise from the R200 million allocated for 2008/09 to R350 million in 2011/12.

TABLE 4

DETAILS OF GOVERNMENT HIGHER EDUCATION GRANTS UNDER NEW FUNDING FRAMEWORK: RANDS MILLIONS									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average annual increases
BLOCK GRANTS: COUNCIL CONTROLLED FUNDS	7,988	8,541	9,171	10,100	10,853	12,700	14,534	16,387	10.8%
Teaching inputs	5,496	5,855	6,260	6,772	7,345	8,497	9,793	10,910	10.3%
Institutional factors	573	610	652	705	765	885	850	947	7.4%
Teaching outputs (excluding teaching development)	1,074	1,157	1,235	1,385	1,498	1,778	2,054	2,305	11.5%
Research outputs (excluding research development)	845	919	1,024	1,237	1,245	1,540	1,837	2,225	14.8%
EARMARKED TRANSFERS	1,313	1,375	1,558	1,841	2,573	2,558	2,940	2,853	11.7%
Interest & redemption on loans	146	130	100	85	70	41	31	20	-24.7%
Infrastructure & efficiency projects	0	0	0	445	1,245	1,462	1,585	1,615	
Teaching development grants	300	306	329	307	337	345	393	420	4.9%
Research development grants	280	279	256	148	257	197	166	7	-41.0%
Foundation programmes	85	91	105	114	131	146	185	177	11.0%
Clinical training of health professionals	0	0	0	8	200	300	330	350	
Veterinary Sciences	0	19	50	54	58	67	102	116	
Multi-campus	0	0	0	0	0	0	148	148	
Developing former Vista campuses	0	0	150	80	40	0	0	0	
Institutional restructuring	502	550	568	600	235	0	0	0	-100.0%
OTHER EARMARKED FUNDING	578	864	926	1,236	1,388	1,483	1,634	2,084	20.1%
NSFAS	578	864	926	1,233	1,355	1,445	1,591	1,970	19.1%
National Institutes	0	0	0	0	30	35	39	41	
African Institute for Mathematical Studies	0	0	0	3	3	3	4	4	
Establishment on new universities	0	0	0	0	0	0	0	50	
Not allocated	0	0	0	0	0	0	0	19	
TOTAL MTEF ALLOCATION	9,879	10,780	11,655	13,177	14,814	16,741	19,108	21,324	11.6%

TABLE 5

PROPORTION OF GOVERNMENT GRANT IN EACH CATEGORY									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
BLOCK GRANTS: COUNCIL CONTROLLED FUNDS	81%	79%	79%	77%	73%	76%	76%	77%	
Teaching inputs	56%	54%	54%	51%	50%	51%	51%	51%	
Institutional factors	6%	6%	6%	5%	5%	5%	4%	4%	
Teaching outputs (excluding teaching development)	11%	11%	11%	11%	10%	11%	11%	11%	
Research outputs (excluding research development)	9%	9%	9%	9%	8%	9%	10%	10%	
EARMARKED TRANSFERS	13%	13%	13%	14%	17%	15%	15%	13%	
Interest & redemption on loans	1%	1%	1%	1%	0%	0%	0%	0%	
Infrastructure & efficiency projects	0%	0%	0%	3%	8%	9%	8%	8%	
Teaching development grants	3%	3%	3%	2%	2%	2%	2%	2%	
Research development grants	3%	3%	2%	1%	2%	1%	1%	0%	
Foundation programmes	1%	1%	1%	1%	1%	1%	1%	1%	
Clinical training of health professionals	0%	0%	0%	0%	1%	2%	2%	2%	
Veterinary Sciences	0%	0%	0%	0%	0%	0%	1%	1%	
Developing former Vista campuses	0%	0%	1%	1%	0%	0%	0%	0%	
Institutional restructuring	0%	5%	5%	5%	2%	0%	0%	0%	
OTHER EARMARKED FUNDING	5%	8%	8%	9%	9%	9%	9%	10%	
NSFAS	6%	8%	8%	9%	9%	9%	8%	9%	
National Institutes	6%	0%	0%	0%	0%	0%	0%	0%	
African Institute for Mathematical Studies	0%	0%	0%	0%	0%	0%	0%	0%	
Establishment on new universities	0%	0%	0%	0%	0%	0%	0%	0%	
Not allocated	0%	0%	0%	0%	0%	0%	0%	0%	
TOTAL MTEF ALLOCATION	9,879	10,780	11,655	13,177	14,814	16,741	19,108	21,324	

2.4 Summary of key points

The key points raised in this discussion of the total income of the public higher education system are these:

(1) Government higher education allocations have, for the purposes of these income analyses, been divided into block grants and direct earmarked transfers to universities. Indirect allocations such as NSFAS have not been included in the income calculations.

(2) The share which government block grants plus earmarked transfers had of the total income of the public higher education system dropped over the 10-year period 2000-2009. This share was 49% in 2000 and 41% in 2009.

(3) The share which block grants had of the total direct government allocation to public higher education institutions also fell over the 10-year period 2000-2009. The block grant's share of the block + earmarked grants total was 94% in 2000 and 83% in 2009. A reflection of these changes in share can be seen in the growth in real Rands of 2000 of the two categories. Real government block grant totals rose at an average annual rate of 2.0% between 2000 and 2009, and real earmarked transfers to institutions at an average annual rate of 15%.

(4) Student fee income (tuition plus accommodation) per FTE enrolled student grew, in real Rands of 2000, at an average annual rate of 2.5% between 2000 and 2009. In marked contrast real government grants (block + earmarked transfers) per FTE enrolled student fell at an average annual rate of 1%. This is a clear indication that the increased costs of higher education have been transferred to students and their parents.

3 Income indicators for individual higher education institutions

3.1 Indicators and financial analyses

This section refers to "income indicators" as a way of stressing that the various graphs and tables which follow are not intended to be strict financial analyses. The data selected for use in this section will function in the way indicators normally do. The graphs and tables will refer in broad ways to complex properties of individual higher education institutions; and will do so in ways which will almost certainly require more detailed or fine-grained financial analyses.

A further point to note is that the indicators used are not performance indicators, which presuppose the existence of goals or targets which an institution is expected to achieve. They are descriptive indicators, which will refer to these properties of higher education institutions:

- their financial health, as measured by ratios between total income and total expenditure;
- their income sources, and in particular the availability of private funds;
- their totals of government block plus earmarked transfers;
- their levels of government funding under the previous funding and the new, post-2004 funding framework.

3.2 Groupings of institutions

For the purposes of the analyses in this section, public higher education institutions have been divided into the three categories recognised by current government policies: (a) universities, (b) comprehensive universities, and (c) universities of technology. The institutions in the three groups are listed in Table 6 below.

TABLE 6

PUBLIC HIGHER EDUCATION INSTITUTIONS BY INSTITUTIONAL CATEGORY	
	Abbreviation
Universities	
University of Cape Town	UCT
University of Fort Hare	UFH
University of the Free State	UFS
University of KwaZulu-Natal	UKZN
University of Limpopo	UL
North-West University	NWU
University of Pretoria	UP
Rhodes University	RU
University of Stellenbosch	SU
University of the Western Cape	UWC
University of the Witwatersrand	WITS
Comprehensive universities	
University of Johannesburg	UJ
Nelson Mandela Metropolitan University	NMMU
University of South Africa	UNISA
University of Venda	UNIVEN
Walter Sisulu University	WSU
University of Zululand	UNIZUL
Universities of technology	
Cape Peninsula University of Technology	CPUT
Central University of Technology	CUT
Durban University of Technology	DUT
Mangosuthu University of Technology	MUT
Tshwane University of Technology	TUT
Vaal University of Technology	VUT

3.3 Income and expenditure of individual public higher education institutions

The first indicator employed is a comparison, for each public higher education institution, of its total income from all sources and its total expenditure on all activities. The income total includes government block grants and earmarked transfers, student tuition and accommodation fees, and all private income. The expenditure total includes the direct costs of teaching and research, all administrative activities which support teaching and research, the costs of the central administration of the institution, costs of student accommodation, and costs of debt and other financial services.

A total of six tables are presented in this subsection. Three of the tables set out separately the income and expenditure totals for the 11 universities, the 6 comprehensive universities, and the 6 universities of technology. A further three tables set out income/expenditure indicators. They show, for each of the institutional groupings, what the differences were between total income and total expenditure in each of the ten years 2000-2009.

There may be some objections to indicators being based on this consolidation of all the income of higher education institutions into ten single annual totals, because of the constraints placed on large proportions of this income. The income total will include unrestricted funds which may be used at the discretion of the institutional council, as well as funds which are restricted for use for specific purposes. Examples of council discretionary funds are government block grants, student fees and undesignated income from investments or gifts. Examples of restricted funds are government earmarked transfers, and private funds which are designated for use for purposes such as research projects, establishment of academic posts, and the purchase of specialised equipment.

The indicator tables, which represent the differences between total income and total expenditure as surpluses/deficits, cannot as a consequence be taken as statements of the funds which a council has available to meet any operational or infrastructure costs of its choice. The indicator tables are nevertheless useful because they give a picture of at least one aspect of the financial health of higher education institutions. What could be said, on the basis of these ratios, is that an institution, which has had deficits in a number of years during the 10-year period 2000-2009, could be experiencing financial problems. On the other hand, the financial health of an institution which has regular annual surpluses is likely to be strong.

Tables 7 and 8 show what the income and expenditure totals were of the 11 universities over the period 2000-2009.

TABLE 7

UNIVERSITIES: INCOME FROM ALL SOURCES & EXPENDITURE ON ALL ACTIVITIES (RANDS MILLIONS)											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UCT	Income	1048	1180	1350	1482	1625	1767	1946	2418	2602	2980
	Expenditure	981	1092	1200	1303	1500	1696	1643	1913	2219	2548
UFS	Income	501	579	560	688	805	868	972	1154	1317	1478
	Expenditure	399	399	455	611	703	747	784	918	1123	1256
UFH	Income	160	177	212	249	450	331	380	416	505	663
	Expenditure	176	166	219	252	363	325	401	444	526	539
UKZN	Income	1057	1162	1282	1410	1671	1793	2127	2117	2474	2670
	Expenditure	1012	1130	1299	1451	1729	1778	1952	1998	2375	2651
UL	Income	637	630	673	579	625	670	677	995	968	946
	Expenditure	651	742	715	771	768	764	802	802	830	915
NWU	Income	654	761	812	910	1011	1133	1210	1436	1671	1827
	Expenditure	615	715	780	961	970	1028	1197	1351	1600	1786
UP	Income	1395	1662	1604	1802	2069	2555	2660	3029	3277	4039
	Expenditure	1121	1375	1539	1686	1739	1874	2059	2314	2641	3206
RU	Income	277	297	349	370	401	417	458	492	603	638
	Expenditure	258	259	319	355	335	392	422	454	525	613
SU	Income	1087	1055	1208	1329	1692	1651	2013	2346	2520	2688
	Expenditure	786	858	1027	1236	1349	1479	1541	1706	1980	2375
UWC	Income	303	317	390	441	538	773	670	924	940	1010
	Expenditure	332	342	402	464	511	569	554	644	735	845
WITS	Income	1010	1111	1225	1565	1730	2010	2406	2566	2937	3434
	Expenditure	983	1096	1331	1682	1746	2017	2188	2445	2804	3333
UNIVERSITIES TOTALS	Income	8129	8931	9665	10825	12617	13968	15519	17893	19814	22373
	Expenditure	7314	8174	9286	10772	11713	12669	13543	14989	17358	20067

