

Stellenbosch University supports 8% income increase for 2017

1. Introduction

Stellenbosch University (SU) supports the higher education sectoral approach outlined in the Universities South Africa (USAf) statement (12 August 2016) that universities require a minimum increase of 8% in their annual income for 2017. This income could come from a variety of sources including state subsidy, student fees and a complex array of other private sources of funding. A university income increase below 8% for 2017 is likely to compromise the financial position of at least 17 of the 26 public higher education institutions in South Africa.

Due to various factors, including the slow economic growth rate in the country, increasing demands on government resources and decades of funding backlogs, Stellenbosch University is of the opinion that fee-free higher education currently is not feasible. Studies have also shown that in the developing world fee-free higher education has tended to benefit the upper middle class and very affluent sectors of the population rather than the poor.

Stellenbosch University supports and follows a differentiated approach: fee increases that are mitigated through financial support to academically deserving poor students related to the joint annual household income. SU bursaries also are aligned with increases in tuition and accommodation fees.

This document provides valuable information on the financial situation in higher education; the budget process at Stellenbosch University and how we support our students; comparisons of student fees at various universities; factors that impact on income increases; the allocation of bursaries; the impact of the 0% fee increase on SU and the next steps towards the 2017 budget.

UNIVERSITY COMMUNIQUÉS TO STAFF AND STUDENTS:

Income increase essential to sustain our core business (Prof Wim de Villiers, 16 August 2016)

Income increase essential to sustain excellence and bursaries (Prof Wim de Villiers, 16 August 2016)

FURTHER READING:

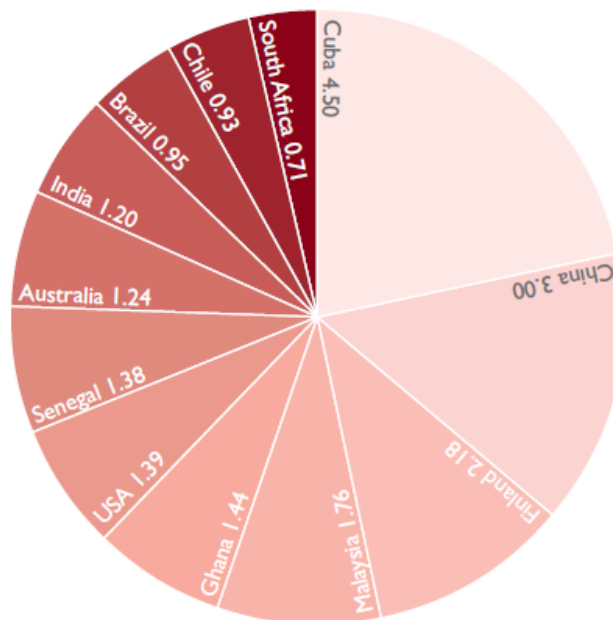
The flawed ideology of 'free higher education' by Nico Cloete

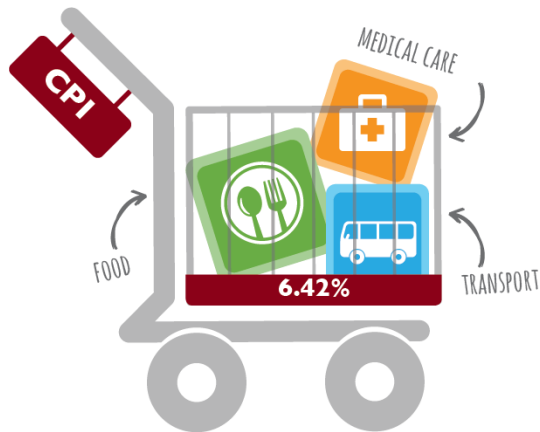
The ideology of free higher education in South Africa – the Poor and the Middle Class Subsidising the Rich by Nico Cloete.

2. Making sense of funding in the SA higher education sector

- ↪ Universities in South Africa have been chronically underfunded (annual increases below Consumer Price Index (CPI) for close on two decades which essentially is the current source of the financial crisis in higher education).
- ↪ South Africa's investment in education as a percentage of the Gross Domestic Product (GDP) is much lower than in many other African and BRICS countries (see graphic below).
- ↪ While South Africa spends about 0.71% of its GDP on higher education, the US and the UK contribute 0.9% of GDP and Germany spends 1.1%.
- ↪ There has been a steady decline in the state subsidy, with an annual increase less than the CPI, while expenses have been increasing by at least the HEPI. At the turn of the century state contributions to university education was around 49%, declining to 40% by 2012. In the same period student fees increased from 24% to 31%.

