

MINISTRY OF EDUCATION

MINISTERIAL STATEMENT ON HIGHER EDUCATION FUNDING: 2006/7 TO 2008/9

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2 May 2006

1 INTRODUCTION

1.1 The context

Planning, funding and quality assurance are the three mechanisms used to steer the South African higher education system towards the goals set out in the 1997 White Paper on higher education transformation. This Ministerial Statement deals with the funding and planning instruments which will, during the triennium 2006/07 to 2008/09, form part of these steering mechanisms. The document is, as a consequence of the purpose which it has to fulfill, both technical and detailed. Account has nevertheless to be taken of the broader context into which this document fits.

The main elements of this context are national policy imperatives which require higher education to make major contributions to the social transformation of South African society and, at the same time, to national economic growth and development. Higher education is expected to deliver the high level professional skills, the new research, and the innovative ideas which are needed by a growing economy. Higher education is also expected, through its student admissions and its teaching/learning activities, to assist with the creation of a fairer, more just, society in South Africa.

The Ministry of Education is committed fully to the goals of a transformed higher education system. The Ministry will therefore use the instruments set out in this Statement to assist the higher education system to move towards the realisation of the national goals of equity and development.

The Ministry will take particular account of the newly-launched Accelerated and Shared Growth Initiative for South Africa (ASGISA). ASGISA recognises that a stronger focus on middle and high level skills development is critical if the growth trajectory target of 6% between 2010 and 2014 is to be achieved. The requirements of ASGISA will be factored into the Ministry's future planning and funding initiatives.

1.2 Content of Ministerial Statement

The funding framework, which was published in the Government Gazette of 9 December 2003 (Vol 462, no 25824), requires the Minister of Education to issue an annual statement, which includes the following forward determinations:

- “6.1 A forecast of the grant totals likely to be available for distribution to the public higher education system during the next triennium.
- 6.2 A forecast of the public higher education system's likely totals of outputs and of planned student inputs for this triennium.
- 6.3 Details of how the data required for input, output and institutional factor calculations will be determined.
- 6.4 Details of the input and output weightings, and of the various benchmarks to be employed in the calculation of block grants.
- 6.5 Details of how unallocated proportions of output block grants will be redistributed.
- 6.6 Details of how institutional factor grants will be calculated.

- 6.7 An account of the implementation of the framework, and of the steps taken to ensure that the public higher education system is not destabilised” (Government Gazette, no 25824, 13-14).

Forward determinations of this kind are designed to give stability to the funding framework. Before major changes are made to the framework, the Minister of Education will first consult the higher education sector and the Council on Higher Education. The nature of any major change will be announced in an annual Ministerial Statement and would be implemented at the earliest in the final year of the triennium following that covered in the Statement.

1.3 Function of the funding framework

The various components of the funding framework function as a mechanism for distributing unrestricted funds to each institution in the form of a single block grant total. The use of these unrestricted funds is left to the discretion of the institution’s council. Given this broad purpose, the framework should not be taken to be a micro-formula for the distribution of the block grants to the various units within institutions (eg faculties and academic departments).

2 MAJOR ISSUES RAISED IN THE STATEMENT

Particular note must be taken of the following issues which could affect the allocation of funds to the higher education system and to individual institutions during this triennium:

2.1 Review of funding of the public higher education system

A working group consisting of members of the staff of the Department of Education and of the National Treasury was appointed during 2005 to review the present levels of funding of the public higher education system, and to provide motivations, where appropriate, for additional sustainable funding from the national fiscus. The working group will be reporting to the Ministers of Education and of Finance during 2006.

2.2 End of funding migration period

When the new funding framework was approved by the Ministers of Education and Finance in 2003, provision was made for its introduction to be phased in over a three-year period. The first year of this migration period was 2004/05, and the final year will be 2006/07. This is discussed further in Section 5.

2.3 Student enrolment planning

The Minister has informed the higher education sector that, during 2006, bilateral discussions will be held between the Department of Education and each public higher education institution in order to arrive at agreed upon funded head count and FTE student totals for the period 2007 to 2009, within the context of system parameters. Because it is unlikely that this process will be completed before the end of 2006, the forecasts on enrolments and funding for 2006/07 to 2008/09 contained in the later sections of this Statement are of necessity provisional ones, which could be subject to later amendment and adjustment.

2.4 Reviews of teaching input grid

The Department has reviewed the position of CESM categories 06 computer science, 07 education, and 08 engineering on the teaching input grid, and has discussed its analyses with the joint SAUVCA/CTP finance committee. The conclusion reached was that further reviews should be deferred to 2007/08 (the first year after the end of the funding migration period). This is discussed further in Section 7.

2.5 Stabilising teaching input totals

Teaching input grants of institutions have, during the past three financial years, been based on Ministerially-determined fixed totals of teaching input units. The Minister has decided to continue with this strategy, which was designed to stabilise funding in the system, until final decisions have been taken on the student enrolment plans of each institution. This is discussed further in Section 7.

2.6 Allocating teaching and research development grants

The first two Ministerial Statements advised institutions that teaching and development grants would be included automatically in their block (or discretionary) grant totals, but stated that this would be done only during the three-year migration period. The Minister has decided that these development grants will not be added to the block grants of institutions in the 2007/08 and 2008/09 financial years. Details of how this decision is to be implemented can be seen in Sections 8 and 9.

2.7 New cycle of foundation grant allocations

The first three-year cycle of foundation programme funding ends in 2006/07. Institutions will be invited, in the second half of 2006, to submit applications for funding for the new three-year cycle 2007/08 to 2009/10. This is discussed further in Section 12.

2.7 Finalising of multi-campus factor

A task team, consisting of members of the Department and of HESA nominees, began the work on this issue towards the end of 2005. The task team will complete its report by the middle of 2006. Until final decisions are taken on a policy on multi-campus funding, the mechanisms set out in section 11 of this Statement will be used to calculate the block grants of merged institutions.