TABLE 8

UNIVERSITIES: SURPLUSES AND DEFICITS ON TOTAL EXPENDITURE COMPARED TO TOTAL INCOME											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
UCT	6.8%	8.1%	12.5%	13.7%	8.3%	4.2%	18.4%	26.4%	17.3%	17.0%	
UFS	25.6%	45.1%	23.1%	12.6%	14.5%	16.2%	24.0%	25.7%	17.3%	17.7%	
UFH	-9.1%	6.6%	-3.2%	-1.2%	24.0%	1.8%	-5.2%	-6.3%	-4.0%	23.0%	
UKZN	4.4%	2.8%	-1.3%	-2.8%	-3.4%	0.8%	9.0%	6.0%	4.2%	0.7%	
UL	-2.2%	-15.1%	-5.9%	-24.9%	-18.6%	-12.3%	-15.6%	24.1%	16.6%	3.4%	
NWU	6.3%	6.4%	4.1%	-5.3%	4.2%	10.2%	1.1%	6.3%	4.4%	2.3%	
UP	24.5%	20.8%	4.3%	6.9%	19.0%	36.4%	29.2%	30.9%	24.1%	26.0%	
RU	7.4%	14.7%	9.4%	4.2%	19.7%	6.4%	8.5%	8.4%	14.9%	4.1%	
SU	38.3%	23.0%	17.6%	7.5%	25.4%	11.6%	30.6%	37.5%	27.3%	13.2%	
UWC	-8.7%	-7.3%	-3.0%	-5.0%	5.3%	35.9%	20.9%	43.5%	27.9%	19.5%	
WITS	2.7%	1.4%	-8.0%	-7.0%	-0.9%	-0.3%	10.0%	4.9%	4.7%	3.0%	
TOTALS	11.1%	9.3%	4.1%	0.5%	7.7%	10.3%	14.6%	19.4%	14.1%	11.5%	

Points to note about Tables 7 and 8 are these:

(1) The total income in 2009 of the 11 universities was R22.9 billion (or 61% of the total income for the system), compared to the 2009 income totals of R8.8 billion for comprehensive universities (24% of the income total), and R5.5 billion for the universities of technology (15% of the income total).

(2) The surplus/deficit indicators suggest that the financial health of only 5 of the 11 universities may have been strong over the full 10-year period 2000-2009. They were UCT, UFS, Pretoria, Rhodes and Stellenbosch, which had surpluses on their total income statements in each of the 10 years 2000-2009. Two universities had deficits in more than 5 of the 10 years (Fort Hare and Limpopo), two had deficits in 4 of these years (UWC and Wits), and one had deficits in three years (UKZN).

Tables 9 and 10 show what the income and expenditure totals were of the 6 comprehensive universities over the period 2000-2009.

TABLE 9

COMPREHENSIVE UNIVERSITIES: INCOME FROM ALL SOURCES & EXPENDITURE ON ALL ACTIVITIES											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UJ	Income	682	766	910	1067	1347	1480	1600	1737	1858	2097
	Expenditure	620	711	820	972	1165	1286	1367	1434	1651	1944
NMMU	Income	496	573	627	584	638	772	842	1103	1161	1158
	Expenditure	515	496	595	638	648	658	765	1029	947	970
UNISA	Income	974	1103	1246	1410	2180	2556	2907	2907	3000	3603
	Expenditure	888	998	1207	1369	1884	2013	2137	2586	2800	3212
UNIVEN	Income	135	180	214	218	239	275	468	366	520	445
	Expenditure	178	187	206	225	246	261	274	301	428	401
WSU	Income	366	0	0	416	0	0	629	651	816	967
	Expenditure	394	0	0	386	0	0	616	657	861	1011
UNIZUL	Income	161	0	190	249	306	355	349	0	490	535
	Expenditure	166	0	184	291	341	337	354	0	484	530
TOTALS	Income	2814	2622	3187	3944	4710	5438	6795	6764	7845	8805
	Expenditure	2761	2392	3012	3881	4284	4555	5513	6007	7171	8068

TABLE 10

COMPREHENSIVE UNIVERSITIES: SURPLUSES AND DEFICITS ON TOTAL EXPENDITURE COMPARED TO TOTAL INCOME											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UJ		10.0%	7.7%	11.0%	9.8%	15.6%	15.1%	17.0%	21.1%	12.5%	7.9%
NMMU		-3.7%	15.5%	5.4%	-8.5%	-1.5%	17.3%	10.1%	7.2%	22.6%	19.4%
UNISA		9.7%	10.5%	3.2%	3.0%	15.7%	27.0%	36.0%	12.4%	7.1%	12.2%
UNIVEN		-24.0%	-3.5%	3.9%	-3.2%	-3.0%	5.3%	70.8%	21.6%	21.5%	11.0%
WSU		-7.1%			7.8%			2.1%	-0.9%	-5.2%	-4.4%
UNIZUL		-3.0%		3.3%	-14.4%	-10.3%	5.3%	-1.4%		1.2%	0.9%
TOTALS		1.9%	9.6%	5.8%	1.6%	9.9%	19.4%	23.3%	12.6%	9.4%	9.1%

Points to note about the Tables 9 and 10 are these:

(1) The total income in 2009 of the 6 comprehensive universities was R8.8 billion or 24% of the total income for the system.

(2) Complete sets of financial statement could not be found for two institutions. WSU's statements for 2001, 2002, 2004 and 2005, and Zululand's for 2001 and 2007 were not available.

(3) The surplus/deficit indicators suggest that the financial health of only 2 of the 6 comprehensive universities may have been strong over the full 10-year period 2000-2009. They were Johannesburg and Unisa, which had surpluses on their total income statements in each of the 10 years 2000-2009. Even though the data are incomplete, the indicators suggest that the remaining 4 comprehensive universities may have experienced financial problems during 2000-2009.

Tables 11 and 12 show what the income and expenditure totals were of the 6 universities of technology over the period 2000-2009.

TABLE 11

UNIVERSITIES OF TECHNOLOGY: INCOME FROM ALL SOURCES & EXPENDITURE ON ALL ACTIVITIES											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CPUT	Income	443	554	570	625	697	829	939	1154	1102	1242
	Expenditure	476	484	536	624	674	784	888	918	1126	1201
CUT	Income	121	149	185	221	276	285	305	370	366	414
	Expenditure	116	142	173	201	269	292	279	296	343	362
DUT	Income	0	398	391	547	684	629	681	733	797	947
	Expenditure	0	487	451	647	573	557	647	648	738	880
MUT	Income	114	116	125	156	185	237	219	252	262	319
	Expenditure	109	118	136	146	166	204	209	258	280	343
TUT	Income	765	912	978	1251	1399	1453	1474	1593	1774	1988
	Expenditure	740	899	1015	1199	1388	1503	1474	1485	1575	1852
VUT	Income	217	232	256	309	332	368	396	477	469	634
	Expenditure	229	238	263	268	332	355	350	355	401	506
TOTALS	Income	1660	2361	2505	3109	3573	3801	4014	4579	4770	5544
	Expenditure	1670	2368	2574	3085	3402	3695	3847	3960	4463	5144

TABLE 12

UNIVERSITIES OF TECHNOLOGY: SURPLUSES AND DEFICITS ON TOTAL EXPENDITURE COMPARED TO TOTAL INC											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CPUT		-6.9%	14.5%	6.3%	0.2%	3.4%	5.7%	5.7%	25.7%	-2.1%	3.4%
CUT		4.3%	4.9%	6.9%	10.0%	2.6%	-2.4%	9.3%	25.0%	6.7%	14.4%
DUT	#DIV/0!	-18.3%	-13.3%	-15.5%	19.4%	12.9%	5.3%	13.1%	8.0%	7.6%	
MUT		4.6%	-1.7%	-8.1%	6.8%	11.4%	16.2%	4.8%	-2.3%	-6.4%	-7.0%
TUT		3.4%	1.4%	-3.6%	4.3%	0.8%	-3.3%	0.0%	7.3%	12.6%	7.3%
VUT		-5.2%	-2.5%	-2.7%	15.3%	0.0%	3.7%	13.1%	34.4%	17.0%	25.3%
TOTALS		-0.6%	-0.3%	-2.7%	0.8%	5.0%	2.9%	4.3%	15.6%	6.9%	7.8%

Points to note about the Tables 11 and 12 are these:

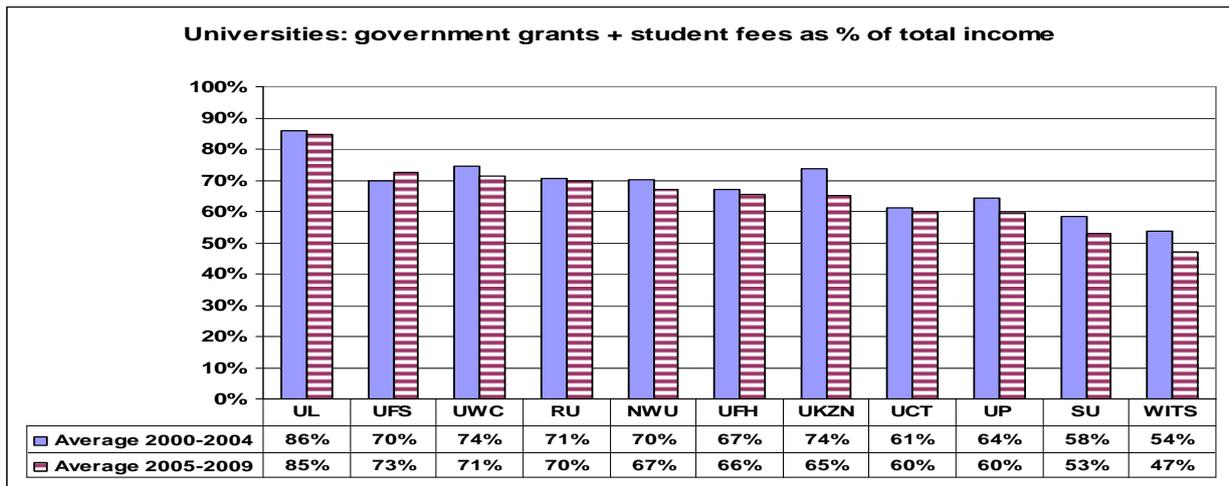
(1) The total income in 2009 of the 6 universities of technology was R5.1 billion or 15% of the total income for the system.

(2) None of the 6 universities of technology had surpluses on their total income statements in each of the 10 years 2000-2009. Three had deficits in more than 3 of the 10 years (MUT, DUT, and VUT), two had deficits in 2 of these years (CPUT and TUT), and one had a deficit in one year only (CUT).

