MINISTERIAL STATEMENT ON UNIVERSITY FUNDING: 2016/17 AND 2017/18

July 2016

CONTENT

Section A: The Funding of Universities

1 INTRODUCTION

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

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

Information relating to the budgets for the university sector is confidential until National Treasury releases the 'Estimates of National Expenditure' at the time the Minister of Finance delivers his budget speech in February 2016.

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

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

2 THE CONTEXT

This Ministerial Statement on University Funding contains:

- the budget allocations likely to be available for distribution to universities for 2016/17 and 2017/18, 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 grants;
- the sector's total funded teaching input units, total institutional factor units, total teaching output units and total research output units. Policy details are also provided of how a university would be able to calculate its own share of each of these sector totals, which also determines a university's own share of sub-block grant allocations for each of the next two years (2016/17 and 2017/18);
- budget amounts per university of certain earmarked grants for 2016/17 and 2017/18;
- changes to funding policy and reasons for changes; and
- changes to government funding allocations in the 2016/17 and 2017/18 financial years.

3 REVIEW OF THE FRAMEWORK AND CHANGES TO FUNDING ALLOCATIONS

The Report of the Ministerial Committee for the Review of the Funding of Universities, October 2013 was released in February 2014. A Technical Team and a Reference Group, consisting of members from the university sector and the Department, were appointed to model the recommendations of the Ministerial Committee Report, and to propose changes to the existing funding framework. The proposed revised funding framework will be submitted to the Minister for approval and for publication in the Government Gazette for public comment before the end of 2015. Comments from all stakeholders will be considered and the Council on Higher Education will be requested to provide their advice before the final revised funding framework is published for implementation.

4 MTEF BUDGET ALLOCATIONS FOR 2016/17 AND 2017/18

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 to November on the funds available to be distributed for the rolling triennium. National Treasury issues an allocation letter indicating the total state budget which government can afford to spend on the university sector.

A November 2015 Ministerial Statement on University Funding has already been issued, based on the 2016 Medium Term Expenditure Framework (MTEF) baseline budget allocation letter received from Treasury in November 2015. In January 2016, a revised Treasury letter was received, and the revised budget allocations are reported in this updated July 2016 Ministerial Statement on University Funding.

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

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

- National Treasury sets the minimum base-line allocations per annum reflected in Table 1 for NSFAS, the two new universities, the clinical training of health professionals, and the new category "MBChB students";
- One outcome from the funding review process is a proposal that the Teaching Development Grant (TDG) and the Research Development Grant (RDG) are consolidated and replaced by a University Development Grant (UDG), inter alia as a result of overlap between the TDG and the RDG. The UDG, to be implemented in 2017/18, will take forward the purposes of the TDG and RDG in a more streamlined and systematic fashion. The UDG will be designed to address the developmental needs of the higher education sector in relation to its core functions of teaching, research and innovation, and social responsiveness related to these functions. A clear distinction will be drawn between core, recurrent activities and developmental initiatives, with the development grant clearly focused on developmental activities. Importantly, the UDG is envisaged to become the main vehicle through which the 'Staffing South Africa's Universities' Framework (SSAUF) is implemented. This will mean that a proportion of the UDG will be allocated for SSAUF activities. From early 2016, the Department will work with the sector to develop policy guidelines for the management and utilization of the University Development Grant; and
- The phased-out grants for merger multi-campuses have been absorbed into the block grant. The multi-campus grant was introduced following the merger of universities and

has served its purpose which was to make up for the loss of some universities following the mergers. Detailed reasons about this decision were provided in the 2011 Ministerial Statement on University Funding and the sector has been kept updated about the phasing out of this grant in the various ministerial statements since then.

