Doing More with Less…

The UCT Experience following #RhodesMustFall, #FeesMustFall & #EndOutsourcing

Finance

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UKSG

Contents

the story outlined...

Context: UCT Integrated Financial Policy

the drivers and reasons…

surplus

Target of 3% of revenue as a surplus
Grow cash reserves

investment returns

Pay for capital expenditure
Pay for strategic spend
Pay for discretionary spend

cash reserves

20% - 30% of operational costs
3 – 4 months' cover
Unexpected incurrence of expenditure

financial sustainability

Understanding key cost drivers – Internal Inflation
Control recurrent costs
Coverage for unexpected costs
Consistent surplus
Rolling 5 year, cash flow by month forecast

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Context: State subsidies, Tuition Fees, Institutional Disparities

key stats and history…

state subsidy

In 2018 is 42.4% of total revenue related to teaching operations

Increases below inflation for over 5 years

Outlook for economy and state funding/support very poor

Department of Higher Education & Training has conflicting mandate and priorities – tainted by political appearances

Increasing pressure on the state to improve outcomes for citizens 20 years post democracy

student fees

In 2018 is 42.5% of total revenue related to teaching operations

Had become tool to charge wealthier students full fees and discount them for poor student

Had become a tool to balance the budget

10.3% approved, supported by UCT students for 2016

Multi-year history of increases around or exceeding double digits to fund poor students and cover "loss" of state funding

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other

Symbolic artworks/sculptures seen as insensitive and celebratory

UCT campus and culture still largely Eurocentric and not sensitive to differing student contexts

= **#RMF at UCT**

Broken political promises

"Born fees" no longer tolerant of repeated promises – lack of struggle?

Institutional disparities – UCT vs Others

= **#FMF at WITS which spreads**

#RhodesMustFall #FeesMustFall #EndOutsourcing

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Key Events: #RMF, #FMF and #EndOutsourcing

perfect storm stuff…

RMF

In 2015, a group of student activists smeared the Rhodes statue overlooking UCTs Golden Mile with faeces and paint

In short, the call was for removal of an installation that was seen as celebratory of Rhodes and his achievements as a colonial "overseer"

Protester tactics were to occupy Bremner, intimidate staff, try and force discourse

Student comments, Council vote – statue removed and stored

#FMF

Started in 2015 two weeks into #RMF at WITS

Gathered rapid momentum and wide spread support at many campuses

March on Parliament by western Cape students

March on Union Buildings by students and public

Demands were for the "promised" free, decolonialised higher education

State caved to pressure in late October 2015 and announced it would partially fund increases for 2016

#EndOutsourcing

Students rallied staff providing core services such as cleaning and security to join the fees protest in 2015

In return, students vowed to support staff to become university employed staff

Big driver was for improved wages and benefits

UCT Management and Council agreed to insource from July 2016 at R80m extra cost

Not all universities did this – very divisive in sector and has seriously skewed labour market

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#RhodesMustFall #FeesMustFall #EndOutsourcing

What Now?

the fundamentals have not changed…

Balancing the Revenue (*State Funding, Student Fees and Other Income*) with

Operational Costs (*Staffing, Financial Aid and Other Costs*)

that ensures *Financial Sustainability*,

while ensuring we direct resources to support our strategy

What Now?

Key Events and Further Influences

state subsidy

In 2016, state funded 83% of lost fee increase due to 0% decision

In 2017, this 83% was rolled into our Block Grant – resulting in a further loss of 4% of total revenue by 2018

President appointed Heher Commission of enquiry into "Fee Free Higher Education"

Ongoing student unrest at various campuses

student fees

State interferes in institutional autonomy on fees – announces it will fund increases up to 8% in both 2017 and 2018 via fee settlement

Fee losses from 2016 on residence fees are not covered by the state – so keeping housing sustainable becomes a further crisis

Heher Commission reports in October 2017 – "Fee Free Higher Education not feasible or affordable at this time…………"

Reignites protests, UCT establishes "November Hall" and for the first time since 2014 substantially completes academic year in the year

poisoned chalice

In early December 2017, ex President Zuma announces fee free higher education for students from families with gross annual incomes of ZAR350k and below

Throws existing under pressure National Financial Aid Scheme under the bus – battling to cope with one system, now have two

In February 2018 new Finance Minster announces budget – VAT increase, more to HE and NSFAS, less to all other key state operations

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UCT operational costs
the tough line

01 staffing costs

Largest expense item at 67% of total costs

02 financial aid (UG)