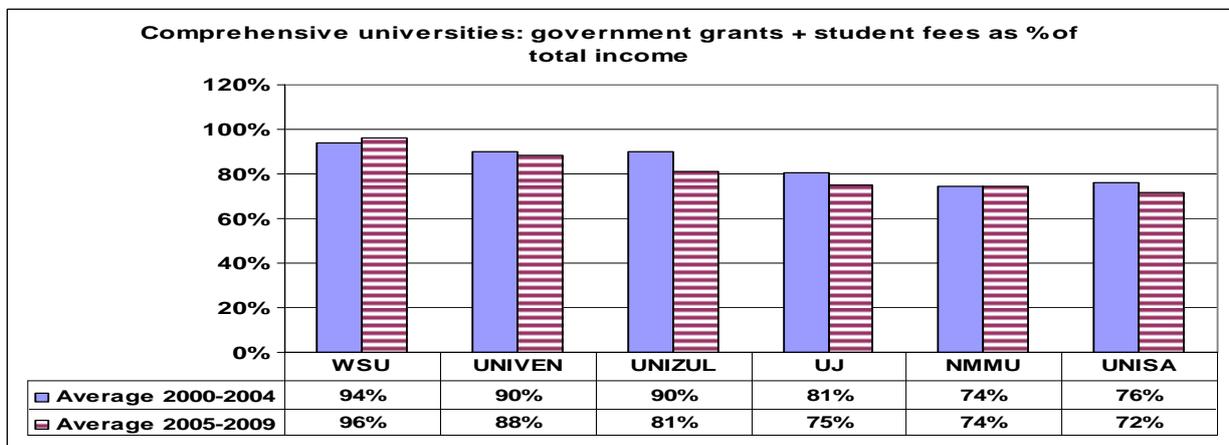
3.4 Sources of income of individual public higher education institutions

Graphs 4, 5 and 6 provide a new set of income indicators. They depict the extent to which the income totals of public higher education institutions have been dependent on government grants (block and earmarked) and student fees (tuition plus accommodation). Each of the graphs shows what the average proportions were of government grants plus student fees during the 5-year period 2000-2004 which was before the introduction of the new funding framework, and the 5-year period 2005-2009 which was after the introduction of the new framework. The data in the graphs have been sorted from highest to lowest proportion.

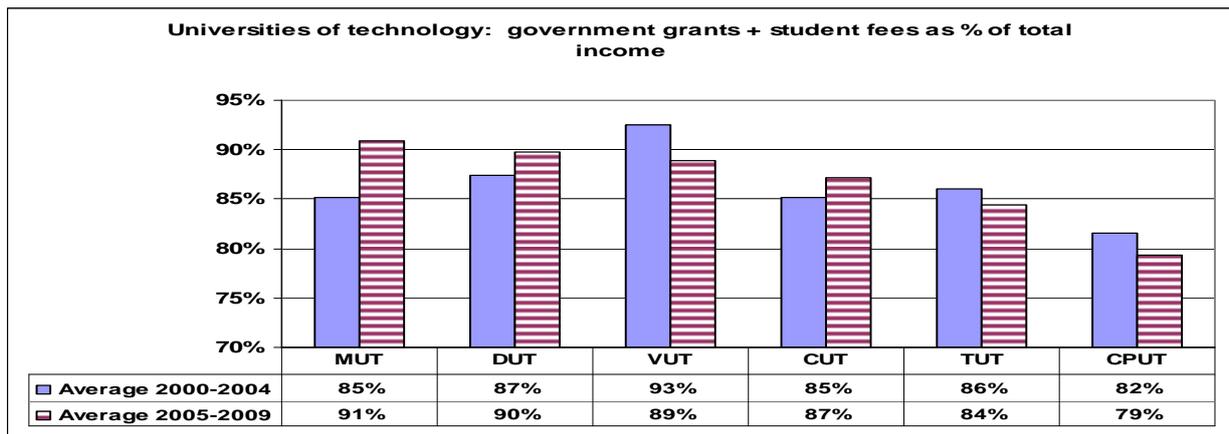
GRAPH 4



GRAPH 5



GRAPH 6

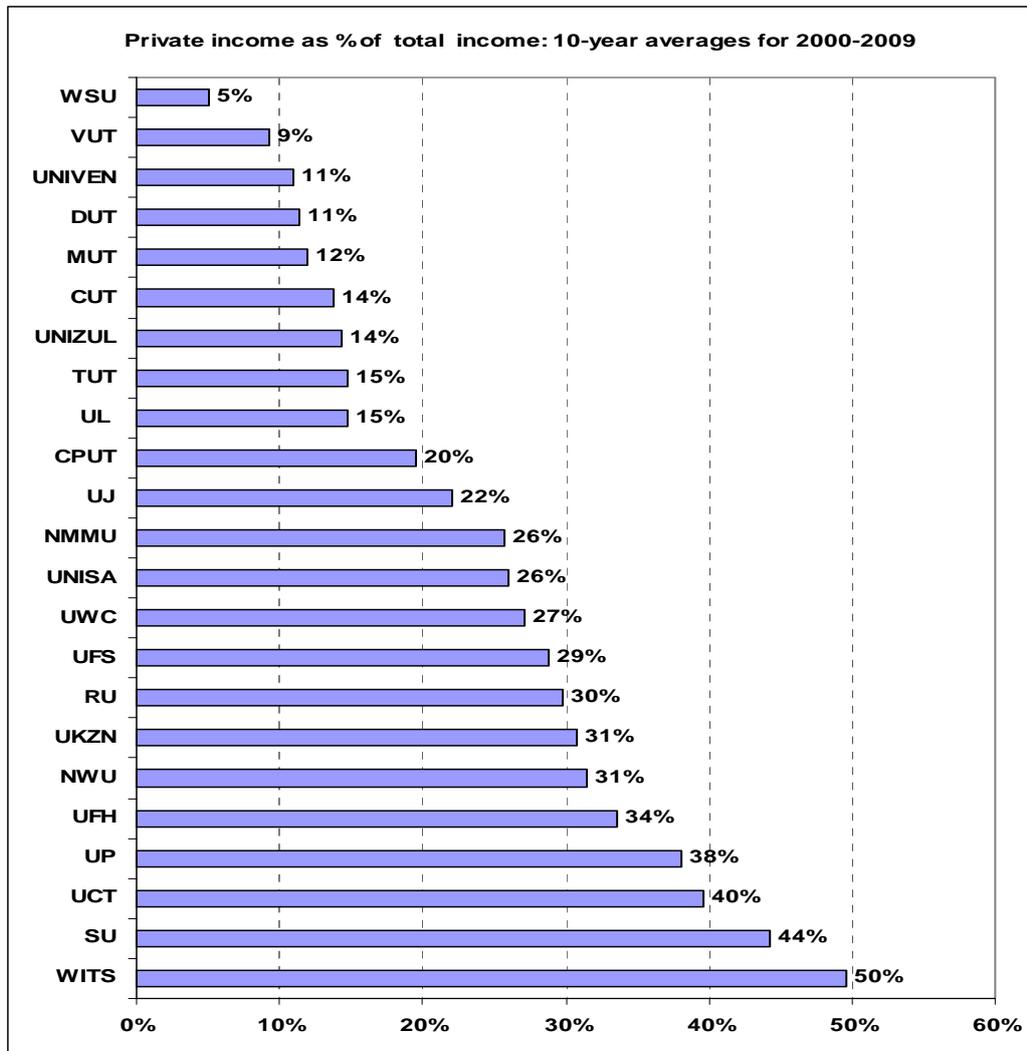


Graphs 4 to 6 show that the share which government grants plus fees had of their total income increased in the case of only one university (UFS) and one comprehensive university (NMMU). This share however increased in the case of three universities of technology (MUT, DUT and CUT), which reflect the declines which occurred in their levels of private income.

Government grants and student fees represent two of the income streams of the 23 public higher education institutions. The third stream is their private funding, which is the balance of total income less government grants and student fees. The data in Graphs 4 to 6 show that, on this calculation, the 23 institutions have had very different levels of private funding.

Graph 7 compares the average annual levels of private funding of the 23 institutions over the full 10-year period 2000-2009.

GRAPH 7



The data in Graph 7 can be used to place public higher education institutions into four clusters on the basis of their average proportions of private income for the period 2000-2009:

- 9 institutions (1 university, 3 comprehensive universities, 5 universities of technology) had average private income proportions below 20% of their income;
- 6 institutions (2 universities, 3 comprehensive universities, 1 university of technology) had average private income proportions in the band 20%-29%;
- 5 institutions (all universities) had average private income proportions in the band 30%-39%;
- 3 institutions (all universities) had average private income proportions in the band above 40%.

These indicators of the availability of private income can be related to the surplus/deficit indicators used earlier. A comparison of Tables 8, 10 and 12 to Graph 7 shows that institutions with low proportions of private income were most likely to have deficits across three or more years. As private income proportions rose, the number of institutions with deficits in three or more years fell. Some of the details are these:

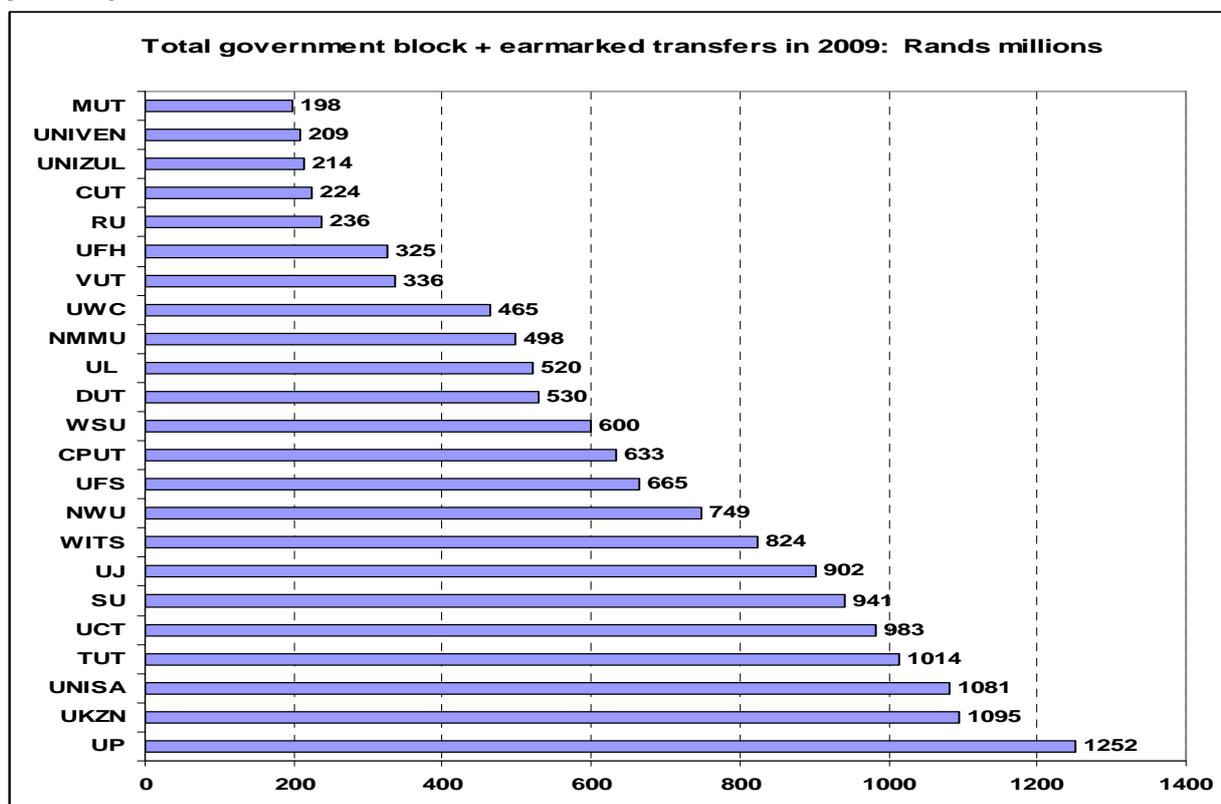
- Seven of the 9 institutions with average private income proportions below 20% had deficits in three or more years during the period 2000-2009. These institutions were: WSU, VUT, Venda, DUT, MUT, Zululand, and Limpopo.
- Two of the 6 institutions with private income in the band 20%-29% had deficits in three or more years during 2000-2009. These institutions were NMMU and UWC.
- Two of the 6 institutions with private income in band 30% to 39% had deficits in three or more years during 2000-2009. These institutions were UKZN and Fort Hare.
- One of the 3 institutions in the above 40% private income band had a deficit in 4 years during the period 2000-2009. This institution was Wits.