3 APPOINTMENT OF SPECIALIST TASK TEAMS

3.1 HESA will be asked to submit to the Department the names of specialists who could be invited to serve on two Ministerial tasks teams. These task teams, which will be expected to submit reports to the Minister before the end of 2006, will have the following functions:

- ◆ Task team 1: to prepare advice for the Minister on appropriate policies and allocation mechanisms for the distribution of research development grants.

- ◆ Task team 2: to prepare advice for the Minister on appropriate policies and allocation mechanisms for the distribution of teaching development grants.
- 3.2 The Department will submit to the Minister recommendations on the appointment of specialists to serve on a working group which will (a) consider applications from institutions for foundation grants for 2007/08 to 2009/10, and (b) advise the Minister on what allocations should be made to institutions.

4 CHECKING AND ADJUSTING INSTITUTIONAL HEMIS DATA

- 4.1 The Department of Education will during the triennium continue its practice of checking and adjusting the Higher Education Management Information System (HEMIS) submissions of each institution. If a review suggests that an institution's data submissions for earlier years are wrong, then it will be required to correct errors and submit new data files. If this is deemed necessary, the institution's block grants for specific years will be re-calculated and any over-payments will be deducted before new block grant funds are allocated to the institution.
- 4.2 The Department of Education will also, when necessary, make adjustments to institutional data in the following circumstances:
- ◆ The report submitted through the data auditing process indicates that the institution has not complied with the Department's HEMIS directives.
 - ◆ Analyses undertaken by the Department indicate that the institution's data submissions are flawed.
 - ◆ The institution's HEMIS data are not consistent with any planning directives that may have been laid down by the Minister of Education.

5 CLOSING OF FUNDING MIGRATION STRATEGY

- 5.1 A migration strategy was put in place for the triennium 2004/05 to 2006/07 to ensure that the implementation of the new framework does not have the effect of destabilising the higher education system. This migration strategy ends after the allocation of funds to institutions for the 2006/07 financial year.
- 5.2 The details of the application of the migration strategy over this three-year period can be seen in the 2004 and 2005 Ministerial Statements.
- 5.3 The new funding framework will be applied in full from the 2007/08 financial year. The effect that this ending of the migration strategy has on the financial stability of institutions will however be monitored carefully. The Minister will, when necessary, use provisions of the 1997 Higher Education Act (as amended) to ensure that the system does not become financially unstable.

6 ALLOCATION OF MTEF BUDGETS FOR 2006/7 TO 2008/9

6.1 Table 1 below shows how the Medium Term Expenditure Framework (MTEF) budgets for the triennium 2006/07 to 2008/09 have been divided between the various categories of grant in the new funding framework.

Table 1

DISTRIBUTION OF BUDGET TOTALS FOR 2006/07 TO 2008/09									
	Distribution of actual budget for 2006/07 (R'million)		Provisional distribution of MTEF budgets				Increase on budget provision for previous financial year		
			2007/08 (R'million)		2008/09 (R'million)		2006/07	2007/08	2008/09
1 Block grants	9 956	85%	10 693	84%	11 587	84%	8.87%	7.40%	8.37%
1.1 Teaching inputs	6 260	53%	6 762	53%	7 365	53%	6.90%	8.03%	8.92%
1.2 Institutional factors	652	6%	704	6%	767	6%	6.90%	8.03%	8.92%
1.3 Teaching outputs	1 564	13%	1 690	13%	1 840	13%	6.90%	8.03%	8.92%
1.4 Research outputs	1 280	11%	1 383	11%	1 506	11%	6.90%	8.03%	8.92%
1.5 Former Vista campuses	150	1%	100	1%	50	0%		-33.33%	-50.00%
1.6 Veterinary Sciences	50	0%	54	0%	58	0%	169.46%	7.40%	8.37%
2 Earmarked grants	1 231	10%	1 476	12%	1 598	12%	13.47%	19.91%	8.24%
2.1 NSFAS	926	8%	1 113	9%	1 175	9%	7.21%	20.11%	5.62%
2.2 Interest & redemption on loans	100	1%	85	1%	70	1%	-22.84%	-15.19%	-17.65%
2.3 Former Vista campuses (development)	100	1%	165	1%	230	2%		65.00%	39.39%
2.4 Foundation programmes	105	1%	114	1%	123	1%	14.84%	8.62%	7.96%
3 Institutional restructuring	568	5%	600	5%	600	4%	3.27%	5.63%	0.00%
TOTAL	11 755	100%	12 769	100%	13 785	100%	9.05%	8.62%	7.96%

6.2 The main point which should be noted about this table is that the overall amounts reflected in the table, as well as the totals in the various categories and subcategories, could change when the final higher education budgets for these years are approved by Parliament.

6.3 Further points to note are these:

- ◆ Provision is made in the block grant totals for additional funding for veterinary science at the University of Pretoria. The Department will, during 2006, be discussing with the Department of Agriculture the possibility of cost-sharing, particularly in regard to the operating of the veterinary hospital.
- ◆ Provision is made in the block grants and the earmarked grants for funds for the development of the former Vista campuses which are involved in the face-to-face teaching of students. The Minister will indicate in the next Statement whether or not this development funding is to be continued beyond 2008/09.

7 TEACHING INPUT GRANTS

7.1 Input funding grid

7.1.1 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. Tables 2 and 3 set out the funding groups and the weightings which will be applied in the triennium 2007/07 to 2008/09. A weighting factor of a grid cell presented in Table 3 will be applied to the corresponding unweighted FTE students in that cell, thus generating weighted teaching input units for the particular cell. The total of weighted teaching input units for an institution will be the sum of input units of all the grid cells.

