University Funding and Fees

Presentations to Faculty of Health Sciences
Students and Staff

Prof S Kidson, Dr R L Morar
To give a background to the Funding of universities in South Africa, in Africa and internationally (5 mins)

To describe how the National Department of Higher Education and Training (DoHET) allocates funding to universities (5 mins)

To show how the National Department of Health, Provincial Department of Health and the National Health Laboratory Services contribute to funding in the health science education. (5 mins)

To show how UCT is funded (overall) and how it distributes its funding to faculties and administrative sectors (10 mins)

To explain how the university and faculty sets fees, with specific reference to physiotherapy /OT/Audiology/Speech language pathology/ dietetics/ MBChB / disability studies/ postgraduate programmes (30 mins). (Note, each presentation will be tailored for each of the above programmes)

Questions and answers (30–60 mins)
Background and principles 1.

- Universities are not-for-profit publically funded organizations and with public accountability provided by i) annual audited reports to National Dept. of Higher Education and Training (DoHET) and ii) Financial statements (available in UCT web-site).

- There are 26 universities in South Africa and over 1 million students. In addition there are many colleges, including FET, teacher training, nursing colleges.

- They are paid for primarily by state subsidies (which derives its income from taxes), fees and the private sources. This income pays for CORE activities – teaching.

- Note: Research is independently funded and not under control of Council and includes Research grants, awards and contracts.
The funds mentioned here (state subsidies, fees and private funding) are Council controlled and fund CORE activities of the university including Teaching & Learning and the General Operating Budget (GOB).

The state subsidies, fees and private income must cover all costs with no profit and must pay for:
- Staff salaries (academic, tutors, clinical supervisors, technical staff, administrative staff, service and other support staff, drivers)
- Contribution to WCG/UCT staff that carry out teaching and clinical supervision – payments to Western Cape Government Department of Health
- Staff tuition rebates
- Buildings
- Electricity, water, rates and taxes,
- rentals
- maintenance,
- administration,
- Transport and busses,
- libraries, IT and computers,
- roads, gardens, etc

Within the university the principle of cross subsidization applies: faculties with greater income and less expenses cross subsidise those that are more expensive. In particular, the FHS is cross subsidised by Commerce and Humanities.
DoHET grants and student fees, as a percentage of total income of universities (2000–09)

Source: HESA (2011b: 14)
DoHET Figures, Private income as a percentage of total income: 10-year averages (2000–09)
The DoHET State Funding Framework
- How it worked then and key points

- Current state subsidy allocation model was introduced in 2004.
- State wanted to move the emphasis of its funding from inputs to outputs.
- State wanted to try and manage the size of the system (make funding it more predictable).
- Try to influence what the system was producing (targeting of specific fields like Finance, Engineering, Medicine).

No new funding was added – simply took the existing level of funding and divided it up per the new funding framework.
The DoHET State Funding Framework
How it works now: key points

- DoHET ‘Block’ and ‘Earmarked’ Grants

- ‘Block Grants’ (72%)
  - Teaching input & outputs 60%
  - Postgraduate research outputs 9.25% (research Masters and PhD theses)

- ‘Earmarked Grants’ (28%)
  - NSFAS 14%
  - Infrastructure & efficiency improvements 7%
  - Clinical Training Grants (+others) 3.3%
SUMMARY: OVERALL SUBSIDY HAS DROPPED OVER 10 YEARS AND FEES INCREASED. PROPORTION OF PRIVATE INVESTMENT ALSO DROPPED.
Title: University Sources of Income

Bar chart showing the sources of income for different reports.

- DoHET & USAf Report (2014)
- UCT Annual Report (2014)

Categories: Govt Subsidies, Student Fees, Private

Data Sources:
- WITS SRC Free Education Model Report: Published in October 2016
- UCT Annual Report Data: Published in UCT submission to Presidential Commission on funding of Higher Education
- DoHET Data: Published in DoHET Reports
- DoHET & USAf Data: Published in UCT submission to Presidential Commission on funding of Higher Education
Multiple Funding sources for health professional education & training

- National Department of Higher Education & Training
  - DoHET subsidies
  - Clinical Training Grant
  - Development Grants

- National Department of Health allocation to Provinces
  - Health Professional Training & Development Grant
  - National Tertiary Services Grant

- Provincial Department of Health
  - Equitable Share – salaries of Health Professionals who teach