3.5 Government grants to individual public higher education institutions

The next set of indicators deals with the government funding which public higher education institutions received under the previous funding and under the new, post-2004 funding framework.

The first of these indicators is in Graph 8 which compares the total in government grants which each public higher education institution received in 2009.

GRAPH 8



The totals in Graph 8 consist of all block grant payments and all earmarked transfers, including infrastructure and efficiency and clinical training grants. As can be seen in the graph, these government grants in 2009 ranged from the R198 million paid to MUT to the R1 252 million paid to Pretoria.

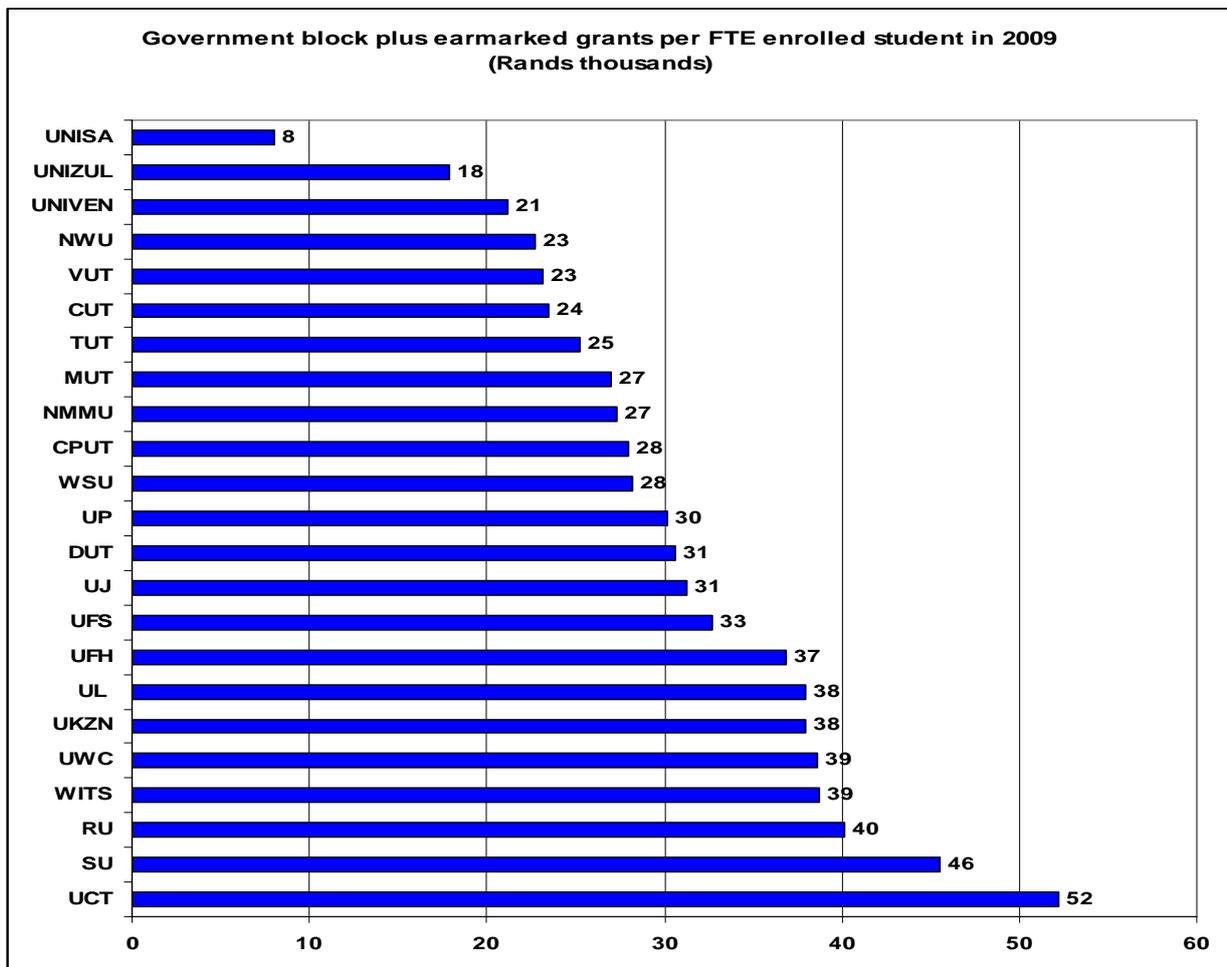
Graph 8 shows further that these 2009 government grant payments could be broken into two bands which contain a spread of institutions:

(1) The first is a group whose total government grants in 2009 were below R600 million. This group consists of 4 universities, 3 comprehensive universities, and 4 universities of technology.

(2) The second is a group whose total government grants in 2009 were R600 million or above. This group consists of 7 universities, 3 comprehensive universities, and 2 universities of technology.

The patterns change when these grants are related to student enrolments. Graph 9 records a straightforward calculation in which the total government grants in 2009 are divided by the total FTE student enrolments which each institution had in 2009.

GRAPH 9

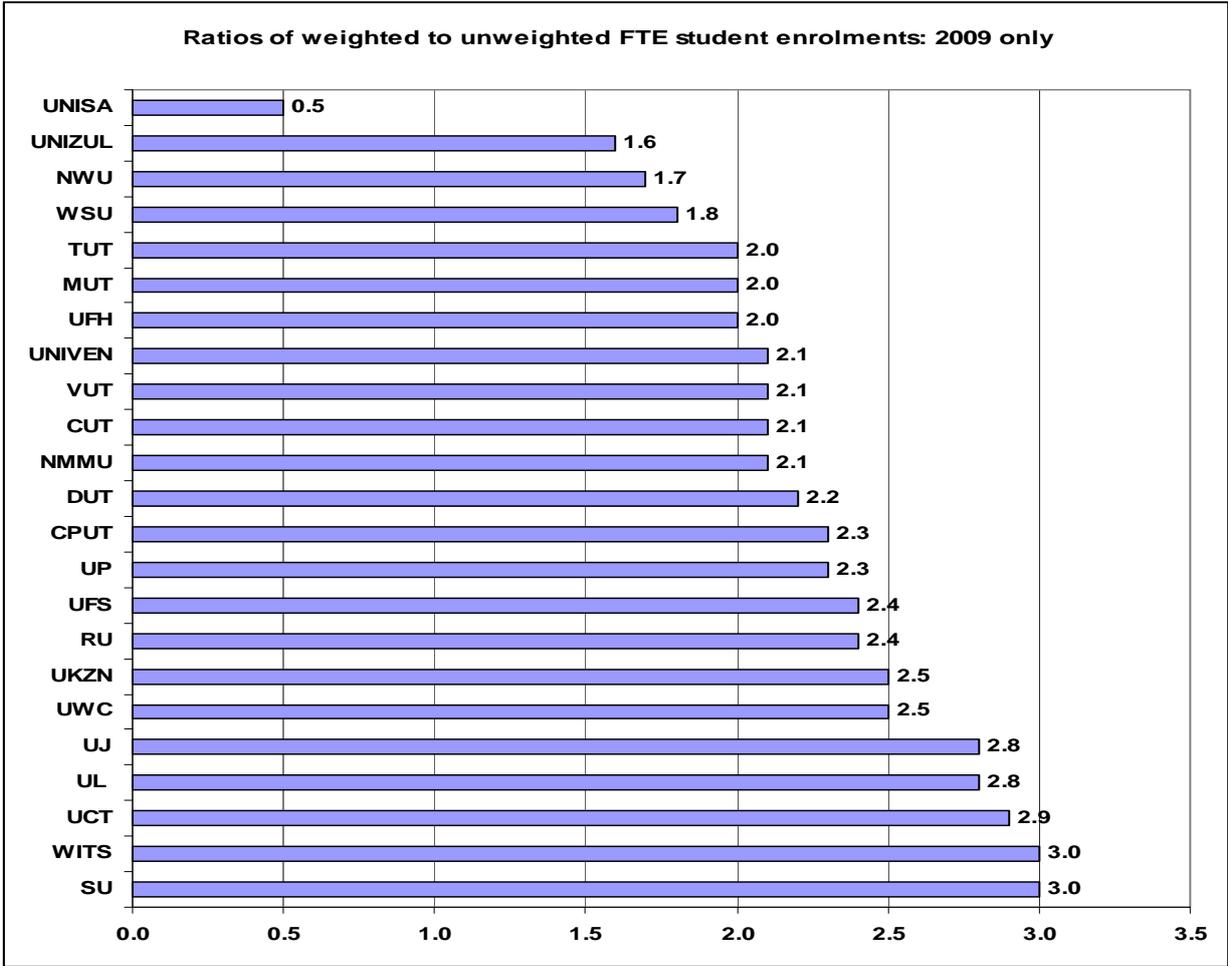


The calculations in Graph 9 could be challenged as being misleading, on at least two grounds: (a) they take no account of the contribution of student outputs (graduates) and of research outputs to the government grant total, and (b) the input data employed are unweighted FTE enrolments, in the sense that no account has been taken of the weightings for subject groupings and qualification category levels which have been built into the new funding

framework. These weightings could affect the enrolment totals in very different ways. An institution which has low proportions of science and technology and/or masters and doctoral students would generally have a ratio of weighted to unweighted FTE enrolments of approximately 2:1. Those institutions which have large proportions of science and technology and masters and doctoral enrolments would generally have ratios of weighted to unweighted FTE enrolments close to 3:1. These differences in ratios are supposed to be partial reflections of the differences in costs involved in teaching science and technology students compared to other fields, and in teaching postgraduate compared to undergraduate students.

Details of these ratios for 2009 between weighted and unweighted FTE student enrolments can be seen in Graph 10 below.

