

MINISTRY OF EDUCATION

MINISTERIAL STATEMENT ON HIGHER EDUCATION FUNDING: 2005/6 TO 2007/8

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1 INTRODUCTION

1.1 Purpose of Ministerial Statement

The new 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 forward determinations of the following:

- 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 any aspect of the framework, the Minister of Education will first consult the higher education sector and the Council on Higher Education. The nature and reasons for 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.

1.2 Student Enrolment Planning

The Minister released in early April 2005, a consultative document, Student Enrolment Planning in Public Higher Education: 2005-2009, the main purpose of which is to ensure (i) stability in institutional subsidy allocations; and (ii) that in future enrolment growth is linked to resource availability and the realisation of national policy goals and objectives. As the consultative process will not be concluded before the middle of 2005, the forecasts on enrolments and funding for 2006/07 to 2008/09 in this Statement, which the Minister is required to give, are of necessity broadly stated and are subject to amendment and adjustment based on the outcomes of the consultative process.

2 ALLOCATION OF MTEF BUDGETS FOR 2005/06 to 2007/08

Table 1 below shows how the Medium Term Expenditure Framework (MTEF) budgets for the triennium 2005/06 to 2007/08 have been divided between the various categories of grant in the new funding framework.

The points which should be noted about this table are these:

- ◆ 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.
- ◆ The increases reflected in the total block grant row are those that will be used in the implementation strategy discussed in Section 9 of this Statement.
- ◆ Ad hoc earmarked grants, which include municipal property rates and assistance with medical car schemes, have been included in the block grant total.
- ◆ The NSFAS allocation for 2005/06 is R864 million, which is an increase of R286 million (or 49%) on the 2004/05 allocation of R578 million. The projected allocation for 2007/08 is R1 113 million, which is double that for 2004/05.

Table 1

	Redistribution of actual budget for 2005/06 (R'million)		Provisional distribution of MTEF budgets				Increase on budget provision for previous financial year		
			2006/07 (R'million)		2007/08 (R'million)		2005/06	2006/07	2007/08
1 Block grants	9 145	85%	9 717	85%	10 223	84%	6.7%	6.3%	5.2%
1.1 Teaching inputs	5 855	54%	6 222	54%	6 546	54%	7.3%	6.3%	5.2%
1.2 Institutional factors	610	6%	648	6%	682	6%	0.6%	6.3%	5.2%
1.3 Teaching outputs	1 463	14%	1 555	14%	1 636	13%	7.3%	6.3%	5.2%
1.4 Research outputs	1 198	11%	1 273	11%	1 339	11%	6.5%	6.3%	5.2%
1.5 Veterinary Science Hosp	19	0%	20	0%	21	0%	6.7%	6.3%	5.2%
2 Earmarked grants	1 085	10%	1 137	10%	1 313	11%	34.1%	4.8%	15.5%
2.1 NSFAS	864	8%	926	8%	1 113	9%	49.4%	7.2%	20.2%
2.2 Interest & redemption on loans	130	1%	114	1%	98	1%	-11.0%	-12.2%	-14.0%
2.3 Foundation programmes	91	1%	96	1%	102	1%	7.4%	6.0%	6.3%
3 Institutional restructuring	550	5%	568	5%	600	5%	9.6%	3.3%	5.6%
TOTAL	10 780	100%	11 422	100%	12 136	100%	9.1%	6.0%	6.3%

3 CHECKING AND ADJUSTING INSTITUTIONAL HEMIS DATA

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.

The Department of Education will also, when necessary, make adjustments to the institutional student and staff data before block grant totals are generated by the funding framework software. It will make these prior adjustments 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 student and/or staff 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.
- ◆ The institution has included in its HEMIS data the student inputs and outputs for qualifications which are not part of the academic programme mix approved for it by the Minister of Education, or have not been approved for funding by the Minister of Education.

4 RESEARCH OUTPUT GRANTS

4.1 Research output weightings

The research outputs for funding year 2005/06 will be based on each institution's audited outputs for 2003, for 2006/07 on audited outputs for 2004, and for 2007/08 on audited outputs for 2005.

The weightings to be applied to these outputs during the triennium 2005/06 to 2007/08 are set out in the table below. Any major changes to these weightings would be implemented at the earliest in the final year of the next triennium; ie in 2008/09.