EXPENDITURE ON HIGHER EDUCATION AS % OF GDP, 2012





Consumer Price Index (CPI)

Consumer Price Index (CPI)

Simply put, the Consumer Price Index (CPI) is a measure used to estimate price changes in a fixed basket of consumer goods and services. The consumer basket includes the cost of, for example, transport, food and medical care, and the CPI is an indication of the cost of living. A CPI of 6,42% is forecast for 2017.

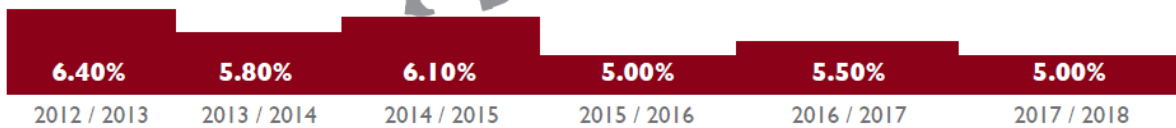
Higher Education Price Index (HEPI)

Similarly, the Higher Education Price Index (HEPI) is a measure to estimate price changes in a fixed basket of goods and services acquired by the higher education sector. It includes professional salaries (universities place a high premium on the expertise of academic staff such as rated scientists), wages and fringe benefits, contracted services, library acquisitions, utilities, transportation, supplies and materials, and technology. The HEPI assists universities to determine the budget and funding increases required to ensure sustainable financial management of the institution. The HEPI is a more accurate indicator of the inflation rate applicable to universities than the CPI due to the higher costs of the HEPI fixed basket of goods and services.



Higher Education Price Index (HEPI)

NOMINAL ANNUAL INCREASES IN THE BLOCK GRANT FOR THE HIGHER EDUCATION SECTOR

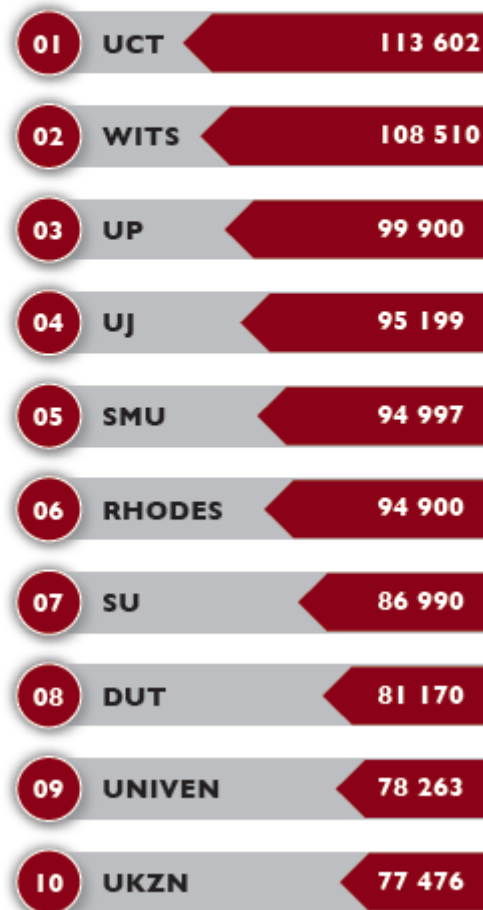


Nominal annual increases in the block grant from the Department of Higher Education and Training for the Higher Education sector have been consistently less than the Consumer Price Index.