Table 1: Updated state budgets for the university sector

Budget category	Budget totals for the university sector				Increase in budget from previous financial year			
	2014/15 (R'000)	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2014/15	2015/16	2016/17	2017/18
1 Block grants for universities	**19 561 234**	**20 538 361**	**21 678 098**	**25 322 565**	**6.1%**	**5.0%**	**5.5%**	**16.8%**
1.1 Teaching inputs	12 713 266	13 141 519	13 753 540	16 220 201	4.7%	3.4%	4.7%	17.9%
1.2 Institutional factors	1 103 392	1 170 372	1 225 710	1 445 538	4.7%	6.1%	4.7%	17.9%
1.3 Actual teaching outputs	2 974 475	3 213 301	3 512 017	4 310 654	9.6%	8.0%	9.3%	22.7%
1.4 Actual research outputs	2 770 101	3 013 169	3 186 831	3 346 172	9.8%	8.8%	5.8%	5.0%
2 Earmarked grants for universities	**4 589 059**	**5 666 037**	**6 246 374**	**6 241 927**	**16.3%**	**23.5%**	**10.2%**	**-0.1%**
2.1 Infrastructure & output efficiencies	2 200 000	2 301 200	2 422 013	2 541 903	10.0%	4.6%	5.3%	5.0%
2.2 Two new universities								
Capital funds	500 000	1 000 000	974 736	978 482	233.3%	100.0%	-2.5%	0.4%
Operational funds	159 000	201 014	290 429	360 736	6.0%	26.4%	44.5%	24.2%
National Institutes in 2 provinces	48 143	0	0	0	6.0%	-100.0%		
NIHE Northern Cape Pipeline Students		12 000	10 000	6 500			-16.7%	-35.0%
2.3 Foundation provision	236 560	304 470	319 956	335 794	15.6%	28.7%	5.1%	5.0%
2.4 Teaching Development	609 500	616 900	649 596	0	6.0%	1.2%	5.3%	-100.0%
2.5 Research Development	187 429	199 000	209 547	0	6.0%	6.2%	5.3%	-100.0%
2.6 University Development				900 000				
2.7 Clinical Training of Health Professionals	410 740	429 635	452 406	475 026	6.0%	4.6%	5.3%	5.0%
2.8 HDI Development Grant (8 universities)		410 743	433 532	454 992			5.5%	5.0%
2.9 Veterinary Sciences	136 210	141 764	149 250	156 638	6.0%	4.1%	5.3%	5.0%
2.10 MBChB students			30 700	27 900				-9.1%
2.11 Interest & redemption on historic loans	6 757	4 447	4 209	3 956	-27.0%	-34.2%	-5.4%	-6.0%
2.12 Zero percent student fee increase			300 000					
2.13 Merger multi-campuses	94 720	44 864	0	0	-20.0%	-52.6%	-100.0%	
3 Grants to Institutions	**3 919 693**	**4 123 807**	**8 924 157**	**7 551 134**	**6.0%**	**5.2%**	**116.4%**	**-15.4%**
3.1 NSFAS - Cape Town	3 914 893	4 094 978	6 350 811	7 519 285	6.0%	4.6%	55.1%	18.4%
NSFAS - Cape Town Historic Debt Relief			2 543 000					
3.2 Institute for Human and Social Sciences		23 829	25 081	26 323			5.3%	5.0%
3.3 African Institute for Mathematical Studies	4 800	5 000	5 265	5 526	4.5%	4.2%	5.3%	5.0%
4 Sector oversight		**10 000**	**10 000**	**10 500**			0.0%	5.0%
4.1 Sector Planning, Monitoring, Evaluation & Support		10 000	10 000	10 500			0.0%	5.0%
TOTAL	**28 069 986**	**30 338 205**	**36 858 629**	**39 126 126**	**7.6%**	**8.1%**	**21.5%**	**6.2%**

Specific changes to funding allocations and new funding allocations to note about the financial information reflected in Table 1, when compared with Table 1 in the Ministerial Statement on University Funding of November 2015, are the following:

- A once-off additional earmarked state grant for universities of R300 million for 2016/17 for the 0% fee increase introduced in 2016, as reflected in Item 2:12 in Table 1;
- An additional R2 552,217 million for the block grant for 2017/18 for the carry-through of the 0% fee increase introduced in 2016. These are distributed among Items 1.1 to 1.3 for 2017/18. The research output sub-block total (Item 1.4) is not increased because the focus is on under-graduate students; not post-graduate research activities;
- R30,7 million for 2016/17 and R27,9 million for 2017/18 transferred from the National Department of Health to the state budget for universities to expand the intake of MBChB students at some universities, as reflected in Item 2.10 in Table 1. The division of these funds amongst universities for these two financial years are presented in Section C of this Ministerial Statement;
- Additional amounts of R2 039 million for 2016/17 and R2 991,883 million for 2017/18 for the National Student Financial Aid Scheme (NSFAS), which have been added in Item 3.1 in Table 1;
- An additional once-off amount of R2 543 million in 2016/17 for the NSFAS for historic debt relief of students, as reflected above for Item 3.1 in Table 1; and
- An additional R10,9 million for infrastructure funds (capital funds) for the 2 new universities for 2017/18, which have been added in Item 2.2 in Table 1.

5 NO FEE INCREASE IN 2016

The President, Honourable Jacob Zuma, announced on Friday, 23 October 2015, that public universities would not increase student fees for tuition and accommodation for the 2016 academic year. This announcement followed discussions led by the President involving the Ministry of Higher Education and Training, other Cabinet Ministers, Chairs of University Councils, Vice-Chancellors and student leaders.

Based on the above decision, meetings have taken place between the Directors-General and other officials from the Presidency, National Treasury and my Department to discuss funding to enable a zero percent fee increase in 2016. A joint sitting also took place between the Standing and Select Committees on Appropriations and the Portfolio Committee on Higher Education and Training. Based on actual figures from universities, R2,330 billion was required in 2016 to honour this decision, constituting a tuition fee increment of R1,915 billion and a resident fee increment of R415 million. Funds have been sourced from university contributions, reprioritisation of the HDI development Grant for one year only, reprioritisation of other funds within the Post-School Education and Training (PSET) system, the National Skills Fund (NSF), the National Revenue Fund, and R300 million from Treasury. The financial implication of the R2,330 billion is shared by government (83%) and universities (17%). All universities had received allocation letters from the Minister addressing the financial shortfall by 2 December 2015. Fifty percent of government's portion of the shortfall was transferred to institutions in January 2016 and the balance was transferred in April 2016. The additional R2,330 billion is not reflected in the block grant in Table 1 for 2016/17, which results in significant percentage increase recorded for the sub-block grants in Table 1 from 2016/17 to 2017/18.

The additional funds for the carry-through impact on the baselines for government funding towards universities of the decision of 0% fee increase in 2016 have been included in Table 1. An additional R2 552,217 million for 2017/18 from Treasury has been included in the block grant for 2017/18, when compared with Table 1 of the Ministerial Statement on University Funding of November 2015. These additional funds were allocated on a pro-rata basis to the teaching input, institutional factor and teaching output sub-block grants. No funds were added to the research output sub-block grant, because the 0% fee increase focuses mainly on the plight of undergraduate students; not post-graduate students.