Table 2

Weightings for research outputs			
Research output category	2005/06	2006/07	2007/08
Publication units	1	1	1
Research masters graduates	1	1	1
Doctoral graduates	3	3	3

Changes to the national Higher Education Management Information System (HEMIS), have required each institution to divide masters graduates into research and non-research subtotals. This was implemented for the first time in 2003 for the 2005/06 funding year, and will be continued during the remaining years of the triennium. The totals of non-research masters graduates within each CESM category will be counted as teaching outputs for purposes of this new funding framework.

4.2 Research output norms

- 4.2.1 A normative total of research outputs for the public higher education system will be calculated by multiplying totals of permanently appointed instruction/research professionals by benchmarks set separately for each of the categories of higher education institution. As a result of continuing problems with the HEMIS staff data of certain institutions, the Minister will determine, for each funding year, which data are to be used for these calculations. The purpose of this determination is to stabilise the totals of normative research output units generated for institutions and for the higher education system. There are two methods can be used to stabilise these totals: (a) the normative total of research outputs for each institution can be capped, or (b) because the ratios of outputs per permanent academic staff member will remain constant through the triennium, each institution's total of permanent instruction/research staff members can be capped for the purposes of these calculations.

- 4.2.2 The second of these two methods will be used because of ease of calculations. The permanent academic staff totals to be used for normative research output calculations for 2005/06 will, for each institution, be the lower of its totals for 2002 and 2003. The 2006/07 normative totals will be based on the lower of its totals for the HEMIS reporting years 2002, 2003 and 2004. The Minister's decision on what totals are to be used for the 2007/08 funding year will be reported in the next Ministerial Statement.
- 4.2.3 In the previous Ministerial Statement separate benchmarks were set for universities and technikons (now re-named universities of technology). The introduction of comprehensive institutions through the merger of a university and a university of technology requires that a benchmark should be established for this new category of institution. The Minister has decided that as a benchmark for comprehensive institutions remains to be finalised, in 2006/07, the separate benchmarks for universities and universities of technology will be applied to the different components of a comprehensive university.

Table 3

Ratios of weighted publication units to permanently appointed instruction/research staff: 2006/07 only	
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>

- 4.2.4 The calculation of a normative research output total for 2006/07 for any institution formed through the merger of a university and one or more technikons must proceed in this way:

- ◆ The institution's capped total of permanent instruction/research staff for 2004 (see 4.2.2 above) must 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 division of staff into the subtotals U and T must be certified as correct during the audit of the institution's HEMIS staff data for 2004.
 - ◆ The institution's normative research output total will then be $(T \times 0.5) + (U \times 1.25)$
- 4.2.5 The HEMIS directorate of the Department of Education will advise institutions in the third grouping of Table 3 how staff data for 2004 should be submitted, in order for these normative research output calculations to be made possible.

4.3 Redistributing unallocated provisions for research output grants

- 4.3.1 The normative and actual totals of research outputs calculated in the way described in section 4.2 and 4.1 above have to be related to the allocations for research output grants set out in Table 1. The method to be used is described in 4.3.2 and 4.3.3 below.

- 4.3.2 If the sum of actual weighted research outputs of all institutions (A) is equal to, or larger than, the sum of normative weighted research outputs of all institutions (N), then the total grant for the sector for research outputs will be distributed to institutions pro-rata to their actual weighted total of research outputs. However, if A is less than N (which is expected to be the case during the 2005/06 to 2007/08), then the grant for the sector available for actual research outputs will be equal to A/N multiplied by the total grant available in the MTEF budget for research outputs. An institution's share of A will determine its share of the grant available for actual research outputs.
- 4.3.3 The balance of research output grants will be redistributed, as research development grants, to those institutions whose actual weighted totals of research outputs are less than their normative weighted research output totals. An institution's share of the total of all shortfalls will determine what its research development grant will be for a given year.
- 4.3.4 During the funding years 2005/06 and 2006/07, the research development grants for which institutions may be eligible will be added to their block grants. This will be done without any prior application being necessary. The Minister has still to determine whether this practice of adding research development grants to block grants will be employed in 2007/08 and the remaining years of the triennium 2007/08 to 2010/2011. The Minister's decision will be reported in the next Ministerial Statement.
- 4.3.5 Institutions will be entitled, in 2005/06 to 2006/07, to use these additional funds for purposes other than research development, but should note that their block grant totals could fall in 2007/08 if research development grants are then allocated in the ways prescribed by the funding framework.
- 4.3.6 Allocations will be made in the following ways, when the research development aspects of the funding framework are implemented in full:

Research development grants will not be awarded automatically to institutions. They will be required to submit formal applications for the amounts for which they are eligible. If an application is approved for year n, then the institution will receive, without having to submit further applications, the research development allocations for which it is eligible in year n+1 and n+2. Allocations for any further three-year period will be dependent on assessments of (a) the new applications, and (b) institutional achievements in research development during the previous triennium.