Fee increases beyond Internal Inflation from 2009 to make up declining state funding and increase financial aid to students at UCT who cannot afford fees (EFC)

03 other costs

A 5 to 6 year history of operating efficiencies and increases at below inflation

04 exclusions

Maintained Library Acquisitions spend, as well as ensuring existing IT and Related infrastructure replacement provisions maintained

UCT operational costs

actions… doing more with less

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staffing

- Due to 5 year rolling cash forecasts, had started process to cut total costs by R120m/6% in 2013/4
- Ready to implement in 2016 to 2018 as we foresaw a sustainability challenge
- Cut support staff numbers by 60, academics by 8 – all through incentivized voluntary severance, early retirements and retirements

financial aid (undergraduate)

- UCT had for over 10 years charged advertised fees to well off students, while a family means test allowed students to apply for fee discounts via financial aid if family income below R350k
- GAP funding between R350k and R600k for missing middle
- The state funding of free higher education for FTENS provided funding relief to UCT – in essence an underwriting saving of some R75m

process automation and efficiency

- Focus on automation to improve efficiency of administration
- Reviewing services previously outsourced – initial findings that external providers simply added people to solve problems rather than focus on process improvement and efficiencies

UCT operational costs

details… doing more with less (or generating more revenue)

size, shape and throughput

- Campus location limits size to 30,000 – decision to remain medium sized, contact, research led
- Review academic offerings in depth – implement course appropriate headcount enrolment minimums and timeframes to right-size, while focusing on strategic objectives
- Review credit loads, academic workloads, academic year – ensure appropriate to deliver better teaching and research, while also improving success rates due to less student "overstress"

commercial enterprises

- Establish commercial enterprises division within Finance Department to maximise existing and establish new opportunities for third stream revenues
- Already operating: Conference Management Centre, Vacation Accommodation, Commercial Letting, Film Shoots, Breakwater Lodge, Protea by Marriott Mowbray, Food & Connect, Academic Development Programme (early career, mid-career)
- To come: Conference Centre for 600pax, improve Vacation Accommodation occupancy, Better manage leases and occupancies for Commercial Letting, Advertising on Campus where appropriate, Short Courses (primarily online or blended)
- Plan to become stand-alone unit in the next 24 months following incubation within Finance Department