GRAPH 10



When the ratios in Graph 10 are used to convert the government grants per student into grants per weighted FTE enrolled student, the gaps reflected in Graph 9 become narrower. For example, the calculations for the 3 institutions with the highest grants per unweighted FTE enrolled student change in these ways:

- UCT R18 000 per weighted FTE student; compared to R52 000 per unweighted FTE student;
- Stellenbosch R15 000 per weighted FTE student; compared to R46 000 per unweighted FTE student;

- Rhodes R17 000 per weighted FTE student; compared to R40 000 per unweighted FTE students

The calculations for the three institutions with the lowest grants per unweighted FTE enrolled student change in these ways (not including Unisa):

- Zululand R11 000 per weighted FTE student; compared to R22 000 per unweighted FTE student;
- Venda R10 000 per weighted FTE student; compared to R21 000 per unweighted FTE student;
- NWU R13 000 per weighted FTE student; compared to R23 000 per unweighted FTE students

Even though cautionary notes have to be sounded about the use of unweighted FTE student enrolments in the calculations made in Graph 9, the ratios produced can be used as indicators of major differences between levels of government funding by institution. Graph 9 shows that the 2009 government grants per unweighted FTE enrolled students payments could be broken into two bands which, unlike the bands in Graph 8, contain concentrations of institutions:

(1) The first is a group whose 2009 government grants were below R30 000 per unweighted FTE enrolled student. This group consists of 1 university, 5 of the 6 comprehensive universities, and 5 of the 6 universities of technology.

(2) The second is a group whose 2009 government grants were R30 000 or more per unweighted FTE enrolled student. This group consists of 10 of the 11 universities, 1 of the 6 comprehensive universities, and 1 of the 6 universities of technology.

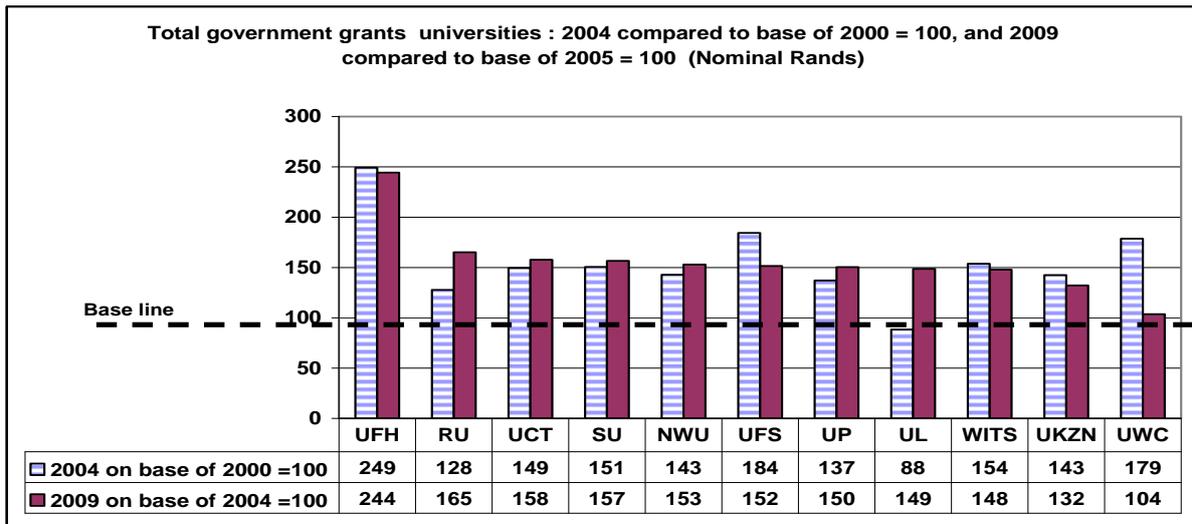
3.6 Measuring the effects of the change to the new (post-2004) funding framework

In this subsection a discussion is offered of an indicator which could be used to determine which public higher education institutions benefited from the changes introduced in 2005 to the government funding framework. The measure is a simple one: the changes in government grants to institutions in 2004 compared to 2000 (the last 5 years of the operation of the previous funding framework) are related to the changes that occurred in 2009 compared to 2005 (the first 5 years of the new funding framework). The calculations have all been made in nominal Rands.

It is important to note that the government grant total includes block grant funding as well as all earmarked transfers, including merger and recapitalisation grants, infrastructure and clinical training grants.

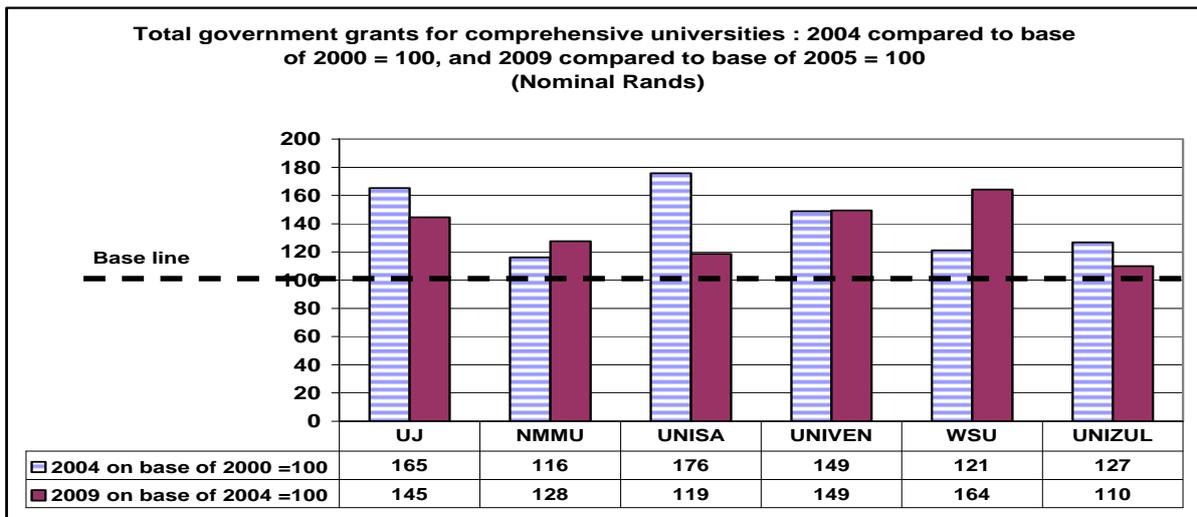
Graph 11 deals with the government grant changes which were experienced by universities in 2004 compared to 2000, and in 2009 compared to 2005. The graph shows that the new funding framework appears to have benefited 6 of the 11 universities (Rhodes, UCT, Stellenbosch, NWU, Pretoria, Limpopo), in the sense that their total nominal increases in government grants were higher between 2005-2009 than between 2000-2004. Two universities had substantially lower nominal increases in 2009 compared to 2005 than in 2004 compared to 2000. The first was UFS which had a nominal increase of 84% in 2004 compared to 2000, and of 52% in 2009 compared to 2005. The second was UWC whose nominal increase was 79% in 2004 compared to 2000, and only 4% in 2009 compared to 2005.

GRAPH 11



Graph 12 is similar to Graph 11. It shows how the government grants to comprehensive universities changed in 2004 compared to 2000, and in 2009 compared to 2005. The calculations have all been made in nominal Rands.

GRAPH 12

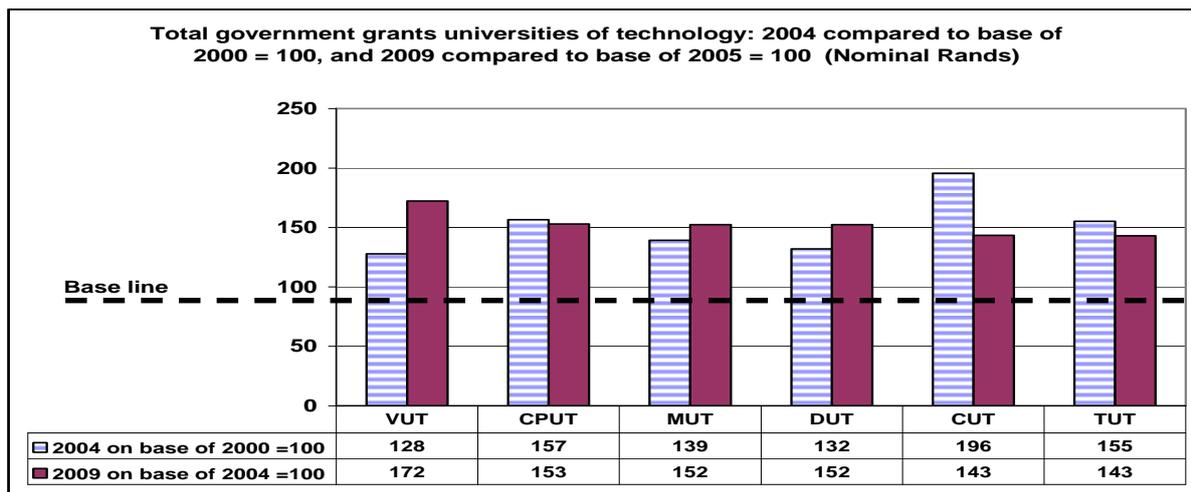


Graph 12 shows that the new funding framework appears to have benefited only 2 of the 6 comprehensive universities (NMMU and WSU), again in the sense that their total nominal increases in 2009 compared to 2005 were higher than those of 2004 compared to 2000. Three comprehensive universities had lower nominal increases in 2005-2009 than in 2000-2004. The first was Johannesburg which had a nominal increase of 65% in 2004 compared to 2000, and of 45% in 2009 compared to 2005. The second was Unisa whose nominal increase was 76% in 2004 compared to 2000, and 19 % in 2009 compared to 2005. The third was Zululand whose nominal increase was 27% in 2004 compared to 2000, and only 10% in 2009 compared to 2005.

Graph 13 is similar to Graphs 11 and 12. It shows how the government grants to universities of technology changed in 2004 compared to 2000, and in 2009 compared to 2005. The calculations have once again been made in nominal Rands.

Graph 13 shows that the new funding framework appears to have benefited 3 of the 6 universities of technology (VUT, MUT and DUT), in the sense that their total nominal increases in 2009 compared to 2005 were higher than those of 2004 compared to 2000. The remaining three universities of technology had lower nominal increases in 2005-2009 compared to 2000-2004. The first was CPUT which had a nominal increase of 57% in 2004 compared to 2000, and of 53% in 2009 compared to 2005. The second was CUT which experienced a more substantial drop. CUT's nominal increase was 96% in 2004 compared to 2000, and 43% in 2009 compared to 2005. The third was TUT whose nominal increase was 55% in 2004 compared to 2000, and 43% in 2009 compared to 2005.

GRAPH 13



3.7 Summing up of indicators

The opening paragraph in subsection 3.1 stressed that what follows would be a discussion of broad based indicators rather than of technical financial analyses. These indicators would deal with only a few aspects of the financial state of the 23 public higher education institutions.