5 TEACHING OUTPUT GRANTS

5.1 Teaching output weightings

The teaching outputs for funding year 2005/06 will be based on each institution's audited outputs of non-research graduates and diplomates for 2003, for 2006/07 on audited outputs for 2004, and for 2007/08 on audited outputs for 2005. No differences are drawn between the teaching outputs of distance and of contact programmes

The weightings to be applied to these outputs during the triennium 2005/06 to 2007/08 are set out in the table below. Any major changes to these weightings would be implemented at the earliest in the final year of the next triennium; ie in 2008/09.

Table 4

Normative and actual teaching output weightings			
	2005/06	2006/07	2007/08
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

5.2 Teaching output norms

- 5.2.1 A normative total of weighted teaching outputs for the public higher education system will be 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 4. Because of the effects which unexpectedly high student growth rates have had on the calculation of these normative totals, the Minister will determine, for each funding year, which data are to be used for these calculations. There are two related methods can be used to stabilise these output totals: (a) the normative total of teaching outputs for each institution can be capped, or (b) because an institution's shape (in terms of the proportions of students in each qualification type) is unlikely to change markedly during a triennium, its head count total of enrolled students can be capped for the purposes of these calculations.
- 5.2.2 The second of these two methods will be used because of ease of calculations. This implies that caps must be placed on each institution's head count enrolled student totals for the purposes of these calculations. The determining of these caps must clearly be consistent with the student enrolment planning framework outlined in the consultative document released by the Minister in April 2005.
- 5.2.3 The Minister had decided in April 2004 that the capped head count student totals used for calculations for 2005/06 would, for each institution, be the lower of its totals for 2002 and 2003. Because 2002 is in effect the baseline year for the controls on growth proposed in the consultative document, the 2006/07 normative totals will be based on the lower of its head count student totals for the HEMIS reporting years 2002, 2003 and 2004. The Minister's decision on what totals are to be used for the 2007/08 funding year will take account of the final outcomes of the enrolment planning process, and will be reported in the next Ministerial Statement.

- 5.2.4 The benchmarks for the triennium 2005/06 to 2007/08 will be 90% of the benchmark graduation rates set in the National Plan for Higher Education (2001: 23). The benchmarks for the triennium are set out in the table below. 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 2008/09

Table 5

Adjusted graduation benchmarks for contact and distance programmes						
	Contact			Distance		
	2005/06	2006/07	2007/08	2005/06	2006/07	2007/08
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%

5.3 Redistributing unallocated provisions for teaching output grants

- 5.3.1 The normative and actual totals of teaching outputs calculated in the way described in section 5.1 and 5.2 above have to be related to the allocations for teaching output grants set out in Table 1. The method to be used is described in 5.3.2 and 5.3.3 below:
- 5.3.2 If the sum of actual weighted teaching outputs of all institutions (T) is equal to, or larger than, the sum of normative weighted teaching outputs of all institutions (M), then the total grant for the sector for teaching outputs will be distributed to institutions pro-rata to their actual weighted total of teaching outputs. However, if T is less than M (which is expected to be the case during 2005/06 to 2007/08), then the grant for the sector available for actual teaching outputs would be equal to T/M multiplied by the total grant available in the MTEF budget for teaching outputs. An institution's share of T will determine its share of the grant available for actual teaching outputs.
- 5.3.3 The balance of teaching output grants will be redistributed, as teaching development grants, to those institutions whose actual weighted totals of teaching outputs are less than their normative weighted teaching output totals. An institution's share of the total of all shortfalls will determine what its teaching development grant will be for a given year.
- 5.3.4 During the funding years 2005/06 and 2006/07, the teaching development grants for which institutions may be eligible will be added to their block grants. This will be done without any prior application being necessary. The Minister has still to determine whether this practice of adding teaching development grants to block grants will be employed in 2007/08 and the remaining years of the triennium 2007/08 to 2010/2011. The Minister's decision will be reported in the next Ministerial Statement.