6 UNIVERSITIES' STATE BUDGET FOR 2016/17 AND 2017/18

Universities receive state funds in the form of block grants and earmarked grants. Block grants comprise approximately 70% of the total state budget towards universities. Block grants are intended for operational costs related to university teaching, learning and research activities and are council-controlled funds, which can be used at the discretion of council and university management.

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

In order for a university to determine its own share of each of the 2016/17 and 2017/18 block grants, Table 2 sets out the funded total units of the sector in each of the block grant sub-categories reflected in Table 1. The values in Table 2 are the funded units of year (n-1), which is audited and used in year (n) to calculate the budget for financial year (n+1). Data for the 2017/18 financial year has not yet been audited. The funded teaching input units recorded in Table 2 are sourced from the Ministerial Statement on Enrolment Planning: 2014/15 to 2019/20 as planned and approved.

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 shown in Table 1.

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

Table 2: Actual and estimated 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			
	2014/15	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18
Funded teaching inputs	1 169 143	1 222 348	1 277 641	1 323 719	4.5%	4.6%	4.5%	3.6%
Institutional factors	99 462	108 950	111 958	117 556 [1)]	6.9%	9.5%	2.8%	5.0%
Actual teaching outputs	149 138	163 569	168 818	177 259 [1)]	5.5%	9.7%	3.2%	5.0%
Actual research outputs	24 077	26 622	29 320	32 662 [1)]	13.6%	10.6%	10.1%	11.4%

1) Estimated values

A more detailed example of how a university should make calculations in each sub-block grant category in order to determine its own block grant budget allocation for 2016/17 is also available on request.

Concerning block grant budget calculations to be made for a university for 2017/18, it is acknowledged that 0% fee increase calculations of the R2,330 billion for 2016/17 were based on the student fee income per university. The increased allocation per university when using student fee income per university as a basis, may differ from a university's block grant calculation, should the R2,330 billion for 2016/17 be placed in the block grant and the funds redistributed among universities. This difference in funding for 2016/17 is phased out over 3 years in favour of block grant calculations. **Sub-division 5 in Section B** provides the phasing out of the differences in using student fee income as a base and using block grant calculations as a base for state budget calculations for 2016/17. The 2017/18 data in Table 8 has to be taken into account as well, after the usual block grant calculations have been made for 2017/18.

The annual public report "University state budgets", available on the DHET website, presents the final input data of each university in each of the 4 sub-block grant categories, which were used to determine each university's block grant allocation for each of the years from 2004/05 onwards, as well as the total block grant and earmarked allocations from 2004/05 onwards according to university. Data of all universities for 2016/17 will be available on the

Department's website after the Minister of Finance delivers his budget speech in February 2016.

Sections C & D of this Ministerial Statement highlight budgets per institution in some earmarked grant categories reflected in Table 1. Earmarked state grants are grants that must be used for a specific purpose and are not council controlled. Earmarked grants require a range of inputs, such as project proposals from universities and annual progress reports to the 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.

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

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

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

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

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

Section B: Block Grant Budget Calculations for Universities

Section B focuses on the policy to calculate a university's funded units within each of the 4 sub-block grant categories; teaching input, teaching output, research output and institutional factors, for 2016/17 and 2017/18.

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

The annual public report "University performance within the block grant", available on the Department of Higher Education and Training (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.

It is acknowledged that 0% fee increase calculations of the R2,330 billion for 2016/17 were based on the student fee income per university. The increased allocation per university when using student fee income per university as a basis, may differ from a university's block grant calculation, should the R2,330 billion for 2016/17 be placed in the block grant and the funds redistributed among universities. This difference in funding for 2016/17 is phased out over 3 years in favour of block grant calculations. Sub-division 5 in Section B provides the phasing out of the differences in using student fee income as a base and using block grant calculations as a base for state budget calculations for 2016/17. The 2017/18 data in Table 8 has to be taken into account as well, after the usual block grant calculations have been made for 2017/18.

1 THE TEACHING INPUT SUB-BLOCK GRANT

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

1.1 Actual teaching input units

For the calculation of actual teaching input units, the weighting factor for funding purposes of a cell in the grid indicated in Table 3 will first be applied to the corresponding HEMIS unweighted enrolled full-time equivalent (FTE) student total (excluding experiential learning, 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: 2016/17 and 2017/18

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

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

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

Table 4: Funding groups for 2016/17 and 2017/18

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 the Council of each university.

Table 5 sets out the funded totals of teaching input units per university for 2016/17 to 2018/19, as reflected in the Ministerial Statement on Student Enrolment Planning of June 2014. These units include both contact and distance tuition student data.

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

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

Each university is expected to plan and manage its student admissions and enrolment 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. The latter is indicated in Table 5 of Sub-Division 1.2, which originates from the Ministerial Statement on Student Enrolment Planning for the period 2014/15 to 2019/20.

The Ministerial Statement on University Funding of November 2012 reminded universities that "The Ministerial Statement on Student Enrolment Planning 2011 to 2013 indicated that the Department will make downward adjustments to the outer year's institutional shares for universities who under-enrol more than 2% below their approved headcount enrolment target. Such changes will automatically reduce their FTE students and funded teaching input units. Universities are discouraged to continue practices of over-enrolment since it negatively impacts on the rand-value adjustments of Teaching Input Units." In addition, over-enrolment impacts on the quality of teaching and learning. In the November 2014 Ministerial Statement on University Funding a 5% deviation for 2013 data for the 2015/16 financial year was implemented.