The main points which emerged from the indicators which were employed are these:

(1) It was accepted that the comparison of unrestricted plus restricted income totals to totals of expenditure on all activities could be misleading; particularly if the results were taken to imply that substantial totals of unspent funds were still available to some institutions. The income/expenditure indicators suggested nevertheless that the financial health of 9 of the 23 higher education institutions remained strong over the full 10-year period 2000-2009. This group consisted of 5 of the 11 universities, 2 of the 6 comprehensive universities, and 2 of the 6 universities of technology. The financial health of the remaining 14 institutions was mixed, with 9 having had deficits in 4 or more of the 10 years. These 9 institutions were 4 universities, 4 comprehensive universities and 1 university of technology.

(2) The next set of indicators showed that 9 of the 23 higher education institutions relied heavily on student fees and government grants as their sources of income. Over the period 2000-2009, 1 of the 11 universities, 3 of the 6 comprehensive universities, and 5 of the 6 universities of technology had average annual proportions of private funds below 20%. The indicator analyses show that the proportions of private income which institutions have relate, not surprisingly, to their overall financial health. Seven of the 9 institutions with average annual private income proportions below 20% had deficits in 3 or more years during the period 2000-2009; compared to a total of 5 of the 14 institutions which had average annual private income proportions above 20%.

(3) The next set of indicators began by comparing the totals in government grants which each public higher education institution received in 2009. These totals varied considerably, but did permit these 2009 government grant payments to be divided into two bands of institutions:

- a group of 4 universities, 3 comprehensive universities, and 4 universities of technology, whose government grants in 2009 were below R600 million;
- a group of 7 universities, 3 comprehensive universities, and 2 universities of technology, whose government grants in 2009 were in the range R600 million to R1 200 million

(4) The patterns in point (3) above change when total government grants are related to student enrolments. It was noted that calculations of government grants per unweighted FTE enrolled student take no account of either (a) the contribution of student outputs (graduates) and of research outputs to the government grant total, or (b) the funding framework's weightings for subject groupings and qualification levels. Even though cautionary notes have to be sounded about the use of unweighted FTE student enrolments in the calculations made in Graph 9, the ratios do indicate that major differences exist between levels of government funding by institution. Graph 9 shows that the 2009 government grants per unweighted FTE enrolled students payments can be broken into two bands which, unlike the bands in Graph 8, contain concentrations of institutions:

- The first is a group whose 2009 government grants were below R30 000 per unweighted FTE enrolled student. This group consists of 1 university, 5 of the 6 comprehensive universities, and 5 of the 6 universities of technology.
- The second is a group whose 2009 government grants were R30 000 or more per unweighted FTE enrolled student. This group consists of 10 of the 11 universities, 1 of the 6 comprehensive universities, and 1 of the 6 universities of technology

(5) The final set of indicators relates changes in government grants to institutions in 2004 compared to 2000 to the changes that occurred in 2009 compared to 2005. These government grant totals contain block grant funding as well as all earmarked transfers, including merger and recapitalisation grants, infrastructure and clinical training grants. The indicators suggest that the impact of the new framework varied across the three institutional categories, but that overall 11 of the 23 public higher education institutions appear to have benefited from the introduction of the new framework, 9 appear not to have benefited, with the change making little difference to the remaining two. The points below offer a summary by institutional category:

- Six of the 11 universities appear to have done better under the new framework than under the previous framework. In 3 cases, the change appears to have made little difference. Two universities had however, substantially lower nominal increases in 2009 compared to 2005 than in 2004 compared to 2000.
- Two of the 6 comprehensive universities appear to have benefited from the change in frameworks. Three comprehensive universities had lower nominal increases in 2005-2009 than in 2000-2004. The change made a small difference only to the final comprehensive university.
- Three of the 6 universities of technology appear to have done better under the new framework than under the previous framework. The remaining three universities of technology had lower nominal increases in 2005-2009 compared to 2000-2004.

PART THREE POLICY ISSUES

4 Transition to policy issues

4.1 Policy issues and the empirical analyses

The section which offered an overview of the income of the public higher education system raised three main issues which should have an impact on revisions to higher education funding policies. The issues are these:

(1) The share which government block grants plus earmarked transfers had of the total income of the public higher education system dropped over the 10-year period 2000-2009. This share was 49% in 2000 and 41% in 2009.

(2) The share which block grants had of the total direct government allocation to public higher education institutions also fell over the 10-year period 2000-2009. The block grant's share of the block + earmarked grants total was 94% in 2000 and 83% in 2009.

(3) In real Rands of 2000, fee income per FTE enrolled student grew, between 2000 and 2009, at an average annual rate well above that of government grants (block + earmarked transfers) per FTE enrolled student. This was a clear indication that the increased costs of higher education have been transferred to students and their parents over the 10-year period.

The main points which emerged from the analyses of a limited set of financial indicators are these:

(4) A set of income/expenditure indicators suggests that the financial health of only 9 of the 23 higher education institutions remained strong over the full 10-year period 2000-2009. The financial health of the remaining 14 institutions was mixed, with 9 having had deficits in 4 or more of the 10 years.

(5) A further set of indicators showed that the proportions of private income of institutions have a strong relation to their overall financial health. Seven of the 9 institutions with average annual private income proportions below 20% had deficits in 3 or more years during the period 2000-2009; compared to a total of 5 of the 14 institutions which had average annual private income proportions above 20%.

(6) The next set of indicators showed that major differences exist between levels of government funding by institution. If 2009 government grants are expressed as ratios to unweighted FTE enrolled students, then the system can be broken into two bands which contain concentrations of institutions:

- The first is a group whose 2009 government grants were below R30 000 per unweighted FTE enrolled student. This group consists of 1 university, 5 of the 6 comprehensive universities, and 5 of the 6 universities of technology.
- The second is a group whose 2009 government grants were R30 000 or more per unweighted FTE enrolled student. This group consists of 10 of the 11 universities, 1 of the 6 comprehensive universities, and 1 of the 6 universities of technology

(7) The final set of indicators relates changes in government grants to institutions in 2004 compared to 2000 to the changes that occurred in 2009 compared to 2005. These government grant totals consist of block grant funding as well as all earmarked transfers, including merger and recapitalisation grants, infrastructure and clinical training grants. The indicators suggest

that the impact of the new framework varied across the three institutional categories, but that overall 11 of the 23 public higher education institutions appear to have benefited from the introduction of the new framework, 9 appear not to have benefited, with the change making little difference to the remaining three.

4.2 Institutional submissions on changes to the funding framework

During September 2011, HESA asked institutions to note that the *Ministerial Committee Responsible for the Review of the Funding of Universities* had invited written submissions from individuals, universities, institutions and organisations with an interest in the funding of universities. HESA had suggested to institutions that they send copies of their submissions to the Finance Strategy Group.

The FSG had by Monday 17 October 2011, received copies of the submissions of nine institutions. Six of these submissions were from universities, and three were from universities of technology.

In the sections which follow, the responses of these institutions will be discussed against the background of the empirical issues summarised 4.1 above. The focus will be on funding principles, block grants, and earmarked funding. A number of other related issues will also be raised.

5 Funding principles

5.1 1997 White Paper on higher education transformation

The 1997 White Paper on higher education transformation lays down the government policy which must apply to any revisions to the framework for the funding of public higher education. The four key elements in this 1997 policy are these:

- *Sharing of costs.* Because higher education generates both public and private benefits, the costs of higher education must be shared by government and by students and their families.
- *Autonomy in determining student fees.* Public higher education institutions are able to set their own student fee levels.
- *Funding for service delivery.* Government funding of higher education is not designed to meet specific kinds or levels of institutional costs. Funding is linked to academic activity and output, and in particular to the delivery of teaching and research related activities.
- *Funding as a steering mechanism.* The government funding framework is a goal-oriented one, built around incentives designed to steer the higher education system in accordance with national social and economic development goals.

5.2 Institutional views on funding principles

Only one institution addressed in a direct way the issue of funding principles. Its proposals retain but restate the four core White Paper principles:

- Costs must be shared between the state and students because of the public and private benefits of higher education.
- Universities have the autonomy to determine fee levels.

- State funding is directed towards core academic activities and is not intended to meet all aspects of institutional costs.
- The funding framework/formula is meant to enable the state to steer higher education in terms of the achievement of specific goals.

These broad principles, as summed in the four points above, should be acceptable to all 23 public higher education institutions.

6 Block grants

6.1 Components of block grants

The component parts of the overall block grant are: (a) research output grants, (b) teaching output grants, (c) institutional factor grants, and (d) teaching input grants. Each of these will be discussed in turn, together with the comments received from the nine institutions referred to earlier. The two components at which most comments were directed were institutional factor grants and teaching input grants.

Table 13 below sets the context for these analyses by showing again how the block grant for 2011/12 was divided between the different components. The middle column expresses the various components as proportions of the 2011/12 block grant total of R16 387 million. The final column expresses them as proportions of the block grant plus earmarked transfer total of R19 240 million. The other 2011/12 earmarked funds of R2 084 million which have not been transferred directly to universities have not been included in the calculations.

TABLE 13

BLOCK GRANT DETAILS: 2011/12			
	Rands millions	As % of block grant total	As % of block plus earmarked transfers
Research output grants	2 225	13.5%	11.6%
Teaching output grants	2 305	14.1%	12.0%
Institutional factor grants	947	5.8%	4.9%
Teaching input grants	10 910	66.5%	56.7%
Total block grant	16 387	100%	85.2%

6.2 Research output grants

These grants had been proposed by the 2001 *National Plan for Higher Education* as a way of enhancing research accountability and productivity. The calculation of the research output total of R2 225 million for 2011/12 was based on actual research publication units, research masters graduates, and doctoral graduates for the 2009 academic year.

No specific comments were directed by institutions at this component of the block grant. A general comment offered (which would include teaching outputs) is that the present funding framework is biased in favour of inputs, and as a consequence does not give enough weight to output measures. The comment added that the framework should move towards a situation in which outputs generate at least 60% of the block grant. The middle column of Table 13 shows that in 2011/12, research and teaching outputs generated 28% of the block grant total. Institutional factor grants (which are also a form of input funding) plus teaching input grants generated the balance of 72%.

Further general comments raised on the ratio between input and output funding will be discussed in later subsections.

6.3 Teaching output grants

The 2001 *National Plan* stressed that student success, throughput and graduation rates must be improved. Teaching output grants are intended to act as incentives to institutions to put in place steps to improve their success, throughput and graduation rates.

The calculation of the teaching output total of R2 305 million for 2011/12 was based on the actual total of graduates at levels up to and including course work masters degrees for the 2009 academic year. These graduate totals are weighted by qualification type, but not by fields of study.

TABLE 14

WEIGHTINGS FOR TEACHING OUTPUTS	
1st certificates and diplomas of 2 years or less	0.5
1st diplomas and bachelors degrees: 3 years	1.0
Professional 1 st bachelor's degree: 4 years and more	1.5
Postgraduate and postdiploma diplomas	0.5
Postgraduate bachelors degrees	1.0
Honours degrees/higher diplomas	0.5
Nonresearch masters degrees and diplomas	0.5

The two comments raised by institutions were that the block grant does not reward teaching outputs sufficiently, and that these output units should be weighted by field of study, in a way similar to the funding grid for teaching inputs.