5.3.5 Institutions will be entitled, in 2005/06 to 2006/07, to use these additional funds for purposes other than teaching development, but should note that their block grant totals could fall in 2007/08 if teaching development grants are then allocated in the ways prescribed by the funding framework.

5.3.6 Allocations for teaching development will be made in the following ways, when the teaching development aspects of the funding framework are implemented in full:

Teaching development grants will not be awarded automatically to institutions. They will be required to submit formal applications for the amounts for which they are eligible. If an application is approved for year n , then the institution will receive, without having to submit further applications, the teaching development allocations for which it is eligible in years $n+1$ and $n+2$. Allocations for any further three-year period will be dependent on assessments of (a) the new applications and (b) institutional achievements in teaching development during the previous triennium.

6 TEACHING INPUT GRANTS

6.1 Input funding grid

The teaching input grid consists of aggregations of educational subject matter categories (CESM categories), which are subjected to weightings by funding group and by course level. These grids distinguish between the teaching inputs of all contact and distance programmes up to masters level. For the purposes of teaching input funding, all distance masters and doctoral programmes are given the same weightings as contact programmes. Tables 6 and 7 represent the funding grid which is used to transform unweighted planned FTE student enrolments into weighted teaching input units. A weighting factor of a grid cell presented in Table 7 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

The two tables which follow set out the funding groups and the weightings which will be applied in the triennium 2005/06 to 2007/08. The positions of CESM categories 06 computer science, 07 education, and 08 engineering on the funding grid are being investigated by the Department of Education. Changes in respect of these specific categories could be implemented during the triennium.

If other major changes are to be made to these funding groups and weightings, these would be implemented at the earliest in the final year of the next triennium; ie in 2008/08.

Table 6

Funding groups: 2005/06 to 2007/08	
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 7

Weighting factors for teaching inputs: 2005/06 to 2007/08								
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

6.2 Planned FTE student places for 2005/06 to 2007/08

6.2.1 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 capping of growth in the FTE student enrolment totals used for the calculation of the units for teaching input grants. This capping was deemed to be necessary because of the effect that the unexpectedly high enrolment totals reported by some institutions would have on the allocation of block grants for the 2005/06 funding year. The Department had calculated that the very different growth rates reported by institutions would distort institutional shares of the system's total of teaching input units, and would result in some institutions getting lower and other institutions higher block grant allocations in 2005/06 than those contained in Table 3 of the appendix to the December 2003 Ministerial Statement.

6.2.2 For the purposes of the calculation of teaching input grants for 2005/06, the Minister decided that the following caps were to be placed on each institution's growth in FTE student enrolments in 2003 compared to 2002:

- ◆ **contact FTE enrolments:** the maximum 2003 total permitted would be the final adjusted totals for 2002 + 5%;
- ◆ **distance FTE enrolments:** the maximum 2003 total permitted would be the final adjusted totals for 2002 + 3%.

- 6.2.3 The growth caps set out in 6.2.2 could have been implemented by first scaling down each institution's unweighted FTE enrolled student totals, and then passing these through the funding grid. The method finally employed has the same outcome as this first possibility, but enables fuller pictures to be presented of the effects of capping on the funding of institutions. The method employed in 2005/06 was this:

Calculations were made for each institution of the total of weighted teaching input units generated by their 2002 contact and distance enrolments, and then by their 2003 contact and distance enrolments. For each institution, the maximum total of weighted contact teaching input units used in the 2005/06 funding calculation was the 2002 total plus 5%, and the maximum total of weighted distance teaching input units was the 2002 total plus 3%.

- 6.2.4 The enrolment planning consultative document proposes in effect that 2002 should be the baseline year for determining the enrolment parameters for 2004-2009. The adoption of this proposal implies that the capped totals for 2002, as adjusted, i.e. plus 5% for contact students and plus 3% for distance students would form the basis for calculating the teaching input grants for the 2006/07 financial year. This implies that the planned student enrolments for each institution for the 2006/07 funding year will be as follows:

- ◆ **contact FTE students:** the capped and adjusted total used for the calculation of teaching input units for the 2005/06 funding year;
- ◆ **distance FTE students:** the capped and adjusted total used for the calculation of teaching input units for the 2005/06 funding year.