Table 5: Ministerial approved teaching input units

UNIVERSITY	**MINISTERIAL APPROVED FUNDED TEACHING INPUT UNITS**		
YEAR 1)	2016/17	2017/18	2018/19
YEAR 2)	2014	2015	2016
CAPE PENINSULA **UT**	57 851	60 097	61 821
CAPE TOWN	63 171	64 516	65 597
CENTRAL **UT**	21 496	22 265	23 433
DURBAN **UT**	43 509	45 709	48 238
FORT HARE	22 147	23 397	24 801
FREE STATE	56 779	57 764	58 882
JOHANNESBURG	80 610	81 500	82 412
KWAZULU-NATAL	86 908	89 691	91 922
LIMPOPO	33 177	39 074	40 599
MANGOSUTHU **UT**	15 167	16 126	17 340
NELSON MANDELA	46 588	47 719	49 730
NORTH WEST	77 709	81 412	86 108
PRETORIA	108 005	110 582	112 487
RHODES	16 602	17 033	17 600
SEFAKO MAKGATHO	14 219	16 480	18 475
SOUTH AFRICA	150 297	155 188	156 130
STELLENBOSCH	70 378	73 207	74 577
TSHWANE **UT**	83 281	86 425	91 015
VAAL **UT**	33 078	34 052	35 524
VENDA	23 161	25 306	26 520
WALTER SISULU	38 299	38 770	39 266
WESTERN CAPE	39 537	41 350	43 180
WITWATERSRAND	71 062	72 550	74 038
ZULULAND	24 610	23 502	22 445
TOTAL	**1 277 641**	**1 323 719**	**1 362 140**

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.

For 2016/17, the focus is on universities who substantially under-enrol, as it impacts on providing access to students, in particular disadvantaged students. The focus will be broadened in future years to include universities who substantially over-enrol, as it impacts on the quality of higher education provided to students.

For the 2016/17 financial year, the Minister has approved a 4% deviation from the Ministerial approved funded teaching input units as acceptable for 2014 data, which is a smaller allowable deviation compared to the 5% deviation for 2013 data.

For those universities that have under-enrolled in teaching input units by more than 4% of the 2014 Ministerial approved teaching input units, one third of the units exceeding 4% will be removed from the funded units. Teaching input grants will be redistributed amongst all universities based on the reduced total of Ministerial approved teaching input units for the sector, and this redistribution will be made available in the public report: "University state budgets" noted in Sub-Division 6 of **Section A**. Universities who receive more funds should use the redistributed funds to improve planning abilities to remain within the range of 2% of Ministerial approved teaching input units. Corrective measures will in future years become stronger in one or more of the following areas, namely:

- Reducing the acceptable range of deviations from Ministerial approved funded teaching input units towards 2%, as was signalled as an acceptable variation from agreed upon targets in 2012;
- Removing an ever increasing share of Ministerial approved funded teaching input units from universities who operate outside of the acceptable deviation range in terms of under-enrolment and over-enrolment; and
- Re-allocating the revised funding towards universities who operate within the acceptable range of deviations from Ministerial approved funded teaching input units.

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 2016/17 and 2017/18 financial years will respectively be based on a university's actual 2014 and 2015 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 2016/17 and 2017/18 financial years will respectively be based on a university's 2014 and 2015 totals of actual publication units (books for the specialist, conference proceedings, and articles in accredited journals), as well as doctoral and research masters graduate numbers reported in HEMIS. All are audited by the Universities' external auditors.

Research output grant allocations are determined on the basis of an actual weighted total of research outputs (in terms of funded units) produced by each university.

The weightings for funding purposes to be applied to actual research outputs in order to obtain funded research output units for a university are set out in Table 7 below.

Table 7: Funding weightings for research outputs for 2016/17 and 2017/18

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

Any journal on any of the lists/indices recognised by the Department for subsidy purposes, which does not comply with the policies and directives of the Department, will be removed immediately from the list, and articles published in such journals will not be state funded with immediate effect. The Department will reserve the right to recover the funds from a university that has claimed for and been paid out subsidies for such articles in error, for a period of 3 historical years, as stated in Sub-Division 6 of **Section A**.

With the implementation of the newly revised Research Output policy in 2016, three additional journal lists will be added, bringing the total of DHET subsidised lists to six, namely: ISI, IBSS, SA list, Scopus, SciELO SA, and Norwegian list (only level 2). The Department will communicate the list of accredited journal titles to higher education institutions at the start of each academic year.

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.

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 2014 *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 2016/17, additional 2014 funded teaching input units are then generated by multiplying its disadvantage factor by the university's approved 2014 funded total of contact plus distance teaching input units set out in Table 5 for the 2016/17 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 2014 distance FTE enrolled student total.

The same calculations can be made for 2017/18, using the corresponding 2015 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 2016/17, additional 2014 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 2016/17 financial year.

The same calculations can be made for 2017/18, using the corresponding 2015 student data.

5 STUDENT FEE INCOME CALCULATIONS FOR 0% FEE INCREASE PHASED OUT OVER THREE YEARS

Concerning block grant budget calculations to be made for a university for 2017/18, it is acknowledged that 0% fee increase calculations of the R2,330 billion for 2016/17 were based on the student fee income per university. The increased allocation per university when using student fee income per university as a basis, may differ from a university's block grant calculation, should the R2,330 billion for the sector for 2016/17 be placed in the block grant and the funds redistributed among universities. This difference in funding per university for 2016/17 is phased out over 3 years in favour of block grant calculations.