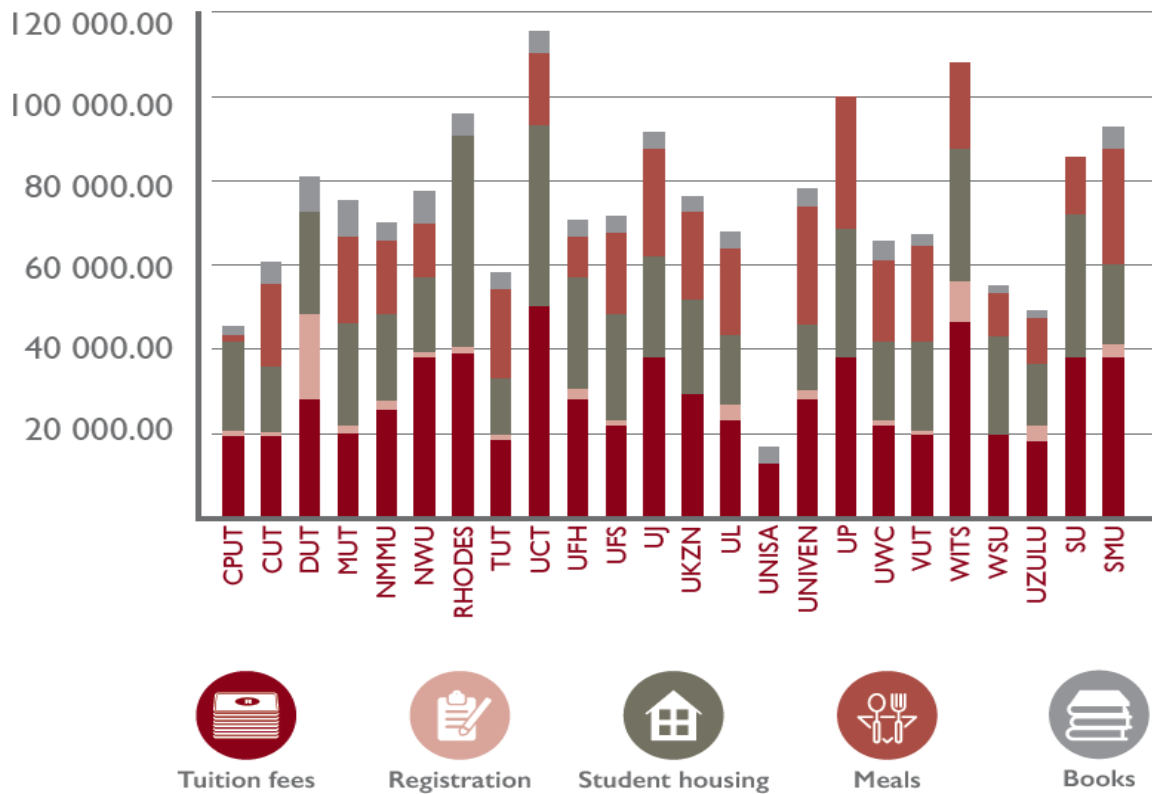
2012	2013	2014	2015	2016	2017*
5,63%	5,75%	6,07%	4,58%	6,80%	6,42%
<i>Annual Consumer Price Index (CPI) for period 2012 – 2017 (* forecast)</i>					

- The lack of sufficient funding was exacerbated by the 0% student fee increase announced for 2016, and it will have an expected ripple effect beyond 2019.
- Universities now require a minimum of an 8% increase in annual income for 2017 if they are to maintain current levels of academic quality and financial sustainability. This income could come from a variety of sources.
- However, this increase will only enable institutions to maintain current standards and activities. It does not make provision for any strategic initiatives, improvements, expansions or innovation. Neither will it ensure long term financial sustainability – an unenviable situation for universities with a major impact looming for the quality of the academic offering in the sector.
- South African universities differ quite substantially in shape, size and composition, and so do student fees at various institutions. Some focus on research output, contract research and postgraduate study, with laboratories, libraries and technology that are expensive to maintain. The same applies to institutions that offer programmes in Medicine and Health Sciences, Science, AgriSciences and Engineering. A “One Size Fits All” fee increase is therefore not an optimal solution for the sustainability of the sector.

2015 RANKING PER TOTAL COSTS



The table (above) illustrates the comparable costs of the 2015 student fees at ten of South Africa's 26 universities. The totals include tuition, registration, accommodation, meals and books.