Table 2

Funding groups: 2006/07 to 2008/09	
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 3

Weighting factors for teaching inputs: 2006/07 to 2008/09								
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

7.1.2 The Department has reviewed the positions of CESM categories 06 computer science, 07 education, and 08 engineering on the teaching input grid, and has discussed its analyses with the joint SAUVCA/CTP finance committee. It was noted (a) that the immediate effect of any changes to the grid would be a redistribution of teaching funds between institutions, and (b) that adjustments to the grid should ideally be based on new cost analyses and not on those undertaken by SAUVCA/CTP in the late 1990s. The finance committee recommended, after this discussion, that no changes should be made to the grid until 2007/08 at the earliest (the first year after the end of the funding migration period). This recommendation has been accepted by the Minister.

7.2 Planned totals of teaching input units: 2006/07 to 2008/09

7.2.1 The new funding framework requires teaching input funding to be based on planned FTE enrolments which have been approved by the Minister of Education. The Minister has decided that until final decisions have been reached on the student enrolment planning process (which will be continuing in 2006), planning will be based on the teaching input units generated by the funding grid contained in Table 3.

This does not raise any new issues of principle, because these teaching input units are in effect weighted FTE enrolled students.

- 7.2.2 In April 2004 the Minister of Education advised institutions that the smoothing mechanisms of the funding migration strategy (outlined in the December 2003 Ministerial Statement) would be invoked in the calculation of block grants for the 2005/06 funding year. These mechanisms included the placing of upper limits for each institution on the growth of the FTE student enrolment totals used for the calculation of the units for teaching input grants. This was deemed to be necessary because of the effect that the unexpectedly high enrolment totals reported by some institutions would have had on the allocation of block grants, particularly during the period of migration from the old to the new funding framework.
- 7.2.3 The 2005 Statement reported that the Minister had extended the upper limits used in 2005/06 into the 2006/07 financial year. This decision had the important consequences (a) that the weighted teaching input unit totals used in 2005/06 were deemed to be the planned totals for 2006/07, and (b) that the shares which institutions had of the MTEF teaching input allocation remained unchanged between 2005/06 and 2006/07.
- 7.2.4 The Minister has noted that teaching input funding amounts to about 63% of the total block grant amount distributed to institutions, and that instability in these allocations could have serious impacts on the budgets of institutions. The Minister has decided, in order to ensure that teaching input grants remain stable, that the planned enrolled totals of institutions for 2007/08 will be the teaching input units used to calculate teaching input grants for 2006/07. This will once again have the effect of ensuring that the shares which institutions have of the MTEF teaching input allocation will remain unchanged between 2006/07 and 2007/08.
- 7.2.5 The teaching input unit totals and shares of each institution can be seen in the Table 4 which follows on the next page.
- 7.2.6 The Minister's decision on what the planned totals of teaching input units will be for 2008/09 will be reported in the next Ministerial Statement.

8 TEACHING OUTPUT GRANTS

8.1 Current government policy on funding of teaching outputs

- 8.1.1 The Government Gazette of December 2003 states that the government funding framework makes provision for teaching output grants as incentives to encourage institutions to put in place steps to improve their success, throughput and graduation rates.
- 8.1.2 The Government Gazette adds that the allocation of teaching output grants to institutions must be determined on the basis of:
- ◆ an actual weighted total of teaching outputs produced by each institution;

- ◆ a normative weighted total of the teaching outputs which each institution should have produced, in accordance with benchmarks laid down by the Minister of Education.

Table 4

TEACHING INPUT UNITS: MINISTERIALLY APPROVED TOTALS FOR FUNDING IN 2006/07 AND 2007/08 TOTALS		
Cape Peninsula University of Technology	39584	4.52%
University of Cape Town	47010	5.36%
Central University of Technology	13755	1.57%
Durban Institute of Technology	34430	3.93%
University of Fort Hare	10904	1.24%
University of Free State	38875	4.44%
University of Johannesburg	59489	6.79%
University of KwaZulu-Natal	69058	7.88%
University of Limpopo	29459	3.36%
Mangosuthu Technikon	10441	1.19%
Nelson Mandela Metropolitan University	32108	3.66%
North West University	45596	5.20%
University of Pretoria	80334	9.17%
Rhodes University	10553	1.20%
University of South Africa	79355	9.06%
University of Stellenbosch	45701	5.22%
Tshwane University of Technology	75103	8.57%
Vaal University of Technology	21926	2.50%
University of Venda	12045	1.37%
Walter Sisulu University	27472	3.14%
University of the Western Cape	25884	2.95%
University of the Witwatersrand	54657	6.24%
University of Zululand	12518	1.43%
TOTAL	876259	100.00%

8.2 Teaching outputs and weightings

- 8.2.1 All completed certificates, diplomas and degrees, up to and including non-research masters degrees are recognised as teaching outputs for the purposes of the calculation of these output grants. No differences are drawn between the teaching outputs of distance and of contact programmes.
- 8.2.2 The weightings to be applied to these outputs during the triennium are set out in the Table 5 below.
- 8.2.3 The Department is considering the issue of whether a further weighting should be introduced for non-research masters outputs. These at present have a weighting of 0.5, which implies that a course-work masters graduate with a 50% research and a 50% non-research component would generate 0.5 of a research output unit and only 50% of 0.5 = 0.25 of a teaching output unit. The Department will consult HESA and the CHE before submitting recommendations to the Minister.