Table 8 provides the phasing out of the differences in using student fee income as a base and using block grant calculations as a base for state budget calculations for 2016/17.

The 2017/18 data in Table 8 has to be taken into account as well, after the usual block grant calculations have been made for 2017/18. For example for 2017/18, the University of Cape Town will have to add an additional R37,086 million (see Table 8) to its block grant calculations, while the University of South Africa will have to reduce their calculated block grant for 2017/18 by R7,805 million (see Table 8).

Table 8: Funding difference phased out over 3 years

YEAR UNIVERSITY	fee income calculation for 0% fee increase for 2016/17 1) (A) (R'000)	Block grant calculation of increased funding for 2016/17 (B) (R'000)	difference for 2016/17 (A-B) (R'000)	Phasing out of difference on the basis of block grant calculations		
				2017/18 (R'000)	2018/19 (R'000)	2019/20 (R'000)
CAPE PENINSULA UT	92 340	110 557	-18 217	-12 145	-6 072	0
CAPE TOWN	158 320	102 692	55 628	37 086	18 542	0
CENTRAL UT	22 521	44 271	-21 750	-14 500	-7 250	0
DURBAN UT	58 632	87 040	-28 408	-18 939	-9 469	0
FORT HARE	42 932	43 604	-672	-448	-224	0
FREE STATE	67 000	96 108	-29 108	-19 405	-9 703	0
JOHANNESBURG	199 812	151 164	48 648	32 432	16 216	0
KWAZULU-NATAL	125 000	144 694	-19 694	-13 129	-6 565	0
LIMPOPO	46 621	63 503	-16 882	-11 255	-5 627	0
MANGOSUTHU	39 540	31 840	7 700	5 133	2 567	0
NELSON MANDELA	52 000	85 663	-33 663	-22 442	-11 221	0
NORTH WEST	178 906	139 152	39 754	26 504	13 250	0
PRETORIA	188 747	172 004	16 743	11 162	5 581	0
RHODES	42 903	30 154	12 749	8 499	4 250	0
SEFAKO MAKGATHO	23 089	26 675	-3 586	-2 391	-1 195	0
SOUTH AFRICA	289 033	300 740	-11 707	-7 805	-3 902	0
STELLENBOSCH	113 248	111 565	1 683	1 122	561	0
TSHWANE UT	148 953	158 767	-9 814	-6 543	-3 271	0
VAAL UT	50 135	63 805	-13 670	-9 113	-4 557	0
VENDA	33 904	44 271	-10 367	-6 911	-3 456	0
WALTER SISULU	83 933	72 649	11 284	7 523	3 761	0
WESTERN CAPE	56 000	72 969	-16 969	-11 313	-5 656	0
WITWATERSRAND	171 093	116 701	54 392	36 261	18 131	0
ZULULAND	35 050	49 124	-14 074	-9 383	-4 691	0
TOTAL	**2 319 712**	**2 319 712**	**0**	**0**	**0**	**0**

1) Calculations exclude the 2 new universities

Section C: Earmarked Grants for Universities

Section C focuses on presenting budgets per university in certain earmarked fund categories, in line with the context of this Ministerial Statement, set out in Sub-Division 3 of **Section A**.

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

- Infrastructure and Efficiency Grant;
- Two new universities;
- Foundation Provision Grant;
- Teaching Development Grant (2016/17);
- Research Development Grant (2016/17);
- University Development Grant (2017/18);
- Clinical Training Grant;
- Historically Disadvantaged Institutions (HDI) Development Grant; and
- Veterinary Sciences Grant

1 GENERAL POLICY ON PAYMENTS OF EARMARKED GRANTS

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 at least 31 March of the year in which a progress report is required. This was implemented to ensure closer alignment with the financial year of the state (1 April – 31 March).

All progress reports and audited financial statements for earmarked grants have to be provided earlier than or at the latest by 31 May of each year. This date of 31 May will ensure that the more reliable second submission HEMIS data, which has to be submitted to the Department by 30 April of each year, be used in progress reports where needed.

A total of between 20% and 40% of earmarked grants will be released to universities during the first quarter of the Department's financial year 2016/17, based on progress reports and audit certificates already approved by the Department during 2015/16 relating to the use of 2014/16 grants. The release of these initial funds during the first quarter of 20161/7 is not linked to the assessment of the reports during 2016/17. The purpose of the upfront payment is to assist universities to implement projects/programmes funded through earmarked grants during their academic year.

The remaining percentage of the 2016/17 earmarked allocation will be released, based on the Department's assessment of progress reports on the use of 2015/16 grants and the accompanying audit certificate(s).

As part of the Department's responsibility to monitor and evaluate the use of earmarked grants, specific attention will be given to under-spending of funds and spending of funds for purposes not approved by the Department. The remaining 60% to 80% of the allocation for teaching development, research development, veterinary and clinical training earmarked grants may be withheld where such under or non approved spending is detected, and reallocated with the approval of the Minister.

2 INFRASTRUCTURE AND EFFICIENCY GRANT

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

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

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

Each university was required to submit a campus master plan, a maintenance audit/plan and a disability audit/plan, to the Department by the end of July 2014. The Department established a working group with expertise from the university sector and elsewhere who helped to assess these different plans. The plans will be used to develop a national macro infrastructure plan for the university education system. In considering the allocation of funding for the next funding cycle, the Department will not request universities to enter into a process of bidding for infrastructure funds, as was the case in past cycles. The process to allocate funding for the fourth cycle from 2016/17 onwards will be based on a balance between national and institutional priorities and linked to the macro infrastructure plan. This plan should be finalised by the end of March 2016. A decision has been made that the funding for 2015/16 is a one-year allocation that will be made towards deferred and backlog maintenance and student housing in the main.