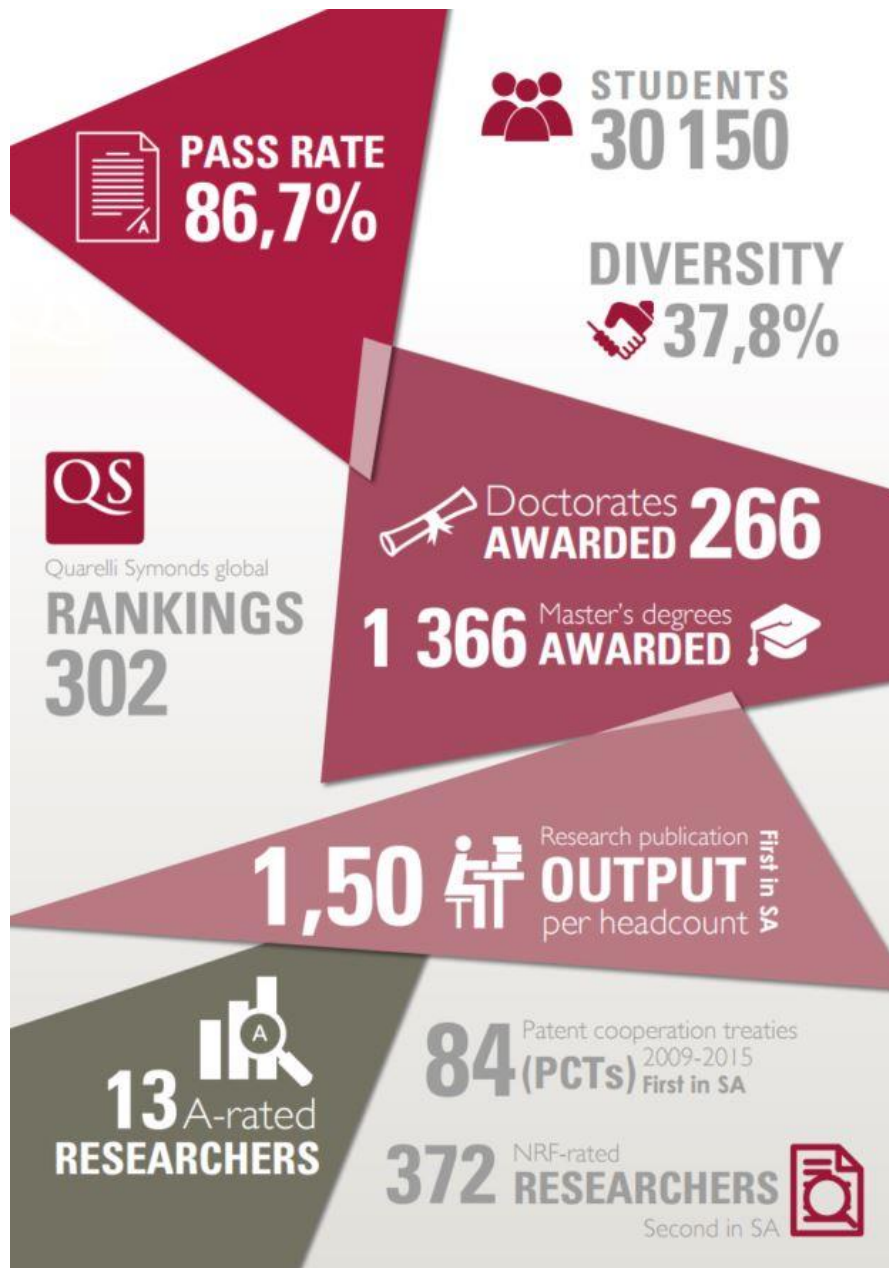
SU STUDY FEES COMPARED TO OTHER UNIVERSITIES

UNIVERSITY 	BA	BCom	BSc	LLB	BEng
University of Cape Town	R43,500 – R59,000	R50,000 – R62,500	R51,000 – R64,500	R46,500 – R52,000	R51,500 – R53,000
University of the Witwatersrand	R33,640 – R43,320	R42,010 – R43,320	R41,080 – R58,580	R32,470	R40,170 – R48,150
Stellenbosch University	R32,534	R33,164 – R46,338	R37,880 – R40,749	R39,606	R45,070
University of KwaZulu Natal	R38,160 – R46,700	R39,170	R30,940 – R39,600	R36,500	R39,150 – R40,000
University of Pretoria	R25,710 – R36,270	R34,720 – R39,610	R36,880 – R54,620	R31,800	R35,530 – R43,670
Rhodes University	R37,200	R40,700	R38,700 – R40,700	R41,730	n/a
University of Johannesburg	R29,170 – R35,970	R29,140 – R37,000	R30,600 – R50,940	R29,460 – R33,840	R34,500 – R42,600
North-West University	R28,140 – R49,200	R38,600 – R41,050	R38,400 – R44,650	R36,500	R43,900

A comparison of tuition fees per academic programme. The cost range in the respective programmes can be attributed to electives or even different fields of study within one programme which then impacts on tuition fees.