Table 5

Normative and actual teaching output weightings			
	2006/07	2007/08	2008/09
1st certificates and diplomas of 2 years or less	0.5	0.5	0.5
1st diplomas and bachelors degrees: 3 years	1.0	1.0	1.0
Professional 1 st bachelor's degree: 4 years and more	1.5	1.5	1.5
Postgraduate and postdiploma diplomas	0.5	0.5	0.5
Postgraduate bachelors degrees	1.0	1.0	1.0
Honours degrees/higher diplomas	0.5	0.5	0.5
Nonresearch masters degrees and diplomas	0.5	0.5	0.5

8.3 Normative teaching output totals

8.3.1 As is indicated in sub-paragraph 8.1 above, the funding framework makes provision for normative totals of teaching outputs. These normative totals are calculated by multiplying the head count totals of enrolled students by benchmarks set separately for contact and for distance programmes, and applying the weightings indicated in Table 5. The benchmarks for the triennium 2006/07 to 2008/09, which are set out in the Table 6 below, will continue to be 90% of the benchmark graduation rates set in the National Plan for Higher Education. If major changes are to be made to these benchmarks, these would be implemented at the earliest in the final year of the next triennium; ie in 2009/10.

Table 6

Adjusted graduation benchmarks for contact and distance programmes						
	Contact			Distance		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Undergraduate: up to 3 years	22.5%	22.5%	22.5%	13.5%	13.5%	13.5%
Undergraduate: 4 years or more	18%	18%	18%	9%	9%	9%
Postgraduate: up to honours	54%	54%	54%	27%	27%	27%
Postgraduate: up to masters	29.7%	29.7%	29.7%	22.5%	22.5%	22.5%

8.3.2 Because of the effects which unexpectedly high student growth rates have had on the calculation of these normative totals, the Minister has placed upper limits on the head count enrolled student totals used for the purposes of these calculations. The Minister's decision for 2006/07 was that, for each institution, the normative teaching output total would be based on the lower of its head count student totals for the

HEMIS reporting years 2002, 2003 and 2004. In considering what head count enrolment totals should be used for the 2007/08 and 2008/09 financial years, the Minister has noted that the caps, taken together with a sharp increase in actual teaching outputs, has reduced the notional amount available in 2006/07 for teaching development grants to only R182 million.

- 8.3.3 To ensure that adequate provision is made in future years for the funding of teaching development, the Minister has decided that each institution's normative total for 2007/08 will be its 2006/07 total plus 8%. This should increase the amount generated by the teaching development components of the framework to about R250 million in 2007/08. The normative totals which the Minister has determined for each institution for 2007/08 can be seen in Table 7 below.

Table 7

NORMATIVE TEACHING OUTPUT UNITS: APPROVED TOTALS		
	Approved 2006/07 total	Approved 2007/08 total
Cape Peninsula University of Technology	5318	5743
University of Cape Town	4045	4369
Central University of Technology	2127	2297
Durban Institute of Technology	4591	4958
University of Fort Hare	1705	1841
University of Free State	4788	5171
University of Johannesburg	8450	9126
University of KwaZulu-Natal	6998	7558
University of Limpopo	2584	2791
Mangosuthu Technikon	1473	1591
Nelson Mandela Metropolitan University	5175	5589
North West University	6872	7422
University of Pretoria	8601	9289
Rhodes University	1094	1181
University of South Africa	24140	26071
University of Stellenbosch	4103	4431
Tshwane University of Technology	11885	12836
Vaal University of Technology	4020	4342
University of Venda	1591	1718
Walter Sisulu University	3778	4080
University of the Western Cape	3024	3266
University of the Witwatersrand	4636	5006
University of Zululand	1850	1998
TOTAL	122847	132674

- 8.3.4 The Minister's decision on what the normative totals will be for 2008/09 will be reported in the 2007 Ministerial Statement.

8.4 Dividing the MTEF teaching output allocation between categories of grant

- 8.4.1 The normative and actual totals of teaching outputs calculated in the way described in 8.3 above are used to divide the MTEF's total allocation for teaching outputs (see Table 1) between (a) an amount for actual teaching outputs and (b) an amount for teaching development. The method to be used is described below:

- ◆ Totals of the actual weighted teaching outputs (B) and of the normative weighted research outputs (M) of all institutions are calculated. The amount available for actual teaching outputs is then determined as:

(B divided by M) multiplied by (the total for teaching outputs set out in the MTEF budget).

- ◆ The total available for teaching development is the balance remaining after the amount for actual teaching outputs has been deducted from the total MTEF teaching output allocation.

8.4.2 An institution's Rand allocation for actual teaching outputs is determined as:

[(Institutional weighted total of teaching outputs) divided by (system's weighted total of actual outputs)] multiplied by (Rand total for teaching outputs calculated in 8.4.1 above).

8.4.3 Only those institutions whose actual weighted totals of teaching outputs are less than their normative weighted teaching output totals can be considered for teaching development funding. The maximum size of the teaching development grant for which an institution can be considered in a given year is determined in this way:

[(Institutional shortfall between actual and normative teaching output totals) divided by (total of all shortfalls)] multiplied by (Rand total for teaching development calculated in 8.4.1 above).

8.4.4 During the funding years 2004/05 to 2005/06, the teaching development amounts generated by the shortfalls of institutions were added to their block grants. The councils of institutions were, as a consequence, permitted to use these additional amounts for purposes other than teaching development. The Minister indicated in the 2005 Ministerial Statement that, for 2006/07, the teaching development amounts generated by teaching shortfalls would once again be added to the (discretionary) block grants of institutions.

8.5 Teaching development grants in 2007/08 and 2008/09

8.5.1 The Minister has decided that the practice described in 8.4.4 will not be continued in 2007/08 and 2008/09. Teaching development funds will not be added to the block (or discretionary) grant allocations of institutions. These funds will become earmarked amounts which the Minister will allocate to institutions for specific developmental purposes.

8.5.2 The allocation process will operate in the following way:

- ◆ Each institution, which believes that its HEMIS data for 2005 and 2006 will show that its actual teaching output totals are less than its normative totals, will be invited to submit to the Department of Education a proposal on how it would use the funds generated by these teaching output shortfalls. This proposal must cover the two-year period 2007/08 to 2008/09.