- National Health Laboratory Services
  - Salaries of Teaching Staff

- Student Fees
- Private/Other Income
### Total Cost of Programmes versus Fees

<table>
<thead>
<tr>
<th>Programme</th>
<th>Total Programme Period Cost per Graduate</th>
<th>Average Total Cost per Graduate per annum</th>
<th>Average Programme Fees per Graduate (2016)</th>
<th>2016 Fees as % of Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>MB, ChB</td>
<td>1 519 125</td>
<td>253 188</td>
<td>73 823</td>
<td>29%</td>
</tr>
<tr>
<td>BSc Audiology</td>
<td>607 896</td>
<td>151 974</td>
<td>53 553</td>
<td>35%</td>
</tr>
<tr>
<td>BSc Speech-Language Pathology</td>
<td>607 896</td>
<td>182 176</td>
<td>52 635</td>
<td>29%</td>
</tr>
<tr>
<td>BSc Occupational Therapy</td>
<td>467 699</td>
<td>116 925</td>
<td>51 320</td>
<td>44%</td>
</tr>
<tr>
<td>BSc Physiotherapy</td>
<td>467 699</td>
<td>153 196</td>
<td>49 788</td>
<td>32%</td>
</tr>
</tbody>
</table>
# FHS Budget – income and expenditure

## Income

<table>
<thead>
<tr>
<th>Source</th>
<th>R' million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt Subsidies</td>
<td>272</td>
<td>50%</td>
</tr>
<tr>
<td>Tuition Fee</td>
<td>179</td>
<td>33%</td>
</tr>
<tr>
<td>Other Income</td>
<td>96</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total Gross Income</strong></td>
<td><strong>546</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Expenditure

<table>
<thead>
<tr>
<th>Item</th>
<th>R' million</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>Staff Costs</td>
<td>322</td>
<td>57%</td>
</tr>
<tr>
<td>Space Charge</td>
<td>104</td>
<td>18%</td>
</tr>
<tr>
<td>Contribution to UCT running costs</td>
<td>96</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total Costs incl Asset Costs</strong></td>
<td><strong>563</strong></td>
<td></td>
</tr>
</tbody>
</table>
Setting of Fees – summary of topics that will be covered

- Background to change to course base fees at UCT in 2005
- Principles of course based fee setting
- Understanding the principles of cost and price.
- If courses change, how are fees decided? Process flow. Who is consulted on fees setting, when and how?
- Course-based fees – details for each programme
- Current course specific queries: Each of the presentations will deal with programme specific issues as raised by students and staff
To answer questions such as:

- Why are my fees high and am I getting my moneys worth?
- Is the faculty using my fees to pay for activities not related to my course?
- If the faculty making a profit?
- There appears to be some anomalies in fee amounts: Are there mistakes in fee charges or am I deliberately being overcharged?
- What is the difference between cost and price, and does this have a bearing on my fees?
## COST VERSUS PRICE

### In a profit making organization, such as Pick and Pay

<table>
<thead>
<tr>
<th>Costs</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy and sell goods, buildings, rental, staff costs, transport etc</td>
<td>Price must cover all costs AND make a profit</td>
</tr>
</tbody>
</table>

Income from sale of goods

*So... the price of a tin of peas must cover all costs – the peas, the tin, the tinning, the staff, the rental PLUS make some profit. A certain degree of cross-subsidization also occurs in business.*

### In a not-for-profit organization, such as University of Cape Town

<table>
<thead>
<tr>
<th>Prepare and deliver teaching and education, buildings, rental, staff costs, transport etc</th>
<th>Income from state subsidies, fees and private</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income must cover all costs, BUT WITH NO PROFIT</td>
</tr>
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</table>

*So... the income for each COURSE must cover all costs – the TEACHING THE PREPARATION AND MARKING, THE CLASSROOMS, BUILDINGS, ELECTRICITY, TRANSPORT, LIBRARIES. Cross subsidization can assist.*
How are fees set or reviewed

Programme committee (e.g. for audiology) undertake a programme or course change/revision

Based on KTM, NQF credits level and other cost considerations the Deputy Dean, academic admin and Finance team recommend fee. This is included in the faculty budget proposal for next year and signed off by Dean

Must be approved by Undergraduate Education committee taking all costs into account (change in credits or mode of teaching or site)

Fees are considered by Central Finance (RAAG) in the context of whole university

If approved, sent to Council for final approval
There are a number of factors that influence the cost of a course and fee setting. These will be explained using specific examples

- **HEMIS** – Higher Education management system – used for calculating subsidies, and weighting of each course to the degree
- **HEQSF** level – high education quality framework level
- Disciplines are funded at different levels (“CESMS”) (Classification of Educational Subject Matter)
- **NQF** credits – National Quality Framework credits
- **KTM** – Knowledge transfer mode