- An income increase below 8% is likely to compromise the financial position of at least two thirds (17) of the universities in the sector (26) in 2017.
- These circumstances prevail amidst pressures from the Department of Higher Education and Training (DHET) to increase the intake and the throughput rate of students (for which Stellenbosch University is mostly unfunded).
- The potential impact of the DHET's new subsidy formulae for universities, and the timelines for the implementation thereof have created uncertainty within the higher education sector.
- Problems with the administration of NSFAS funds, as well as the new platform to be used, have added to the uncertainty.

3. Stellenbosch University's value proposition



As a national asset, SU makes a valuable contribution to the country. However, adequate funding is a prerequisite to sustain our academic excellence, bursaries and student support services.

- We deliver sought-after graduates, maintain a high research output, employ many rated scientists, produce record numbers of PhDs and provide innovative student support services.
- Whereas the average first-year throughput rate in South Africa is 50%, more than 86,7% of our students go on to their second year.

4. How SU supports our students

The outcomes of last year's #FeesMustFall movement emphasised the reality of South Africa's unequal society, and highlighted the need for quality higher education to produce skilled workers to take the country forward.

In the current economic climate and growing demands on government to stimulate growth and create jobs, fee-free university education currently is not feasible, but until alternative and viable solutions are found, universities have no other option but to adjust tuition and accommodation fees in a responsible manner.

Stellenbosch University (SU) and the rest of the sector acknowledge that South Africa has an unequal society comprising of an affluent and upper middle class that can afford university education and a large component of lower middle class and poor students who cannot pay their way. We realise that student fees are a major concern for many of our students and their families. However, we do not believe that fee-free higher education is currently feasible.

Stellenbosch University supports and follows a differentiated approach, with an emphasis on financial support to academically deserving, poor students:

- Students from households with an income of R600 000 or more a year are in a better position to pay tuition fees.
- For students in the income bracket of R240 000 – R600 000 SU provides variable support.
- SU also offers bursaries to students from households with an income of less than R240 000 a year, a group that is part of the "missing middle" who do not qualify for NSFAS funding.
- The National Student Financial Aid Scheme (NSFAS) supports students from households with an income of less than R122 000 a year.

↩ Statistics regarding bursaries (2015 data):

- ↩ 38% of all SU undergraduate students receive bursaries;
- ↩ 70% of SU undergraduate Black, Coloured and Indian students receive bursaries
- ↩ Total bursaries paid by SU in 2015 = R658,7 million
 - ↩ R402,8 million own funds & research contracts (R115 million from main budget allocation)
 - ↩ R255,9 million as agents (including NSFAS)
 - ↩ Of specific concern is the so-called "missing middle" group of students who do not qualify for NSFAS funding, but who also cannot afford university fees. The annual household income for this group ranges

from R122 000 up to R600 000. SU has managed to provide bursaries for a portion of this group in the income bracket from R122 000 up to R240 000 per year. However, such initiatives would be jeopardised if SU is not in a position to increase its annual income.

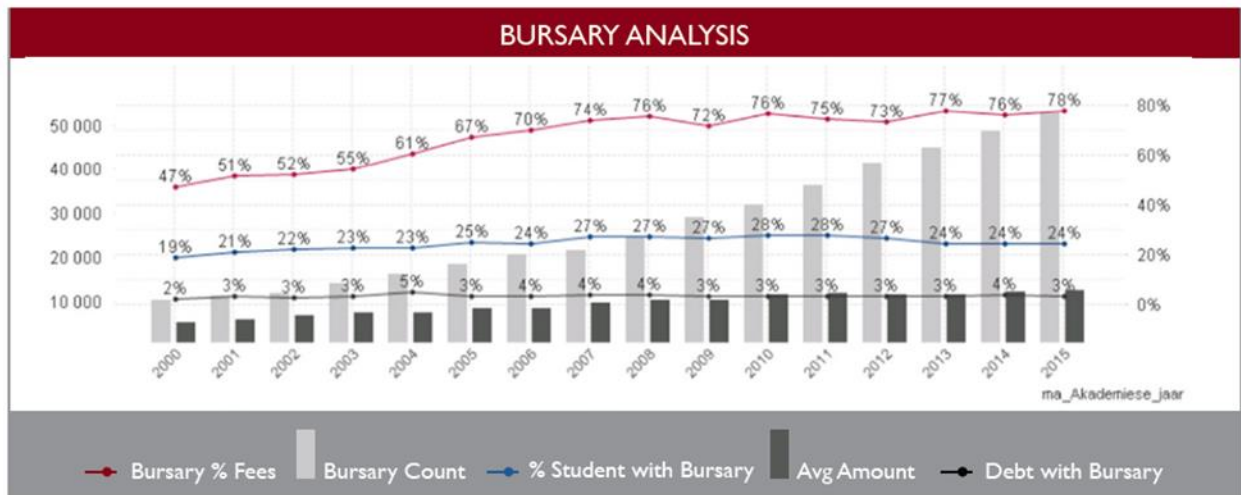
CATEGORY GROSS INCOME PER FAMILY / PY	NUMBER OF APPLICANTS	AMOUNT NEEDED
R600,000 – R241,000	235	R9,508,275
R240,000 – R123,000	457	R28,195,175
R122,000 – R0	950	R81,448,143
TOTAL	1642	R119,151,593