- ◆ The Department will advise all institutions before the end of July 2006 (a) what the format should be of institutional proposals, (b) for what restricted purposes these funds may be used, and (c) what the closing date is for the return of institutional proposals.
- ◆ During November 2006, calculations will be made of the Rand values of the teaching development grants generated for 2007/08 by institutional shortfalls. The Minister will, at that stage, consider only the proposals submitted by institutions which have teaching output shortfalls. If the Minister approves a proposal, the institution will be allocated an amount which is either equal to, or a proportion of, the teaching development grant which it generated. This allocation will be made on the condition that these funds may be used only for the purposes specifically approved by the Minister.
- ◆ In November 2007, calculations will be made of the Rand values of the teaching development grants generated for 2008/09 by institutional shortfalls. An institution whose proposals were approved by the Minister in 2006 will be allocated an amount which is either equal to, or a proportion of, the teaching development grant which it generated for the 2008/09 financial year. This allocation will once again be made on the condition that these funds may be used only for the purposes specifically approved by the Minister.

8.6 Teaching development grants from 2009/10

- 8.6.1 A task team will be appointed during the second half of 2006 to prepare advice for the Minister on a future teaching development policy and on an allocation mechanism for the distribution of these grants.
- 8.6.2 One of the specific terms of reference to be given to the task team will be that of reconsidering the allocation method which was published in the Government Gazette (No. 25824 of 9 December 2003). This Government Gazette, which was approved by the Ministers of Education and Finance, states that the allocation method must involve normative calculations of the kind outlined in 8.4.
- 8.6.3 New policies on teaching development funding and on distributive mechanisms for these grants must be approved by the Ministers of Education and Finance, and would not come into effect before the 2009/10 financial year.

9 RESEARCH OUTPUT GRANTS

9.1 Current government policy on funding of research

The Government Gazette of December 2003 offers a summary of the policy framework for the direct government funding of research in higher education institutions. The key directives contained in this policy are these:

- ◆ The research productivity of the higher education system must be enhanced.
- ◆ Research resources must be concentrated in institutions where there is demonstrated capacity and/or potential, based on approved mission and programme profiles.
- ◆ Government research funding, apart from research development funds, will be determined solely on the basis of research outputs.

The Government Gazette adds that the allocation of research funds to institutions must be determined on the basis of:

- ◆ an actual weighted total of the research outputs produced by each institution;
- ◆ a normative weighted total of the research outputs which each institution should have produced, in accordance with benchmarks laid down by the Minister of Education.

9.2 Research outputs and weightings

Doctoral and research masters graduates and publication units are recognised as research outputs for the purposes of the calculation of research output grants. The weightings to be applied to these three categories of outputs during the triennium are set out in Table 8. Any major changes to these categories or their weightings would be implemented at the earliest in the final year of the next triennium; ie in 2009/10.

Table 8

Weightings for research outputs			
Research output category	2006/07	2007/08	2008/09
Publication units	1	1	1
Research masters graduates	1	1	1
Doctoral graduates	3	3	3

The research output calculations for funding year 2006/07 will be based on each institution's audited outputs for 2004, for 2007/08 on audited outputs for 2005, and for 2008/09 on audited outputs for 2006.

Changes to the national Higher Education Management Information System (HEMIS), have required each institution to divide masters graduates into research and non-research subtotals. The totals of non-research masters graduates will be counted as teaching outputs for purposes of this new funding framework.

9.3 Research output norms

- 9.3.1 As is indicated in sub-paragraph 9.1 above, the funding framework makes provision for a normative total of research outputs for the public higher education system to be calculated by multiplying totals of permanently appointed instruction/research professionals by benchmarks approved by the Minister.
- 9.3.2 The second Ministerial Statement, which was published in 2005, indicated that the permanent instruction/research staff totals to be used for normative research output calculations for 2006/07 would, for each institution, be the lower of its totals for 2002, 2003 and 2004. This was done (a) because of concerns about the quality of the staffing data submitted by a number of institutions, and (b) to stabilise the funding of institutions during the migration from the old to the new funding framework. The 2005 Statement indicated also that the Minister's decisions on what totals were to be used in the following financial years would be reported in this 2006 Statement.
- 9.3.3 Analyses of the latest HEMIS staffing data have shown that the quality of submissions has improved, and that the totals of permanent academic staff in the system have now stabilised. The Minister has therefore decided that the normative research output calculations for funding year 2007/08 will be based on each institution's audited permanent instruction/research total for 2005, and for 2008/09 on that for 2006.
- 9.3.4 In the first Ministerial Statement, which was published in 2004, separate benchmarks were set for universities and technikons (now re-named universities of technology). These benchmarks had to be expanded when the category of a comprehensive institution was introduced in 2005. The Minister announced in the 2005 Statement that until a benchmark for comprehensive institutions has been finalised, the separate benchmarks for universities and universities of technology will be applied to the different components of a comprehensive university. Since this benchmark has not yet been established, the benchmarks and calculation method set out in Table 9 below will be continued into the 2007/08 financial year.

Table 9

Ratios of weighted publication units to permanently appointed instruction/research staff	
Universities	1.25
Universities of Technology	0.5
Comprehensive institutions constituted by a merger between a university and a university of technology)	<i>None set: normative totals to be calculated as described below</i>

- 9.3.5 The calculation of a normative research output total for 2007/08 for any institution formed through the merger of a university and a technikons will proceed in this way:
- ◆ The institution's total of permanent instruction/research staff for 2005 should be divided into these subtotals:
 - U = staff involved primarily in teaching in university-type programmes;
 - T = staff involved primarily in teaching in technikon-type programmes.
 - ◆ The institution's normative research output total will then be $(T \times 0.5) + (U \times 1.25)$

9.3.6 The HEMIS directorate of the Department of Education will advise institutions in the third grouping of Table 9 how staff data for 2005 should be submitted, in order for these normative research output calculations to be made possible.