The effect of this decision is that the weighted teaching input unit totals used in 2005/06 will be carried forward into 2006/07, and will be used to determine institutional teaching input grants for this funding year.

- 6.2.5 The Minister will determine, when the overall student enrolment planning process is concluded, what weighted teaching input unit totals will be employed in the calculating of teaching input grants for 2007/08. The Minister's decision will be reported in the next Ministerial Statement.

7 INSTITUTIONAL FACTOR GRANTS

7.1 Grants for institutions with large proportions of disadvantaged students

- 7.1.1 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.

7.1.2 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 6.1.1 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%.

7.1.3 The following points should be noted about these calculations:

- ◆ The unadjusted (or uncapped) totals of FTE enrolled contact student (excluding experiential FTE students) are used for the calculation of these factors. For 2005/06 the totals will be the unadjusted contact totals for 2003, for 2006/07 those for 2004, and for 2007/08 those for 2005.
- ◆ An institution's factor is applied only to its adjusted or capped weighted teaching input unit total (see 6.2.2 to 6.2.5 above).

7.1.4 The calculations referred to in 7.1.1 and 7.1.2 above will, in the case of the dedicated distance institutions, be based on their adjusted totals of weighted distance teaching inputs, and on the proportions which students deemed to be disadvantaged have of their unadjusted distance FTE enrolled totals.

7.2 Grants related to the size of institutions

7.2.1 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.

7.2.2 The following points should be noted about these calculations:

- ◆ The unadjusted (or uncapped) totals of FTE enrolled contact plus distance student totals are used for the calculation of these size factors. For 2005/06 the totals will be the unadjusted contact totals for 2003, for 2006/07 those for 2004, and for 2007/08 those for 2005.
- ◆ An institution's size factor is applied only to the total of its adjusted weighted teaching input unit total (see 6.2.2 to 6.2.5 above).

7.3 Distributing institutional factor funds

The funds available for institutional factor grants during the triennium 2005/06 to 2007/08 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.

7.4 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 10 which follows.

8 FOUNDATION PROGRAMME GRANTS

8.1 Funds for foundation grants

8.1.1 The Ministerial Statement of December 2003 laid out a procedure for the calculation of the total amount to set aside each year for foundation grants (see paragraph 7.1. of the December 2003 Statement). The Minister has reconsidered this procedure and has decided that because these foundation grants are allocated in three-year cycles, a more appropriate way of determining the foundation grant budget for a triennium would be to allow the total to increase at a rate similar to the annual increase in the budget for teaching input grants.

8.1.2 The totals available for foundation grants for the triennium 2005/06 to 2007/08 are set out below (see also Table 1 in section 2 this Statement):

2005/06:	R91 million
2006/07	R96 million
2007/08	R102 million

8.2 Allocation of foundation grants to institutions

8.2.1 Grants for foundation programmes will not be awarded automatically to institutions. They will be required to submit formal applications for funding for three-year periods to be determined by the Minister. If an application is approved, then the institution will receive, without having to submit further applications, earmarked allocations in each year of the specific three-year cycle. Allocations for new three year cycles will be dependent on assessments of (a) the new applications and (b) institutional achievements in foundation programmes during the previous triennium.

8.2.2 The first two cycles for the allocation of foundation grants will be:

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

8.2.3 The R91 million available for foundation programmes for 2005/06 and the R96 million available for 2006/07 were allocated to institutions after assessments had been made, during March and April 2004, of applications submitted to the Department of

Education. No further applications for foundation programmes will be invited or considered by the Department until the first half of 2006.

9 IMPLEMENTATION STRATEGY FOR THE NEW FUNDING FRAMEWORK

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 will remain in place until the end of 2006/07. The new funding framework will be implemented in full for the first time in 2007/08. The key features of the migration strategy for its final two years are set out in subsections 9.1 to 9.2 below.

9.1 Calculation of block grants for 2005/06

9.1.1 A baseline grant B5 has been determined for each institution for 2005/06 as: final grant for 2004/05 plus 6.7%, which is the percentage increase in the national budget for block grants from 2004/05 to 2005/06 (see Table 1 in section 2).

9.1.2 Calculations have been made for each institution of the grant N5, which it would receive in 2005/06 if the new framework were introduced without a migration strategy being in place. These calculations were based on institutional data for 2003, after these had been adjusted in accordance with the limits and caps determined by the Minister in April 2004.