The table above illustrates the estimated "missing middle" (based on applications received).

The tables below show the increase in bursary allocations over the past years.

GROWTH & COMPOSITION OF BURSARIES, 2011 - 2015

	2011	2012	Increase / (Decrease) 2011/2012 %	2013	Increase / (Decrease) 2012/2013 %	2014	Increase / (Decrease) 2013/2014 %	2015	Increase / (Decrease) 2014/2015 %
Total expenditure of recurring nature, of which:	Rm 2 708	3 090		3 321		3 653		3 716	
Bursaries paid	Rm 422	462	14	531	10	588	11	659	12
% of expenditure	% 15.6	15.6		16.0		16.1		17.7	
Principal	Rm 253	270	7	316	17	338	7	403	19
Agent	Rm 169	212	25.6	215	1.6	250	16.3	256	2.3



5. Student fees at Stellenbosch University

At Stellenbosch University student fees mainly consists of the following components:

- Tuition fees
- Program cost
- Module cost
- Accommodation fee
- Textbooks

Examples of additional costs according to the choice of students:

- Internet and printing quotas
- PSO Membership fees
- Meals and washing machine quota
- Society and sport membership fees
- Gym fees

In the table below funding scenarios are provided as examples. Each scenario is linked to the annual joint household income of the student's family.

Household income	>R600k	R240 – R600k	R122 – R240k	< R122k
Degree	BCom	BCom	BCom	BCom
Tuition	R41 000	R41 000	R41 000	R41 000
Accommodation	R29 000	R29 000	R29 000	R29 000
Additional costs	R2 000	R2 000	R2 000	R2 000
Total	R72 000	R72 000	R72 000	R72 000
Settled by Family	R72 000	R30 000	R10 000	0
Settled by Bursary: SU	0	R10 000	R62 000	0
Settled by Bursary: NSFAS	0	0	0	R72 000
Shortfall	0	R32 000	0	0

6. Budget scenarios 2017

BUDGET SCENARIOS

↪ In the table below three scenarios based on the % increase in university income are presented. These include the following:

↪ Adjusted for macro assumptions. It is *preliminary figures*, and certain assumptions will still be updated/adjusted.

↪ Various scenarios for a possible increase in student fees are presented:

1. 0% adjustment: budgeted shortfall of R49,8m in 2017. It should be taken into consideration that the impact of the 0% increase for 2016 is not limited to that specific year only. It will have an effect beyond 2019, and even later if SU should experience another year of no increase in annual income.
2. Adjustment equal to CPI (6,42%): budgeted shortfall of R9,5m in 2017
3. Adjustment equal to the Higher Education Price Index (HEPI) which amounts to CPI plus 1,7%: budgeted surplus of R1,1m in 2017.

↪ NOTE:

1. None of these scenarios has a budgeted surplus in 2018 and beyond.
2. These scenarios present the "status quo", meaning that only current activities can be funded, with no additional funding towards any new activities or more funding for bursaries.

MAIN BUDGET 2017:

3 SCENARIOS FOR ADJUSTMENT IN STUDENT FEES			
DESCRIPTION	1 0% adjustment R'000	2 Adjustment of *CPI% R'000	3 Adjustment of *CPI% + **Higher Education Sector inflation R'000
Total expected income	2 302 435	2 353 850	2 367 454
Total expected expenditure	2 352 273	2 363 384	2 366 324
Expected surplus (shortfall)	(49 838)	(9 534)	1 130

*CPI = CONSUMER PRICE INDEX

**The inflation rate in the higher education sector is some 1,7% higher than CPI as a result of expensive facilities and imported equipment as well as international research publications. See section on [Making sense of funding in the SA higher education sector](#) for more information.