The Policy on Norms and Standards for Student Housing at Public Universities was approved by the Minister and gazetted on 29 September 2015.

3 TWO NEW UNIVERSITIES

The Minister established the University of Mpumalanga (UMP) and Sol Plaatje University (SPU) as juristic persons in August 2013, in terms of section 20 of the Higher Education Act, 1997. The institutions were established as comprehensive universities offering a range of formative and vocationally-focused undergraduate programmes that will cater for articulation from Technical and Vocational, Education and Training (TVET), National Certificate (Vocational) (NCV), National Senior Certificate (NSC) of secondary schools, and other universities. Over time the institutions will develop post graduate and research programmes in niche areas. Each University has established its own Council and appointed its Vice-Chancellor.

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

The Minister disestablished the National Institutes for Higher Education (NIHE) in Mpumalanga and the Northern Cape, as published in the Government Gazette. An

Administrator was appointed to manage their closure by 31 March 2015. The NIHE Northern Cape pipeline students will be supported to complete their qualifications in Kimberley through a special project that will be managed by SPU.

4 FOUNDATION PROVISION GRANT

The main purpose of foundation provision is to improve the academic performance of those first-time entering undergraduate students, who already comply with the minimum requirements to enrol for a particular university qualification, and who have already enrolled for that qualification, but who are at risk of failing or dropping out. Such students are placed on Ministerial approved extended curriculum programmes, which are in most cases one year longer than the regular qualification. A Policy for Extended Curriculum Programmes will be released during 2016 and will replace the Guidelines for Foundation Provision dated 15 May 2012.

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

Foundation provision, through Ministerial approved extended curriculum programmes will be strengthened and extended. The number of students registered for extended curriculum programmes will be considerably increased to reach at least 30% of all students entering the first year of study.

A process to ensure foundation budgets for two years ahead for each university is being planned for the near future. Currently, the distribution of foundation funds amongst universities is provided for one year only (2016/17) instead of two years (2016/17 and 2017/18), mainly for two reasons. The first is that some universities are now gradually coming on board, and this will affect the shares of foundation funds of other universities. Secondly, significant changes in the calculations of credit values of foundation students will be proposed during 2016 in the revised funding framework, which could impact on future shares of funds amongst universities for 2017/18. Thus, in general, there is still no significant stability in the shares of funds amongst universities to provide a rand value that is roughly the same per university in the outer year (2017/18).

One of the main indicators used to assess the effective use of foundation provision grants is to determine the reduction in the drop-out rates of first-time entering undergraduate students in a university in their first and second years of study. This is done by undertaking systematic cohort studies of the first-time entering students each year.

Each university has to review its progress made in reducing the dropout of first-time entering students in the university. Each university has to plan its increased student enrolment in foundation provision up to 2019, to be reviewed during the mid-term review on student enrolment planning due to take place during 2016. The average percentage of first year contact tuition students that are on Ministerial approved extended curriculum programmes is expected to increase from 12% in 2014 to 30% for the future in the university sector. The aim of these increased student enrolment in extended curriculum programmes is to substantially decrease the dropout rate of first-time entering students in their first and second years of study.

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.

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

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

Table 9 reflects the foundation provision grants per university for 2016/17.

Table 9: Earmarked foundation provision grants for 2016/17

YEAR UNIVERSITY	2015/16 (R'000)	2016/17 (R'000)
CAPE PENINSULA **UT**	33 915	37 813
CAPE TOWN	18 512	12 997
CENTRAL **UT**	3 583	3 526
DURBAN **UT**	7 667	9 289
FORT HARE	12 193	9 961
FREE STATE	21 644	22 121
JOHANNESBURG	34 017	36 828
KWAZULU-NATAL	18 658	15 311
LIMPOPO	9 764	10 268
MANGOSUTHU **UT**	6 658	6 144
NELSON MANDELA	7 890	8 722
NORTH WEST	12 486	16 973
PRETORIA	18 937	17 928
RHODES	1 074	1 512
SEFAKO MAKGATHO	2 615	2 579
SOUTH AFRICA	0	6 397
STELLENBOSCH	8 121	9 506
TSHWANE **UT**	47 960	53 877
VAAL **UT**	2 266	1 334
VENDA	8 206	7 532
WALTER SISULU	7 238	9 293
WESTERN CAPE	19 494	17 444
WITWATERSRAND	229	321
ZULULAND	1 343	2 280
TOTAL	**304 470**	**319 956**

5 TEACHING DEVELOPMENT GRANT FOR 2016/17

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

The main purpose of teaching development grant 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.

Table 10 reflects the teaching development state budgets for 2016/17 according to university. All universities are allocated a teaching development fund. A Teaching Development Task Team, appointed by the Minister in 2008, developed the funding shares reflected in Table 8. For final implementation in 2010, 2009 HEMIS student data was used. The formula used for calculating the shares is based on the number of FTE unsuccessful students in each university. The formula weighed the student data of universities which have the poorest student success rates by 1,5.

Table 10 shows that 10% of the total TDG for 2016/17 has been set aside for the national collaborative programme. The allocation of funds is governed through the mechanisms set out in the Ministerial Statement on the Management and Utilisation of Teaching Development Grants.