9.1.3 The final grant F5 which an institution will receive in 2005/06 was determined in this way:

The baseline grant B5 (see 9.1.1) has been adjusted to bring it as close as possible to N5 (the amount generated for 2005/06 by the new funding framework). The adjustment factors, which generate the final allocation F5, were based on the 6.7% increase in the total block grant budget for 2005/06 compared to 2004/05. In the case of institutions where N5 was greater than B5, B5 was increased up to a limit of 3.35%, and this adjusted figure was taken to be F5. In the case of institutions where N5 was less than B5, B5 was cut by at most 3.35%, and this downwardly adjusted figure was taken to be F5.

9.2 Calculation of block grants for 2006/07

9.2.1 A baseline grant B6 for each institution for 2006/07 will be determined as: final grant for 2005/06 (F5) plus the percentage increase in the national budget for block grants in 2006/07 compared to 2005/06 (see Table 1 in section 2).

9.2.2 Calculations will be made for each institution of the grant N6, which it would receive in the 2006/07 funding year if the new framework were introduced without a migration strategy being in place. These calculations will be based on institutional data for 2004, after these have been adjusted in accordance with the limits and caps laid down by the Minister in sections 3 to 6 of this Statement.

9.2.3 The final grant F6 which an institution will receive in 2006/07 will be determined in this way:

The baseline grant B6 (see 9.2.1) will be adjusted to bring it as close as possible to N6 (the amount generated for 2006/07 by the new funding framework). These adjustment factors, which generate the final allocation F6, will be based on the projected 6.3% increase in the total block grant budget for 2006/07 compared to 2005/06. In the case of institutions where N6 is greater than B6, B6 will be increased by no more than 3.15%, and this adjusted figure will be taken to be F6. In the case of institutions where N6 is less than B6, B6 will be cut by at most 3.15%, and this downwardly adjusted figure will be taken to be F6.

- 9.2.4 Applying 9.2.1 to 9.2.3 to the block grant calculations will ensure that the final grant F6, which any institution receives in 2006/07 will be no less than 3.15% higher and no more than 9.3% higher than its block grant for 2005/06. The capping measures set out in earlier subsections of this Statement should have the effect of narrowing this 6 percentage point gap between the lowest and highest possible increases. If the funding of the higher education system is to be stabilised, then the average increase of as many higher education institutions as possible should be brought up into line with the MTEF increase of 6.3% in the block grant budget for 2006/07 compared to 2005/06.

10 CALCULATION OF BLOCK GRANTS FOR MERGED INSTITUTIONS

The Minister has decided that, until final decisions have been taken on the inclusion of a multi-campus factor in the funding framework, the block grant of any institution which merged either in 2004 or 2005 will be determined as the sum of the grants generated by the data of the old, pre-merger institutions.

In the case of institutions, which merged in 2004, their block grant allocations for 2004/05 and for 2005/06 were taken to be the sum of the amounts generated by their separate institutional data submissions for 2002 and 2003, after the required caps had been applied. This group of merged institutions will have to submit unified HEMIS data files for the 2004 reporting year, but will be asked to insert campus-specific flags in their files so that data corresponding to the old institutions can be extracted for 2004 and subsequent years. Their block grant calculations will then be made on the presumptions (a) that the old institutions still exist, and (b) that the caps referred to in sections 4, 5 and 6 of this Statement must be applied to them.

In the case of institutions, which merged in 2005, their block grant allocations for 2005/06 and for 2006/07 have been, and will be, based on their separate data submissions for 2003 and 2004. This group of merged institutions will have to submit unified HEMIS data files from the 2005 reporting year, but will be asked to insert campus-specific flags in their files so that data corresponding to the old institutions can be extracted for 2005 and subsequent years. Their block grant calculations will then be made on the presumptions (a) that the old institutions still exist, and (b) that the caps referred to in sections 4, 5 and 6 of this Statement must be applied to them.

The main benefit to the merged institutions of these procedures is that they will receive larger institutional factor grant allocations (particularly in relation to size) than they would have if their block grants were to be calculated on the basis of their being single, unified institutions. This would in the interim contribute to compensating institutions for the additional costs incurred in the running of a multi-campus institution.

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.

11 DATA FOR BLOCK GRANT CALCULATIONS FOR 2005/06 AND 2006/07

11.1 Summary of data for 2005/06 calculations

A summary of key data employed in the block grant calculations was sent to each institution during December 2004. These summaries set out totals for the higher education system and for the specific institution concerned.