The effects of applying a new weighting to teaching outputs can be seen in the example below:

TABLE 15

EXAMPLES OF TEACHING OUTPUT WEIGHTINGS		
	University A	University B
1st diplomas and bachelors degrees: 3 years	<i>1000 graduates:</i> 400 in business & management, 400 in life & physical sciences, 200 in education	<i>1000 graduates:</i> 200 in business & management, 200 in life & physical sciences, 200 in engineering, 200 in social sciences, 200 in psychology
Professional 1 st bachelor's degree: 4 years and more	<i>500 graduates:</i> 300 in engineering, 200 in health sciences	<i>500 graduates:</i> 100 in engineering, 200 in business & management, 200 in public administration
Honours degrees	<i>200 graduates:</i> 100 in life & physical sciences, 100 in social sciences and languages	<i>200 graduates:</i> 50 in social sciences and languages, 50 in psychology, 100 in education
Nonresearch masters degrees	<i>100 graduates:</i> 50 in health sciences, 50 in business & management	<i>100 graduates:</i> 50 in education, 50 in business & management
(1) Head count graduate total	1 800	1 800
(2) Total on current qualification weightings	1 900	1 900
(3) Total on current qualification plus fields of study weightings	4 750	3 300

The first of the final three rows in Table 15 shows that each of the two universities is assumed to have 1 800 head count graduates. Row (2) shows that, on the current weightings in Table

14, both universities would have 1 900 weighted teaching output units. Final row (3) shows what the effect would be of applying the field of studies weightings as well as the qualifications to the presumed graduate totals in the table. The calculations show that both weighted totals would increase but that University A's total would become 44% higher than B's.

It is important to note that the suggested new weightings, if applied to all institutions, would obviously increase the system's weighted teaching output totals. Such an increase in the total would not generate additional teaching output funds. The total would remain that set by the government block grant budget, but would be distributed differently between institutions. University A of the example would obviously receive additional teaching output funds, but this would be at the expense of institutions with the same graduate output profile as University B. The result would be that the differences between A's and B's levels of government funding would be exacerbated.

6.4 Institutional factor grants

Institutional factor grants are in effect adjustments to the teaching input grant, to take account of these special circumstances:

(1) Additional teaching funds are required by institutions which enrol large proportions of disadvantaged students. Disadvantaged students are, for this purpose, defined as African and coloured students who are SA citizens. These funds are allocated on a sliding scale, which gives institutions with disadvantaged student proportions of 80% and above an additional 10% over and above their normal teaching input grant, and which gives institutions with proportions of 40% and below no additional allocation.

(2) The size of an institution will also affect the delivery of teaching services. Economies of scale can be achieved by institutions with large student enrolments, but not by institutions with small student enrolments. To take account of this, institutions with 4 000 or less (unweighted) contact plus distance FTE students enrolments receive an additional 15% over and above their normal teaching input grant. Allocations then decrease linearly to 0 for institutions with totals of 25 000 or more (unweighted) contact plus distance FTE students.

Attempts have been made by the Department to find a formula which would take account of the special needs of multi-campus institutions. These have not been successful, and multi-campus funds have now been removed from the block grant and are allocated to multi-campus institutions as earmarked transfers.

The institutional factor grant total for 2011/112 (not including multi-campus grants) was R947 million. Approximately R520 million (or 55%) of this total would have been grants for disadvantage, and the balance of R427 million (45%) for grants based on institutional size.

The responses which HESA from nine institutions contain strong views on the adequacy of the present allocation for institutional factor and multi-campus grants. This, as was shown in Table 13, represents a share of 6% of the block grant total and 5% of the total of block grant plus direct earmarked transfers. If the suggestions made by institutions are to be met, then these grants would either have to be supplemented by additional funding, or the present share of other components of the block grant would have to be adjusted downwards.

Comments on the multi-campus grant included these:

- The current provision for multi-campus universities is inadequate.
- The allocation of multi-campus grants needs to be placed on a more scientific basis.

- The new funding framework should make provision for a multi-campus factor in an equitable manner

Comments on the size and disadvantage factor grants included these:

- Further teaching funds are needed by institutions which attract large proportions of disadvantaged students.
- A new funding framework should consider funding institutions that provide for academic interventions at entry level, usually in the form of bridging programmes.
- Geographical location, particularly of rural universities, is a factor completely ignored in the current framework.
- Size factor funds are not sufficient to enable smaller institutions to compete with institutions which receive large allocations through other factors in the funding framework.
- Multi-lingual teaching should be regarded as a form of disadvantage, and should receive institutional factor funding.
- It is critical that the institutional factor for size remains a component of the block grant. Size and rural location introduce dynamics which should be considered separately from the institutional factor for disadvantage. The smaller the institution, the more it should receive from the institutional factor allocation to compensate for the limited effect of economies of scale

6.5 Teaching input grants

In 2011/12 teaching input grants totalled R10 910 million, which was a 67% share of the block grant total of R16 387 million, and a 57% share of the block grant plus direct earmarked transfers of R19 240 million.

According to the current framework, the distribution of teaching input grants to institutions depends on two main elements: (a) the teaching input grid, and (b) the student enrolment plans approved by the Minister. These need to be considered separately, after account has been taken of the views expressed in the nine responses received by HESA.

6.5.1 Comments by institutions on teaching input grants

The wide range of comments made by the nine universities on teaching input funding included these:

- The categories of teaching activities covered by teaching input grants should be extended to include experiential (work-integrated) learning.
- Consideration should be given to expanding block grant to include all teaching and training grants that are at present included in earmarked grants. These include funds for foundation programmes, clinical training and the teaching development grants.
- The funding grid with its four levels of weight for subsidy purposes should be reviewed more regularly, as the country's skills needs may change regularly,
- The funding of distance education must be reviewed

- The current input funding grid should be replaced by one which is based on absolute and not relative cost norms, to indicate what a university actually needs to operate.
- Government subsidies to higher education institutions should take account of the wide variations which exist in the costs of teaching by qualification level and field of studies, While these should ideally be the actual costs of particular activities, an important element in the calculating of teaching inputs will be the relative costs of key activities.
- Rigid control should be placed on under and over enrolments to safeguard allocations of institutions which exercise proper enrolment management.

Account is taken of some of these comments in the analyses of teaching input grants which follow.

6.5.2 Input funding grid

The teaching input grid consists of aggregations of educational subject matter categories (CESM categories), which are subjected to weightings by funding group and by course level. These grids distinguish between the teaching inputs of all contact and distance programmes up to masters level. For the purposes of teaching input funding, all distance masters and doctoral programmes are given the same weightings as contact programmes.

Table 16 sets the funding groups based on current CESM categories, and Table 17 the weightings applied to qualifications within these groups.

TABLE 16

INPUT FUNDING GRID	
Funding group	CESM categories included in funding group
1	07 education, 13 law, 14 librarianship, 20 psychology, 21 social services/public administration
2	04 business/commerce, 05 communication, 06 computer science, 12 languages, 18 philosophy/religion, 22 social sciences
3	02 architecture/planning, 08 engineering, 10 home economics, 11 industrial arts, 16 mathematical sciences, 19 physical education
4	01 agriculture, 03 fine and performing arts, 09 health sciences, 15 life and physical sciences

TABLE 17

WEIGHTING FACTORS FOR TEACHING INPUT GRANTS						
Funding group	Undergraduate & equivalent		Honours & equivalent		Masters	Doctors
	Contact	Distance	Contact	Distance	Contact & distance	Contact & distance
1	1.0	0.50	2.0	1.0	3.0	4.0
2	1.5	0.75	3.0	1.5	4.5	6.0
3	2.5	1.25	5.0	2.5	7.5	10.0
4	3.5	1.75	7.0	3.5	10.5	14.0

The ratios between subject matter groupings and qualification levels grid were based on detailed analyses of 1997 institutional costs per FTE enrolled student within the broad fields of study represented in Table 16. The results of these analyses are sets of relative, rather than actual cost norms, cost norms contained in Table 17. This table shows, for example, that the cost of 1 FTE contact undergraduate student in music can be expected to be 3.5 times higher than 1 FTE contact student in psychology. It shows also that the cost of 1 FTE contact honours student in sociology can be expected to be 7 (14/2) times higher than 1 FTE doctoral student in physics.

The two main issues which should arise in a review of the funding framework are these:

- The funding grid in Table 17 is a complex one, which contains a total of 24 cells. Should this large number of cells be reduced, and if so, what how could this be done?
- Should the relative cost norms in Table 17 be replaced by absolute norms which indicate what the actual costs are of teaching activities by field of studies and qualification level?

6.5.3 *Planned FTE student enrolments*

The teaching input grants for any institution for year N are supposed to be based on its planned FTE student enrolments which have been approved by the Minister for year N-2, and which have been weighted according to the requirements of the teaching input funding grid. The data which the framework requires for the calculation of teaching input grants are obtained from HEMIS and institutional enrolment targets set by the Minister of Education/ Higher Education and Training.

The first system-wide student enrolment targets were published in October 2007 in a *Ministerial Statement on Student Enrolment Planning*. A further set of student enrolment targets were published in April 2011 in a second *Ministerial Statement on Student Enrolment Planning*. The first *Ministerial Statement* covered the academic years 2005 to 2010 and, because of the two year lag, the financial years 2007/08 to 2012/13. Because the second *Ministerial Statement* covers the academic years up to 2013, and financial years from 2013/14 to 2015/16, it has no effect on the block grant figures discussed in earlier sections of this report.

The October 2007 *Ministerial Statement on Student Enrolment Planning* expressed two main concerns about the use of planned enrolment data in the calculation of teaching input grants. The first was that institutions might enrol higher numbers of students than the totals set by their approved targets, and that there would, as a consequence, be large proportions of unfunded students in the system. The second main concern involved the linking of planned growth in the higher education system to increases in government grants for higher education. Without such a link, there could be no guarantee that the Ministry's growth plans for the higher education system would be funded by the National Treasury.

The 2007 *Ministerial Statement* says that resolving the first of these two concerns about over and under enrolling would require interventions at both national and institutional levels. Universities would need to put in place strong student admission and registration mechanisms, and the Department would have to put in place a migration strategy which would move institutions, over a period of time, from their 2007/08 shares of teaching input totals towards those which they should have in terms of their approved enrolment targets.

There are at least two ways in which the second concern about the linking of planned student growth in the higher education system to increases in government grants could be resolved

6.5.4 *Linking enrolments plans to teaching input grants: absolute and relative cost norms*

The first way of achieving the link would be based on the earlier discussion of relative and absolute cost norms. It would involve abandoning the system of relative teaching input norms as set out in Tables 16 and 17. As was said earlier, the use of relative norms makes this component of the block grant no more than an instrument for dividing the teaching input budget between institutions. The norms in Table 17 can obviously not be used to determine what the

actual costs of teaching services will be in a given year, and what the quantum should be of the government allocation for teaching inputs.

One of the responding institutions argues that it would be possible to develop a formula which is based on the actual amount needed annually by an institution to provide teaching services of basic standard quality, according to qualification level and field of studies. This would permit sets of absolute teaching input norms to be established, and calculations to be made of the annual teaching input budget required from government. The formula funding calculation would be straightforward. It would be: absolute norms multiplied by the FTE students in a Ministerially approved student enrolment plan.