Table 10: Earmarked teaching development state budgets for 2016/17

UNIVERSITY	Funding shares for 2016/17 (%)	Teaching Development State budgets for 2016/17 (R'000)
CAPE PENINSULA **UT**	3.033	19 702
CAPE TOWN	1.771	11 503
CENTRAL **UT**	2.228	14 476
DURBAN **UT**	3.113	20 221
FORT HARE	1.158	7 524
FREE STATE	4.473	29 054
JOHANNESBURG	7.233	46 984
KWAZULU-NATAL	3.990	25 916
LIMPOPO	1.276	8 292
MANGOSUTHU **UT**	1.125	7 306
NELSON MANDELA	3.377	21 938
NORTH WEST	2.571	16 698
PRETORIA	4.078	26 492
RHODES	0.578	3 757
SEFAKO MAKGATHO	0.379	2 460
SOUTH AFRICA	20.555	133 526
STELLENBOSCH	2.165	14 061
TSHWANE **UT**	10.219	66 380
VAAL **UT**	3.129	20 326
VENDA	1.384	8 991
WALTER SISULU	5.183	33 669
WESTERN CAPE	1.692	10 994
WITWATERSRAND	3.124	20 292
ZULULAND	2.167	14 074
National Collaborative Programme	10.000	64 960
TOTAL	**100.000**	**649 596**

Since 2014/15, the Department has been providing universities with a 20% advance of their annual allocations to assist them in continuing to spend on the approved projects. Once the progress reports have been received and assessed in line with the approved plans, a decision is made in terms of certain categories whether funds need to be withheld or not and the relevant amount in terms of the different categories.

6 RESEARCH DEVELOPMENT GRANT FOR 2016/17

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.

Table 11 reflects the research output norms, the institutional shares and research development state budgets for 2016/17 according to university.

Table 11: Earmarked research development state budgets for 2016/17

UNIVERSITY	Research output norms 1) 2016/17	Reseach Development State budgets for 2016/17	
		Shares (%)	Budgets (R'000)
CAPE PENINSULA **UT**	0.7	4.39	9 193
CAPE TOWN	2.7	1.92	4 031
CENTRAL **UT**	1.0	3.19	6 685
DURBAN **UT**	0.7	3.74	7 827
FORT HARE	2.0	4.34	9 102
FREE STATE	1.5	4.75	9 958
JOHANNESBURG	1.6	3.64	7 630
KWAZULU-NATAL	2.2	2.62	5 500
LIMPOPO	1.2	4.80	10 063
MANGOSUTHU **UT**	1.0	3.76	7 887
NELSON MANDELA	1.7	4.04	8 462
NORTH WEST	1.9	5.67	11 884
PRETORIA	2.5	2.78	5 818
RHODES	2.7	1.71	3 577
SEFAKO MAKGATHO	1.2	6.63	13 900
SOUTH AFRICA	1.4	5.43	11 376
STELLENBOSCH	3.1	1.84	3 846
TSHWANE **UT**	0.8	4.40	9 230
VAAL **UT**	1.0	4.98	10 432
VENDA	1.2	4.13	8 657
WALTER SISULU	0.7	7.10	14 868
WESTERN CAPE	2.1	4.23	8 869
WITWATERSRAND	2.4	1.93	4 040
ZULULAND	1.0	2.98	6 235
National Collaborative Programme		5.00	10 477
TOTAL		**100.00**	**209 547**

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

For 2016/17, the same funding distribution method, introduced for the 3 years 2013/14 to 2015/16 has been used. The 2013 data has been used to generate the shares. The assessment of research development business plans was also taken into account in determining the funding share of each university for 2016/17. Table 11 also reflects that 5% of the 2016/17 RDG fund has been set aside for the national collaborative programme.

7 TEACHING & RESEARCH DEVELOPMENT GRANTS REPLACED BY THE UNIVERSITY DEVELOPMENT GRANT FROM 2017/18

From 2017/18, it is envisaged that a single University Development Grant (UDG) will replace the earmarked teaching and research development state grants. In 2017/18 the UDG, will total R900 million. The nature of the UDG will be deliberated and finalised during the course of the of the 2016 academic year, and will be communicated through a Ministerial Statement on the Management and Utilisation of the University Development Grant, made available towards the end of the 2016 academic year.

8 CLINICAL TRAINING GRANT

The distribution per institution of the clinical training grants for 2016/17 and 2017/18 are reflected in Table 12.

Table 12: Earmarked Clinical Training Grants for 2016/17 and 2017/18

YEAR UNIVERSITY	2016/17 (R'000)	2017/18 (R'000)
CAPE PENINSULA **UT**	6 067	6 847
CAPE TOWN	34 615	41 711
CENTRAL **UT**	3 032	3 428
DURBAN **UT**	10 745	12 926
FORT HARE	5 920	6 453
FREE STATE	29 257	32 296
JOHANNESBURG	6 813	7 348
KWAZULU-NATAL	73 501	63 509
LIMPOPO	5 728	5 844
MANGOSUTHU **UT**	943	1 080
NELSON MANDELA	9 262	10 979
NORTH WEST	11 029	12 270
PRETORIA	47 087	51 190
RHODES	1 151	1 016
SEFAKO MAKGATHO	38 096	44 633
SOUTH AFRICA	0	0
STELLENBOSCH	37 061	39 134
TSHWANE **UT**	6 622	7 306
VAAL **UT**	3 843	4 007
VENDA	3 974	4 500
WALTER SISULU	17 335	15 439
WESTERN CAPE	28 033	27 859
WITWATERSRAND	66 927	69 658
ZULULAND	5 365	5 593
TOTAL	**452 406**	**475 026**

Universities that qualify for the clinical training grant are required to submit clinical training grant budget proposals once every two years. However, from 2014 onwards Universities 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.