9.4 Dividing the MTEF research allocation between categories of grant

9.4.1 The normative and actual totals of research outputs calculated in the ways described in section 9.3 above are used to divide the total allocations for research in the MTEF budget (see Table 1) between (a) an amount for actual research outputs and (b) an amount for research development. The method to be used is described below:

- ◆ Totals of the actual weighted research outputs (A) and of the normative weighted research outputs (N) of all institutions are calculated. The amount available for actual research outputs is then determined as:

(A divided by N) multiplied by (the total for research set out in the MTEF budget)

- ◆ The total available for research development is the balance remaining after the amount for actual research outputs has been deducted from the total MTEF research allocation.

9.4.2 An institution's Rand allocation for actual research outputs is determined as:

[(Institutional weighted total of research outputs) divided by (system's weighted total of actual outputs)] multiplied by (Rand total for research outputs calculated in 9.4.1 above).

9.4.3 Only those institutions whose actual weighted totals of research outputs are less than their normative weighted research output totals can be considered for research development funding. The maximum size of the research development grant for which an institution can be considered in a given year is determined in this way:

[(Institutional shortfall between actual and normative research output totals) divided by (total of all shortfalls)] multiplied by (Rand total for research development calculated in 9.4.1 above).

9.4.4 During the funding years 2004/05 to 2005/06, the research development amounts generated by the shortfalls of institutions were added to their block grants. This was done without any account being taken of research policies set out in 9.4.1. The councils of institutions were, as a consequence, permitted to use these additional amounts for purposes other than research development. The Minister indicated in the 2005 Ministerial Statement that, for 2006/07, the research development amounts generated by research shortfalls would, for possibly the last time, be added to the (discretionary) block grants of institutions.

9.5 Research development grants in 2007/08 and 2008/09

9.5.1 The amounts available for research development are likely to be about R200 million in 2007/08 and a further R200 million in 2008/09. The amounts distributed for actual research outputs would therefore be approximately R1183 million in 2007/08 and R1306 million in 2008/09.

9.5.2 The Minister has decided that the practice described in 9.4.4 will not be continued in 2007/08 and 2008/09. Research development funds will not be added to the block (or discretionary) grant allocations of institutions. These funds will become earmarked amounts which the Minister will allocate to institutions for specific developmental purposes.

9.5.3 The allocation process will operate in the following way:

- ◆ Each institution, which believes that its HEMIS data for 2005 and 2006 will show that its actual research output totals are likely to be less than its normative totals, will be invited to submit to the Department of Education a proposal on how it would use the funds generated by these research output shortfalls. This proposal must cover the two-year period 2007/08 to 2008/09.
- ◆ The Department will advise all institutions before the end of July 2006 (a) what the format should be of institutional proposals, (b) for what restricted purposes these research shortfall funds may be used, and (c) what the closing date is for the return of institutional proposals.
- ◆ During November 2006, calculations will be made of the Rand values of the research development grants generated for 2007/08 by institutional shortfalls. The Minister will, at that stage, consider only the proposals submitted by institutions which have research output shortfalls. If the Minister approves a proposal, the institution will be allocated an amount which is either equal to, or a proportion of, the research development grant which it generated. This allocation will be made on the condition that these funds may be used only for the purposes specifically approved by the Minister.
- ◆ In November 2007, calculations will be made of the Rand values of the research development grants generated for 2008/09 by institutional shortfalls. An institution whose proposals were approved by the Minister in 2006 will be allocated an amount which is either equal to, or a proportion of, the research development grant which it generated for the 2008/09 financial year. This allocation will once again be made on the condition that these funds may be used only for the purposes specifically approved by the Minister.

9.6 Research development grants from 2009/10

9.6.1 A task team will be appointed during the second half of 2006 to prepare advice for the Minister on a future research development policy and on an allocation mechanism for the distribution of these grants.

- 9.6.2 One of the specific terms of reference to be given to the task team will be that of reconsidering the allocation method which was published in the Government Gazette (No. 25824 of 9 December 2003). This Government Gazette, which was approved by the Ministers of Education and Finance, states that the allocation method must involve normative calculations of the kind outlined in 9.4.
- 9.6.3 New policies on research development funding and on distributive mechanisms for these grants must be approved by the Ministers of Education and Finance, and would not come into effect before the 2009/10 financial year.

10 INSTITUTIONAL FACTOR GRANTS

10.1 Grants for institutions with large proportions of disadvantaged students

- 10.1.1 One of the priorities set by the National Plan for Higher Education is that of increasing “the participation, success and graduation rates of black students in general and African and coloured students in particular” (2001: 35). These grants for disadvantage take account of this priority by deeming disadvantaged students to be African and coloured students who are South African citizens, and who are enrolled in contact education programmes. The institutional factor operates by adding an amount to the teaching input grants of institutions, depending on what proportions of their students are deemed to be disadvantaged.
- 10.1.2 In the case of all institutions other than the dedicated distance institutions, a calculation is made of the teaching input grant generated by their *contact* students, and a proportion is then added to this contact teaching grant. This factor will be 0 up to a proportion of 40% of disadvantaged students (as defined in 10.1.1 above) in the FTE enrolled contact student total and will increase linearly to a maximum 0.10 at a proportion of 80%. The factor will remain 0.10 for proportions of between 80% and 100%.
- 10.1.3 The following points should be noted about these calculations:
- ◆ The actual (ie unadjusted) totals of FTE enrolled contact student (excluding experiential FTE students) are used for the calculation of these factors. For 2006/07 the totals will be the actual contact totals for 2004, for 2007/08 those for 2005, and for 2008/09 those for 2006.
 - ◆ For 2006/07 and 2007/08, an institution’s factor is applied only to its Ministerially-approved teaching input unit total (see Table 4 above). The Minister’s decision on what the teaching input totals will be for 2008/09 will be reported in the next Statement.
- 10.1.4 The calculations referred to in 10.1.1 and 10.1.2 above will, in the case of the dedicated distance institution, be based on its approved totals of distance teaching inputs, and on the proportions which students deemed to be disadvantaged have of its unadjusted distance FTE enrolled totals.