The key features of the data for 2005/06 are summarised in Tables 8 and 9 below:

Table 8

Uncapped and capped totals for 2003 for 2005/06 funding		
	Uncapped	After Ministerial caps
Teaching input units	931 500	883 700
Teaching output units: normative total	131 000	122 100
Research output units: normative total	15 900	15 400

Table 9

Details of data for the higher education sector for the 2005/06 funding year	
Teaching input units (capped)	883 700
Institutional factors: additional teaching input units generated	92 600
Teaching output units:	
Normative total (capped)	122 100
Total of actual units produced	96 600
Sum of institutional shortfalls between normative and actual totals	28 700
Research output units:	
Normative total (capped)	15 400
Total of actual units produced	12 200
Sum of institutional shortfalls between normative and actual totals	4 600

11.2 Summary of data for 2006/07 calculations

Table 10, which follows offers a projection of what the key funding data elements could be in the 2006/07 funding year. The notes, which follow explain what the bases are for these projections.

Table 10

Details of data for the higher education sector for the 2006/07 funding year	
Teaching input units (capped)	883 700
Institutional factors: additional teaching input units generated	92 600
Teaching output units:	
Normative total (capped)	122 100
Total of actual units produced	100 000
Sum of institutional shortfalls between normative and actual totals	25 000
Research output units:	
Normative total (capped)	15 400
Total of actual units produced	13 000
Sum of institutional shortfalls between normative and actual totals	4 000

The main points to note about the projections in Table 10 are these:

- 11.2.1 The main funding constraint which the Minister has laid down is to limit the higher education system's teaching input unit total for 2006/07 to the 883 700, which was the capped total for 2005/06. Since the key requirement of this capping for 2005/06 is that institutional shares of this teaching unit total remain constant, institutions can assume that the teaching input unit component of their block grants will for 2006/07 will be their 2005/06 teaching grant total (as set out in the summary sheets sent out in December 2004) plus 6.3%, which is the increase expected in the MTEF's higher education block grant budget for 2006/07.
- 11.2.2 Because institutional factor grant calculations are based on uncapped FTE student enrolments, student growth can still affect these amounts generated for institutions. In particular, those institutions which experienced major student growth in the 2004 compared to the 2003 academic year may find that their total of additional teaching units generated by the institutional factor components of the new framework drops in 2006/07. Institutions should not simply assume that their grant in 2006/07 for this component of the funding framework will be their 2005/06 institutional factor grant plus 6.3%.
- 11.2.3 Since no caps have been placed on institutional totals of actual teaching outputs, the 2006/07 totals could differ from those for 2005/06. The projection assumes that the total of actual teaching outputs will rise by 3.5%. Because of the cap that has been 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 should not therefore assume that their teaching development grant total for 2006/07 will be their 2005/06 grant plus 6.3%. A more reasonable assumption would be that teaching development grants will in 2006/07 be the same in Rand terms as those for 2005/06.
- 11.2.4 The actual total of research output units for 2006/07 could differ from the 2005/06 actual total. The projection assumes that the total of actual teaching outputs will rise

by 6.6% in 2006/07 compared to 2005/06. Because of the cap that has been placed on the normative research output total, any increase in the actual output total will again have two effects: (a) the sum of institutional shortfalls could drop, and (b) the amount available for research development funds could fall. Institutions should not therefore assume that their research development grant total for 2006/07 will be their 2005/06 grant plus 6.3%. A more reasonable assumption would be that research development grants of 2006/07 will be in Rand terms approximately 3% lower than those for 2005/06.

12 PROJECTIONS OF FUNDING DATA

12.1 Consultative process on student enrolment planning

As indicated in section 1.1, the consultative process on the enrolment planning document will not be concluded before the middle of 2005. As a consequence, Minister's forecasts on enrolments and funding for 2006/07 to 2008/09 in this Statement are of necessity broadly stated, and are subject to amendment and adjustment based on the outcomes of the consultative process. These forecasts are contained in the subsections which follows.