Accommodation 2017

Various scenarios for a possible increase in accommodation fees are presented:

- 0% adjustment: budgeted shortfall of R35,4 million in 2017. It should be taken into consideration that the impact of the 0% increase for 2016 is not limited to that specific year only. It will have an effect beyond 2019, and even later if SU should experience another year of no increase in annual income.
- Adjustment equal to CPI (6,42% forecast for 2017): budgeted shortfall of R18,2 million in 2017
- Adjustment equal to the Higher Education Price Index (HEPI) which amounts to CPI plus 1,7%: budgeted shortfall of R13,6 million in 2017.

ACCOMMODATION BUDGET 2017:

3 SCENARIOS FOR ADJUSTMENT IN ACCOMMODATION FEES			
DESCRIPTION	1 0% adjustment R'000	2 Adjustment of *CPI% R'000	3 Adjustment of *CPI% + **Higher Education Sector inflation R'000
Total expected income	307 178	324 596	329 209
Total expected expenditure	342 542	342 755	342 812
Expected surplus (deficit)	(35 365)	(18 159)	(13 603)

7. Impact of 2016 #feesmustfall campaign and 0% increase

- At Stellenbosch University the budgeted **shortfall** for the main budget (R85,3 million) and accommodation budget (R28,2 million) budget for 2016: **R113,5 million**.
- SU received a contribution of **R79,2 million** from Department of Higher Education and Training to finance part of the shortfall for 2016.
- The balance of the shortfall on the main budget is being funded through a cut in certain institutional costs (R10,4 million) and a contribution from Council's discretionary funds (R15,2 million). The balance on the shortfall on the accommodation budget (R8,3 million) was funded from accommodation reserves.
- The DHET added the total shortfall for the sector for 2016 (R2,33 billion, with inflationary adjustments for 2017 & 2018). It amounts to R2,6 billion for 2017 and R2,8 billion for 2018 (main and accommodation budget).

20%16
#FEESMUSTFALL

8. Current initiatives and next steps

Higher education sector

- A Commission of Inquiry into Higher Education and Training has been appointed to investigate funding options for higher education in South Africa. Universities have provided input provided for the whole sector via Universities South Africa (USAf). Various government departments and organisations are participating in the submission process. The Commission's report is expected in June 2017.
- After a joint meeting between the Minister of Higher Education and Training, USAf and the University Council Chairs Forum (UCCF) in August 2016 a statement was released to urge the immediate establishment of a multiple stakeholder forum including the National Treasury, DHET, the private sector represented by its associations, university councils, USAf and relevant student formation with a view to arriving at a consensus on how to fully fund the increase in income of 8% required by public universities.
- The government recommendations on fee increase were expected by the end of August 2016, but an announcement by the Minister has been postponed until the middle of September.

Stellenbosch University

At SU the annual budget process commenced towards the end of the first semester of 2016 and it encompasses a detailed 70-step budget process, including engagement with and the involvement of student leaders the process:

- 27 July 2016: joint meeting of the Student Fees-, Bursary and Loans & Housing committees to share information on the budget and the impact of the 0% increase, as well as the funding needs and scenarios for 2017.
- 8 August – 26 August 2016: individual committee meetings; a joint meeting of the Rector's Management Team (RMT) and the Students' Representative Council (SRC); and presentations to various student leadership bodies, including the Prim Committee, the Student Parliament (Stellenbosch and Tygerberg) and at faculty meeting. (dates to be finalised once clarity from Minister / USAf)
- Although no clarity has as yet been provided by the Minister of Higher Education (as was expected on 12 August 2016) SU is continuing its engagement with key staff members and student leaders.
- 6 September 2016: Prof Wim de Villiers, Rector and Vice-Chancellor and Mr Manie Lombard, Chief Director Finance, made a submission at a public hearing of the Commission of Inquiry into Higher Education and Training (Fees Commission).

- ↪ 22 September 2016: Proposed meeting of the RMT and SRC (Executive Meeting).
- ↪ 8 November 2016: Presentation of the 2017 budget to the Executive Committee of Council.
- ↪ 28 November 2016: Presentation of the 2017 budget to Council for input and approval.

STELLENBOSCH UNIVERSITY

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