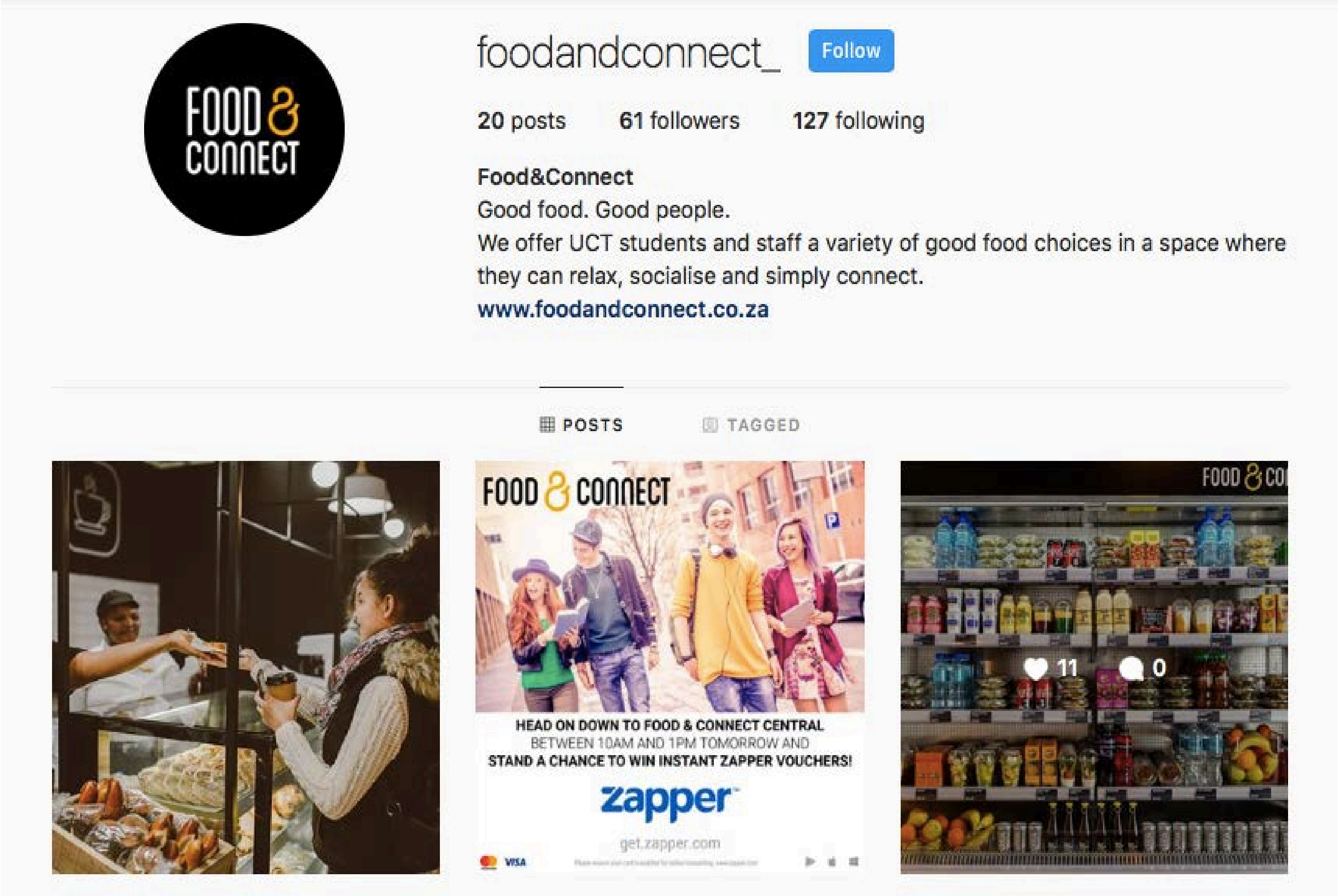
Food & Connect

a taste of what is possible...

FOOD & CONNECT

FOOD & CONNECT CENTRAL

BUT FIRST, coffee



GRAB & GO

HOME COOKED MEALS

University of Cape Town · Universiteit van Kaapstad · iYunivesithi yaseKapa

Looking Ahead

New Challenges, Sustainability...

state subsidy

On 1 November 2018 indicates total pool for subsidy for 2019 will increase at 19.6%

However, after volume and systemic “shuffling of deck chairs” increase only in the order of 9%

2020 indicative funding increase of 6.7%, closer to 4% allowing for volume

State under pressure and reverting to subsidy increases below inflation?

student fees

State again interferes in institutional autonomy on fees – On 1 November 2018 state “suggests” all fees increase by no more than 5.3% for 2019

State agrees to engage sector on a three year rolling fee increase model which allows for differentiation – to be done in 2019

Residences remain an issue – not subsidised by the state, big disparities in quality, costs to operate, services offered, availability, etc.

State is conflicted – now biggest payer of fees, yet university Councils determine fees?

balancing act

Focus on throughput improvements – will generate output subsidy faster and allow more students into the system

Shut down marginal departments, focus on offering subjects at a single institution rather than duplication **= Sector Collaboration**

Ensure operational efficiency through investments in IT systems and improved building and related infrastructure which makes optimal use of resources

Ensure investments into new revenue sources deliver on business plans

Remain relevant and alert

Looking Ahead

keep doing things that have worked (be alert to changes if required)

integrated financial plan

Business minded, relevant to academic enterprise, forward looking, transparent

investment returns

Not used for recurrent costs, actively manage cash for best returns while taking appropriate risk

free cash reserves

Ensure sufficient to manage short term shocks, remain focused on core needs and invest to maintain and improve outlook

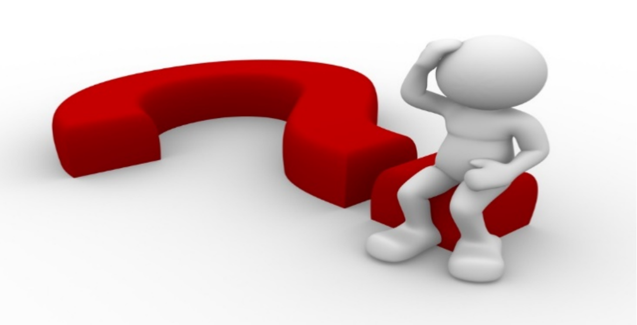
forward looking

Continually scan environment to understand all influences

Plan on a rolling 5 year forward looking basis, with cash flow needs by month

Understand key cost drivers – Internal Inflation

Deficit budgets not an option, make choices not compromises – fund medium term transitions from investment returns



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