12.2 Head count and FTE student enrolment data

This subsection sets out in broad terms various student enrolment projections for the academic years 2004 to 2006. These projections, which may be revised when the enrolment planning process referred to in section 12 above has been concluded, will be relevant to the following funding years:

- ◆ 2004: funding year 2006/07
- ◆ 2005: funding year 2007/08
- ◆ 2006: funding year 2008/09

Table 11 which follows sets out projections of what the uncapped and capped FTE and head count enrolment totals in the system could be for the years 2004 to 2006, subject to these being reconsidered when the Minister has taken final decisions on what the planned institutional totals will be for the period 2005-2009.

The main points to note about the data in Table 11 are these:

- 12.2.1 No formal caps were imposed on either head count or FTE enrolments in 2001 and 2002.
- 12.2.2 The projected uncapped head count and FTE enrolled totals for 2004, 2005 and 2006 are based on the totals for the previous year plus 3%.
- 12.2.3 The capped FTE enrolled total of 465 000 for 2003 flows from the limits on fundable enrolments imposed by the Minister in April 2004 (see section 5.2.2 for details). The capped FTE total for 2004 is set at the same level as that for 2003, in accordance with the Ministerial decision discussed earlier. The capped FTE total for 2005 is taken to be the capped 2004 total plus 3%, and that for 2006 the capped 2005 total plus 3%.

12.2.4 The capped head count totals for 2004 to 2006 were derived from the capped FTE totals, using the average ratio for the system of 1.46 head count students per FTE student.

Table 11

Actual and projected totals of head count and FTE enrolled students in higher education (thousands)				
Academic year	Head count enrolments		FTE enrolments	
	Uncapped	Capped	Uncapped	Capped
Actual				
2001	638	Not applicable	447	Not applicable
2002	675	Not applicable	450	Not applicable
2003	718	690	495	465
Projected				
2004	740	690	510	465
2005	770	690	525	475
2006	790	710	540	485

12.3 Teaching input units

Table 12 which follows sets out the uncapped and capped teaching unit totals generated for the system for by the FTE enrolled student totals contained in Table 11. The main points to note about the data in this table are these:

12.3.1 The capped teaching unit total of 883 000 for 2005/06 was generated by the capped FTE enrolled total for 2003 (contained in Table 11). The capped teaching unit total for 2004 is set at the same level as that for 2003, in accordance with the Ministerial decision reported in subsection 6.2.2.

12.3.2 The capped teaching unit totals for 2006/07 to 2008/09 were derived from the capped FTE enrolled student totals in Table 11, using the average ratio for the system of 1.88 teaching units per FTE student.

Table 12

Actual and projected totals of teaching input units			
Teaching units generated:		Uncapped units (thousands)	Capped units (thousands)
In academic year:	For funding year:		
Actual:			
2002	2004/05	870	Not applicable
2003	2005/06	931	883
Projected:			
2004	2006/07	965	880
2005	2007/08	990	900
2006	2008/09	1020	915

12.4 Teaching and research output projections

Table 13 below sets out actual and projected totals of graduates and diplomates for the academic years 2002 to 2006. The projections are based on an assumption that graduation rates will improve slowly over this period.

Table 13
Graduates and diplomates
(thousands)

	Actual		Projected		
	2002	2003	2004	2005	2006
Undergraduate diplomas & degrees	72	74	78	82	86
Postgraduate up to honours	20	22	23	24	25
Masters degrees & diplomas	7	8	8	9	9
Doctoral degrees	1	1	1	1	1
TOTAL	100	105	110	116	123

Table 14 converts the non-research graduate/diplomate totals in Table 13 into the weighted teaching outputs required by the funding framework. The weighted research output totals include the research graduate totals of Table 13 as well as estimates of publication units. The relationships between academic and funding years are as set out in the first two columns of Table 12.

The normative totals in each of these years are assumed to be the same as those applicable to the 2005/06 funding year. It should however be noted that the Minister has still to decide whether or not the capped totals for 2007/08 and 2008/09 should continue to be those applied in the 2005/06 funding year. (The capping of normative output totals of teaching and research output units is discussed in subsections 4.2 and 5.2 above).

The actual totals of teaching and research projected for 2006/07 to 2008/09 are based on assumptions that slow growth will occur in these output totals.

Table 14
Actual and projected totals of teaching and research outputs
(thousands)

	Funding year			
	2005/06	2006/07	2007/08	2008/09
Weighted teaching outputs				
Actual	100	105	110	115
Normative	122	122	122	122
Weighted research outputs				
Actual	12	12.3	12.7	13
Normative	15.4	15.4	15.4	15.4