10.2 Grants related to the size of institutions

10.2.1 These size factors take account of economies of scale as the FTE enrolment size of an institution increases. The institutional size factor operates by giving additional teaching input grants to small institutions, depending on the size of their FTE student enrolments. The institutional size factor will be 0.15 for institutions with 4 000 (unweighted) contact plus distance FTE students, after which it will decrease linearly to 0 for institutions with totals of 25 000 or more (unweighted) contact plus distance FTE students.

10.2.2 The following points should be noted about these calculations:

- ◆ The actual (or unadjusted) totals of FTE enrolled contact plus distance student totals are used for the calculation of these size factors. For 2006/07 the totals will be the unadjusted contact totals for 2004, for 2007/08 those for 2005, and for 2008/09 those for 2006.
- ◆ For 2006/07 and 2007/08, an institution's size factor is applied only to its Ministerially-approved teaching input unit total (see Table 4 above). The Minister's decision on what the teaching input totals will be for 2008/09 will be reported in the next Statement.

10.3 Grants for multi-campus institutions

These will be grants designed to assist institutions, which are required to deliver teaching services on more than one official campus. The Department of Education is conducting investigations into the operation of newly merged and other multi-campus institutions to determine the basis for the allocation of an appropriate institutional factor. Changes in respect of the institutional factor grants, to accommodate a multi-campus factor, could be implemented during the current triennium. Interim measures affecting institutions which merged in 2004 or 2005 are discussed in section 11 which follows.

10.4 Distributing institutional factor funds

The funds available for institutional factor grants during the triennium 2006/07 to 2008/09 are set out as single amounts in the MTEF budget (see Table 1). The institutional factor budget will be distributed to institutions each year on a pro-rata basis, using their and the system's combined totals of additional teaching input units generated for disadvantage and for size.

11 CALCULATION OF INSTITUTIONAL FACTOR GRANTS FOR MERGED INSTITUTIONS

11.1 The Minister has decided that, until final decisions have been taken on the inclusion of a multi-campus factor in the funding framework, the institutional factor grants of institutions which merged in either 2004 or 2005 will not be based on their combined enrolment totals.

- 11.2 For the 2006/07 funding year, the 2004 FTE student enrolment totals of the merged institutions were divided into totals corresponding to the pre-merger institutions, and separate calculations were made of the additional numbers of teaching units which they generated for institutional size and disadvantage. The main benefit to the merged institutions of these procedures was that they received in 2006/07 larger institutional factor grant allocations (particularly in relation to size) than they would have if their block grants had been calculated on the basis of their being single, unified institutions. This was intended to compensate these institutions for some of the additional costs incurred in the running of a multi-campus institution.
- 11.3 The Minister has accepted that merged institutions would have difficulty in dividing their student enrolments for 2005 and 2006 into files corresponding to their pre-merger campuses. The Minister has therefore decided that the additional teaching units used to calculate the 2006/07 size and disadvantage grants for merged institutions will be used for the 2007/08 and 2008/09 funding years. These totals of units are set out in Table 10 below.

Table 10

Additional teaching input units for size and disadvantage: merged institutions only		
	2007/08	2008/09
Cape Peninsula University of Technology	6515	6515
University of Johannesburg	5319	5319
University of KwaZulu-Natal	2890	2890
University of Limpopo	6742	6742
Nelson Mandela Metropolitan University	5124	5124
North West University	3499	3499
University of South Africa	2448	2448
Tshwane University of Technology	8833	8833
Walter Sisulu University	6268	6268

- 11.4 The standard calculations for size and for disadvantage, described in section 10, will be made for all other institutions in the 2007/08 and 2008/09 funding years. The totals generated for these (non-merged) institutions will be added to the totals in Table 10, and the MTEF budget for institutional factors will be distributed in the normal pro-rata way.
- 11.5 The Minister will give notice, in a future Ministerial Statement, of the date on which this method of calculating the block grants of merged institutions will be discontinued.

12 FOUNDATION PROGRAMME GRANTS

12.1 Allocation of foundation grants to institutions

The 2005 Ministerial Statement sets out the procedures which are followed in allocating foundations grants to institutions. The main points to note about these procedures are these:

- ◆ Grants for foundation programmes will not be awarded automatically to institutions. They will be required to submit formal applications for funding in three-year cycles to be determined by the Minister.

- ◆ If an application is approved, then the institution will not have to submit further applications during that cycle.
- ◆ A condition for the release of funds in the second and third years of a cycle is that a report from the institution on the use of these funds in the previous year has been judged by the Department to be satisfactory.

12.2 Funding cycles

12.2.1 The first two cycles for the allocation of foundation grants are:

Cycle 1:	2004/05 to 2006/07
Cycle 2:	2007/08 to 2009/10

12.2.2 The Department will during the second half of 2006 invite institutions to submit applications for foundation grants for the second cycle of 2007/08 to 2009/10.

12.3 Funds for foundation grants

12.3.1 The totals available for foundation grants for the triennium 2006/07 to 2008/09 are set out below (see also Table 1 in section 5 this Statement):

2006/07	R105 million
2007/08	R114 million
2008/09	R123 million

12.3.2 The 2006/07 allocation has already been committed as the final year of the first cycle of foundation programme funding. The 2007/08 and 2008/09 allocations will be used in the second cycle of funding. In making allocations for this second cycle, the Department will assume that the 2009/10 allocation is 2008/09 plus 6% = R130 million. This will make the total available for allocation for the second three-cycle of foundation funding R367 million.