The simplicity of the funding formula would however be offset by what would be involved in setting up the first sets of absolute norms. Analyses could not be based on the published annual financial statements of universities, and would have to involve universities agreeing to undertake detailed analyses of the costs of academic and support departments, and to relate these to student enrolments in specific courses.

6.5.5 *Linking enrolments plans to teaching input grants: funding planned volumes of activity*

The second way of developing a link between higher education plans and government funding would be to set up a mechanism which relates the total higher education block grant to inflation and to growth in the inputs and outputs of the higher education system. The first step in such a mechanism would be that of constructing indicators for the higher education system's volumes of input and output activity. A simple set of indicators for these inputs and outputs would be FTE student enrolments, graduates, and research publication units.

Table 18 puts actual values to these indicators for the period 2002–2009. The base year has been taken to be 2002, because the data for this year were used for block grant calculations for 2004/05. The FTE enrolled student totals are not weighted, in the sense that they have not been passed through the input funding grid. The graduate total includes graduates at all levels, including research masters and doctoral graduates.

TABLE 18

VOLUMES OF ACTIVITY: INPUTS AND OUTPUTS			
	FTE enrolments: thousands	Graduates: thousands	Publication units: thousands
2002	435	97	5.5
2003	466	106	5.6
2004	505	117	6.7
2005	501	120	7.2
2006	498	125	8.1
2007	519	127	7.8
2008	539	131	8.4
2009	569	145	9.1
Target 2013	653	180	11.0

The FTE enrolled student and graduate targets for 2013, which were included in the 2011 version of the *Ministerial Statement on Student Enrolment Planning*, are set out in the final row of the table. The publication units total for 2013 does not appear in the *Ministerial Statement*, and is based on an assumed average annual growth of 5% between 2009 and 2013.

The totals in Table 18 can be converted to composite volumes-of-activity totals using these weightings:

- The share which teaching input plus institutional factor grants have of the block grant total is about 70%. Since FTE student enrolments generate both teaching input and institutional factor grants, the totals for this indicator can be given a weighting of 0.70.

- Research outputs have about a 12% share of the block grant total. Since publication units generate about half of the research output grant, this total be given a weighting of 0.06.
- The balance of 0.24 of the weighting can be assigned to the graduate total.

Table 19 shows how the volumes of activity in the higher education system grew over from the base year of 2002 to 2009. The final column in Table 19 expresses these volumes of activity in terms of a composite determined by the weightings in the final row of the table.

TABLE 19

ACTUAL AND WEIGHTED VOLUMES OF ACTIVITY: ON BASE OF 2002 = 100				
	FTE enrolments: thousands	Graduates: thousands	Publication units: thousands	Weighted volume
2002: for 2004/05	100	100	100	100
2003: for 2005/06	107	109	102	107
2004: for 2006/07	116	121	122	118
2005: for 2007/08	115	124	131	118
2006: for 2008/09	114	129	147	120
2007: for 2009/10	119	131	142	123
2008: for 2010/11	124	135	153	128
2009: for 2011/12	131	149	165	137
2013: for 2015/16	150	186	200	162
Volume-of-activity weightings	0.70	0.24	0.06	

The data in Table 19 can be read in this way:

- Input volumes of activity in terms of FTE student enrolments grew by 30% in 2009 compared to the base year of 2002. The target is based on the expectation that the FTE enrolment total in 2013 will grow by 50% compared to that of 2002, and by 15% compared to that of 2009.
- Output volumes of activity in terms of total graduates grew by 49% in 2009 compared to the base year of 2002. The target requires the graduate total in 2013 to grow by 86% compared to the 2002 total, and by 17% compared to the 2009 total.
- The composite weighted volume of activity total grew by 37% in 2009 compared to 2002. The 2013 targets (using the assumed publications total) yield a weighted total which is 62% higher than that of 2002, and 18% higher than that of 2009.

The next steps in the implementation of a mechanism of this kind would be to link growth in the total higher education block grant to inflation and to growth in the inputs and outputs of the higher education system. As has been shown in Tables 18 and 19, the Minister's enrolment planning targets could be expressed as volumes of activity, which would be composites of the key inputs of the higher education system (student enrolments) and of its outputs (graduates and research publications). The Minister could approve weighted average annual increases in volumes of activity over a period of time, and could calculate what block grants would be needed by the higher education system, also over a period of time, to support the volume of activity targets. Requests could be made to the National Treasury for the funds needed to support the approved increases in volumes.

This would be, from a start-up point of view, a simpler way of linking higher education plans to government funding than any move to absolute funding norms. But it would face the obvious problem of determining the base year, and what would have been an appropriate level of government funding in that year.

6.6 Further comments by institutions on block grant funding

The nine institutions which responded to HESA's request for submissions made further wide-ranging comments on the current block grant. Some of these are summarised below:

- (1) Implementation principles for a revised funding framework should include the following:
 - Government funds should be allocated consistently, predictably, optimally, transparently and equitably in relation to core activities, negotiated missions, institutional size, geographic location, the academic needs of specific social groups of students, and historical disadvantage.
 - Because there is a limit to the extent to which universities can raise income from student fees and third stream income, the funding of universities should be predicated on state subsidies and tuition fees, with adequate provision being made for financially needy students.
- (2) Government funding should be linked to differentiation and to fitness-for-purpose. The funding framework should factor in different institutional missions as part of funding allocations.
- (3) There should be a limit on the percentage of overall total which is made part of ring-fenced discretionary funding to be allocated by the Minister. Block grant, and not special projects, are the life blood of any university.
- (4) An increased share of the government higher education budget should be allocated to block grants.
- (5) The introduction of new funding categories should not involve a redistribution of existing funds. New funds should be provided.
- (6) The actual block grant amounts which an institution will receive in the next financial year should be communicated to it before its budgets for following year are approved.

7 Earmarked grants

7.1 Earmarked transfers to higher education institutions

These earmarked grants are funds which have to be used for the specific purposes determined by the National Treasury and/or the Minister of Education/Higher Education and Training. Earmarked funds were divided in earlier sections of this report into grants which were transferred directly to individual universities, and those which were not. Earmarked funds which were not transferred directly to individual universities included those for NSFAS, the national institutes and special projects.

The earmarked amounts transferred directly to universities are recorded in Table 4 in subsection 2.3 of this report. Table 20 which follows places these data into three separate categories, which show that funds earmarked for teaching and research grew at a combined average annual rate of 7.0% between 2004/05 and 2011/12. Transfers earmarked for mergers and new infrastructure grew, over the same period, at an average annual rate of 18.2%

TABLE 20

CATEGORIES OF EARMARKED TRANSFERS TO UNIVERSITIES: RANDS MILLIONS									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average annual increases
Earmarked for teaching and research	665	695	740	631	983	1055	1176	1070	7.0%
Teaching development grants	300	306	329	307	337	345	393	420	
Research development grants	280	279	256	148	257	197	166	7	
Foundation programmes	85	91	105	114	131	146	185	177	
Clinical training of health professionals	0	0	0	8	200	300	330	350	
Veterinary Sciences	0	19	50	54	58	67	102	116	
Earmarked for mergers and infrastructure	502	550	718	1125	1520	1462	1585	1615	18.2%
Infrastructure & efficiency projects	0	0	0	445	1245	1462	1585	1615	
Developing former Vista campuses	0	0	150	80	40	0	0	0	
Institutional restructuring	502	550	568	600	235	0	0	0	
Other earmarked transfers	146	130	100	85	70	41	179	168	2.0%
Interest & redemption on loans	146	130	100	85	70	41	31	20	
Multi-campus	0	0	0	0		0	148	148	
TOTAL OF EARMARKED TRANSFERS	1313	1375	1558	1841	2573	2558	2940	2853	11.7%

Tables 21 and 22 give the totals of earmarked transfers to universities for teaching and research and for mergers and for mergers and infrastructure over the eight year period 2004/05 to 2011/12.

TABLE 21

BREAKDOWN OF TOTAL TEACHING AND RESEARCH EARMARKED FUNDING FOR PERIOD 2004/05 TO 2011/12: RANDS MILLIONS		
Teaching development grants	2,737	2.6%
Research development grants	1,590	1.5%
Foundation programmes	1,034	1.0%
Clinical training of health professionals	1,188	1.1%
Veterinary Sciences	466	0.4%
Teaching and research earmarked total	7,015	6.5%
TOTAL BLOCK + EARMARKED TRANSFERS GRANTS	107,285	100.0%

TABLE 22

BREAKDOWN OF TOTAL MERGER & INFRASTRUCTURE FUNDING FOR PERIOD 2004/05 TO 2011/12: RANDS MILLIONS		
New infrastructure projects	6,352	5.9%
Merger-related infrastructure projects	1,535	1.4%
Recapitalisation of universities	770	0.7%
Direct merger costs	420	0.4%
Merger and infrastructure total	9,077	8.5%
TOTAL BLOCK + EARMARKED TRANSFERS GRANTS	107,285	100.0%

The two tables show that relative to the total government allocation for block grants and for earmarked transfers, the amounts involved have been small. Over this eight year period, the earmarked transfers for teaching and research totalled R7 015 million, or 6.5% of the overall total of R107 285 million for block grants and transfers. Total transfers for merger costs and the recapitalisation of universities amounted to R2 725 million, or 2.6% of the total available. The amount for new infrastructure projects totalled R6 352 million, or 5.9% of the eight year total of funds available.

The funds for new infrastructure projects were linked to the 2007 enrolment plans of universities. The main purpose of the grants was that of assisting universities with the provision of the new teaching and residential space as well as the new equipment required to support student growth. The amount of R6 352 million reflected in Table 22 was however well below the needs expressed by universities.

A mechanism of the kind discussed for teaching inputs could be used to generate new growth related infrastructure funding for the higher education system. The mechanism would be a simple one: it would link block grant funding to new infrastructure funding via a predetermined ratio. This ratio would generate additional funds for infrastructure, and would not be a top slice from block grants.

7.2 Comments by institutions on earmarked grants

The nine institutions submitted a somewhat mixed set of messages on earmarked funding. Some wished to see earmarked grants reduced by transferring some funding categories to formula driven parts of the block grant. Others wanted the share which earmarked grants have of the total higher education budget to be reduced, and others wanted new categories of earmarked funding to be introduced.

(1) Some of the suggested new uses of earmarked were these:

- Student housing should be funded through earmarked grants.
- Earmarked funds are needed for the maintenance of capital assets.
- Infrastructure funds are needed to further unify and improve merged institutions.
- Additional funds are needed for attracting new staff and retaining existing staff
- Funds needed to support research and development in an institution's niche areas.
- Earmarked funding is needed for capacity development in teaching.
- Account should be taken of the financial commitments which arise from the implementation of the new *Higher Education Qualification Framework (HEQF)*, and in particular the need for staff capacity development.
- Infrastructure funds are needed to enable institutions to bring technology into classrooms and into student living areas, as well as to support the recruitment and development of postgraduate students.

(2) A strong comment offered was that, under the current ad hoc allocation system increases in share given to earmarked funding could result in "unfair" allocations

(3) A more policy-driven comment was that the allocations of infrastructure funds should be allocated through norm-based formulas.

END