The Department will be implementing a process to address underspending of the Clinical Training Grant, similar to what has been implemented with the Teaching Development Grant.

9 HISTORICALLY DISADVANTAGED INSTITUTIONS DEVELOPMENT GRANT (HDI-DG)

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

Following the decision to implement a zero % fee increase in 2016, approval was granted by the Minister to use R361 million in 2015/16 HDI-DG to help the eight universities fund the shortfall of this decision for a no fee increase and other costs related to the #feesmustfall campaign. The remainder will be allocated once universities' plans due at the end of November 2015 have been assessed.

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

The allocation of funds will be based on approved plans. Each HDI was required to submit a business plan for their development by the end of November 2015. The business plans will be assessed in the last quarter of the 2015/16 financial year, and on the basis of the assessment and further engagement with each institution a final allocation per university over the five year period will be agreed upon. The final development (or business) plan will form an agreement between the Council of the University and the Ministry. Both the Council and the Minister must approve the plan. Continued funding will be made on the basis of a detailed progress report and satisfactory audit reporting of the use of the funds, as required by the Treasury Regulations for any earmarked grants.

10 VETERINARY SCIENCES GRANT

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

Table 13 presents the allocations per university for Veterinary Science Programmes for 2016/17 and 2017/18.

Table 13: Earmarked budgets for Veterinary Science Programmes

Year / University	2016/17 (R'000)	2017/18 (R'000)
North West	3 980	5 065
Pretoria	142 285	146 941
South Africa	995	1 766
Tshwane **UT**	1 990	2 866
Total	**149 250**	**156 638**

11 MBChB STUDENTS

National Treasury has transferred from the National Department of Health (NDoH) earmarked amounts of R30,7 million for 2016/17, R27,9 million for 2017/18 and R16,7 million for 2018/19, based on an agreement signed between the NDoH and the DHET to expand the intake of MBChB students at some universities. This agreement only applies for these 3 years.

The NDoH division of the 2016/17 and 2017/18 budgeted amounts amongst the universities are set out in Table 14 below and are preliminary, subject to further discussion with universities and final agreements with the Department of Higher Education and Training.

Table 14: State funds towards expansion of MBChB students

UNIVERSITY	**Allocations for extra MBChB students**	
YEAR	2016/17 (R'000)	2017/18 (R'000)
CAPE TOWN	2 000	2 000
KWAZULU-NATAL	5 000	5 000
PRETORIA	6 400	6 400
STELLENBOSCH	4 500	4 500
WALTER SISULU	4 200	4 200
WITWATERSRAND	8 600	5 800
TOTAL	**30 700**	**27 900**

Section D: Grants to Institutions

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

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

1 NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS) GRANT

The National Student Financial Aid Scheme (NSFAS) is an independent juristic organisation set up to manage student financial aid governed by the NSFAS Act (Act number 56 of 1999). The NSFAS has its own governing Board and is situated in Cape Town and administers grants on behalf of the Ministry as well as other government departments and entities. The NSFAS is the most significant instrument available to government for opening access into technical and vocational education and training, and higher education to poor and working class communities. NSFAS is responsible for providing loans and bursaries to eligible students at all public universities, and Technical and Vocational Education and Training (TVET) colleges throughout the country. Further mandates for the entity include the recovery of student loans and raising funds for student loans and bursaries.

NSFAS introduced a new student centred model in October 2013, followed by the piloting of the first phase of the student centred model in January 2014 at 6 universities and 5 TVET colleges, constituting approximately 15% of student loans and bursaries being processed under the new student-centred model. Students in the new system, apply directly to the NSFAS. In the new model, allocations to students are managed by NSFAS and students knows their funding status before registration, students apply once only for a course of study instead of each year, provided they meet the academic requirements for continued funding. The system is being phased in over the following three years, and it is expected that all institutions will be on the new model for the 2018 academic year. The NSFAS Board has approved a strategy to add an additional 12 TVET colleges (Phase 2) that is being implemented for the 2016 academic year.

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

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

2 THE NATIONAL INSTITUTE OF HUMAN AND SOCIAL SCIENCES

The Minister established the National Institute for the Humanities and Social Sciences (NIHSS) through the publication of Government Notice No. 37118 on 5 December 2013. The

Minister appointed a new Board on 26 March 2014. The role of this entity is, broadly, to enhance and support the Human and Social Sciences (HSS) in South Africa and beyond, and to advise government and civil society on HSS related matters. It will do so through its various programmes, including the Doctoral Schools, the Catalytic Projects and the African Pathways Programme. During 2015 the Minister also appointed the NIHSS as the official South African BRICS Think Tank (SABTT) organisation.

Funding for projects and scholarships for a four-year period is provided through the National Skills Fund (NSF), subject to the approval of a full and costed proposal submitted to the NSF each year.

3 THE AFRICAN INSTITUTE FOR MATHEMATICAL SCIENCES (AIMS)

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

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

Section E: Sector oversight

1 SECTOR PLANNING, MONITORING, EVALUATION AND SUPPORT PROGRAMME

These funds aim to improve the Department's capacity to: monitor and evaluate the utilisation of earmarked grants; plan for new projects and innovation in higher education; provide governance and development support to institutions; and implement the processes for the evaluation of annual performance plans and annual reports linked to public accountability of the block grants.