13 DATA FOR BLOCK GRANT CALCULATIONS FOR 2006/07 AND 2007/08

13.1 Summary of data for 2006/07 calculations

A summary of key data employed in the block grant calculations was sent to each institution during December 2005. These summaries set out totals for the higher education system and for the specific institution concerned.

The key features of the data for 2006/07 are summarised in Table 11 which follows on the next page.

13.2 Summary of data for 2007/08 calculations

Table 12 which follows offers a projection of what the key funding data elements could be in the 2007/08 funding year. The notes which follow explain what the bases are for these projections.

Table 11

Details of data for the higher education sector for the 2006/07 funding year	
Teaching input units (see Table 4)	876 300
Institutional factors: additional teaching input units generated	87 100
Teaching output units:	
Normative total (see Table 7)	122 800
Total of actual units produced	108 500
Sum of institutional shortfalls between normative and actual totals	19 700
Research output units:	
Normative total	15 800
Total of actual units produced	13 400
Sum of institutional shortfalls between normative and actual totals	4 300

Table 12

Details of data for the higher education sector for the 2007/08 funding year	
Teaching input units (see Table 4)	876 300
Institutional factors: additional teaching input units generated	87 000
Teaching output units:	
Normative total (see Table 7))	132 700
Total of actual units produced	112 000
Sum of institutional shortfalls between normative and actual totals	23 000
Research output units:	
Normative total	16 200
Total of actual units produced	14 200
Sum of institutional shortfalls between normative and actual totals	4 000

The main points to note about the projections in Table 12 are these:

13.2.1 The main funding constraint which the Minister has laid down for 2007/08 is to limit the higher education system's teaching input unit total to 876 300, which was the approved total for 2006/07. Since the key consequence of this is that institutional shares of this teaching unit total will remain constant, institutions can assume that the teaching input unit component of their block grants will for 2007/08 be their 2006/07 teaching grant total (as set out in the summary sheets sent out in December 2005) plus 7.4%, which is the increase expected in the MTEF's higher education block grant budget for 2007/08.

- 13.2.2 Because institutional factor grant calculations are based on actual FTE student enrolments, student growth can still affect these amounts generated for institutions. In particular, those institutions which experienced major student growth in the 2005 compared to the 2004 academic year may find that their total of additional teaching units generated by the institutional factor components of the new framework drops in 2007/08. Institutions should not therefore simply assume that their grant in 2007/08 for this component of the funding framework will be their 2006/07 institutional factor grant plus 7.4%.
- 13.2.3 Since no upper limits have been placed on institutional totals of actual teaching outputs, the 2007/08 totals could differ from those for 2006/07. The projection assumes that the total of actual teaching outputs will rise by 3.2%. Because of the upper limit which has been that placed on the normative teaching output total, any increase in the actual total output total will have two effects: (a) the sum of institutional shortfalls could drop, and (b) the amount available for teaching development funds could fall. Institutions must note that amounts generated for teaching development grants in 2007/08 will not be added to block (or discretionary) grants, but will be distributed according to the procedures outlined in section 9 of this Statement.
- 13.2.4 The research output projections assume that the total of actual research outputs will rise by 6% in 2007/08 compared to 2006/07. The normative total will increase because of the lifting of the cap on the permanent instruction/research staff totals used in this calculation, and this should have the effect of raising the amount available for research development funding. Institutions must however note that amount generated for research development grants in 2007/08, will not be added to block grants, but will be distributed according to the procedures outlined in section 8 of this Statement.

14 PROJECTIONS OF FUNDING DATA

14.1 Consultative process on student enrolment planning

As indicated in section 2.3, the consultative process on the enrolment planning document will not be concluded before the end of 2006. As a consequence, Minister's forecasts on enrolments and funding for 2006/07 to 2008/09 contained in this section are of necessity provisional ones, which could be subject to later amendment and adjustment.

14.2 Projections of student enrolments and of teaching and research outputs

The tables in this subsection sets out in broad terms various data projections for the academic years 2005 to 2007. These projections, which may be revised when final HEMIS data files have been submitted by institutions, will be relevant to the following funding years:

- ◆ 2005: funding year 2007/08
- ◆ 2006: funding year 2008/09
- ◆ 2007: funding year 2009/10

Table 13

Actual and projected totals of head count and FTE enrolled students in higher education				
Academic year	Head count enrolments		FTE enrolments	
	Total: thousands	Increase on previous year	Total: thousands	Increase on previous year
Actual				
2001	638	8.5%	447	8.5%
2002	675	5.8%	450	0.7%
2003	718	6.4%	495	10.0%
2004	744	3.6%	505	2.0%
Projected				
2005	740	-0.5%	500	-1%
2006	762	3.0%	515	3%
2007	785	3.0%	530	3%

Table 14

Actual and projected totals of teaching input units		
Teaching units generated:		Ministerially-approved totals (thousands)
In academic year:	For funding year:	
Actual:		
2002	2004/05	Not applicable
2003	2005/06	883
2004	2006/07	876
Projected:		
2005	2007/08	876
2006	2008/09	900
2007	2009/10	930

Table 15

Graduates and diplomates: thousands						
	Actual			Projected		
	2002	2003	2004	2005	2006	2007
Undergraduate diplomas & degrees	72	74	84	87	90	93
Postgraduate up to honours	20	22	24	25	25	25
Masters degrees & diplomas	7	8	8	9	9	9
Doctoral degrees	1	1	1	1	1	1
TOTAL	100	105	117	122	125	128

Table 16

Actual and projected totals of teaching and research outputs (thousands)				
	Funding year			
	2006/07	2007/08	2008/09	2009/10
Weighted teaching outputs				
Actual	109	112	115	119
Normative	123	133	136	139
Weighted research outputs				
Actual	13.4	14.2	14.6	15.1
Normative	15.8	16.2	16.2	16.2

2 May 2006