HIGHER EDUCATION SOUTH AFRICA

GUIDELINES FOR DETERMINING ANNUAL TUITION FEE INCREASES IN THE HIGHER EDUCATION SECTOR
March 2010

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1. Background

In 2008, HESA conducted a study on tuition fees. The report discussed the funding of higher education in South Africa with specific reference to tuition fees. The report was motivated by concerns raised by the previous Minister of Education, Ms. Naledi Pandor, regarding the levels of tuition fees charged by higher education institutions, and the Ministry's idea of controlling tuition fee increases. The main concern was that tuition fees had increased at a higher rate than government's contribution to the National Student Financial Aid Scheme (NSFAS).

Two of the recommendations in the report stated that:

i) HESA should develop a broad set of factors that can be used by institutions in determining tuition fees and tuition fee increases as well as guidelines for establishing satisfactory processes (involving students) in determining tuition fee increases; and
ii) HEIs should be encouraged to move towards a single and inclusive tuition fee that covers both tuition and associated services.

2. Purpose

In the course of the HESA Study on Tuition Fees (2008), it became evident that processes and procedures for determining annual tuition fee increments vary widely within the higher education sector.

The purpose of this document is to provide guidance to higher education institutions (HEIs) on the setting of tuition fee increases and to suggest good practice regarding the:

2.1 Process of consultation on fee increments;

2.2 Process to be followed and factors considered in determining tuition fee and residences fee increments; and

2.3 Adoption by institutions of an all inclusive tuition fee.

It is recognized that a "one size fits all" approach is not useful for Institutions. Each HEI is different in terms of its student composition, student numbers, extent and conditions of facilities, number of learning sites, qualification and programme mix (PQM), and geographical location. HEIs should continue to set their own tuition fees taking into account the specific characteristics and financial needs but should adhere to some common standards of good practice and transparency.

3. Tuition Fee Increment setting process

3.1 Guiding principles for setting tuition fees

The following key guiding principles should be incorporated in any institutional Tuition Fee plan or strategy:

- Ensuring sustainability of HEI's.
- Affordability of higher education.
- Subject to affordability, making available appropriate financial support to students who meet the relevant institutional criteria, in order to and ensure that no deserving student is denied an educational opportunity on financial grounds.
- Maintaining and enhancing the quality of academic programs, research endeavours, facilities, student support services and services which support the institution.
- Meeting the needs, including infrastructure, of a diverse, demanding and growing student population, increasing numbers of whom are arriving at HEIs underprepared for tertiary study
- Assisting the state in achieving its goals of increased enrolment and improved graduation rates, including producing graduates for critical knowledge and skills areas
- Operating a tuition fee system that is transparent, easily understood by stakeholders, and also comparable with the published tuition fees of other institutions
- Ensuring that appropriate consultation with stakeholders in developing tuition fee proposals.
- Ensuring that timely and adequate information is provided to key stakeholders.

3.2 Consultation

In terms of the HE Act and individual Institutional Statutes, the mandate of approving tuition fee increases rests with the Council of the Institution. In order for the Institution to formulate and develop a proposal for submission to Council, an appropriate internal consultation process should be in place. Stakeholders who should be consulted and informed on the process and progress, and likely outcomes and trade-offs, should typically include the Student Representative Council, the University Council, University executive management and senior leadership and any other grouping deemed essential. After the consultation, a proposal with supporting documentation should be submitted to Council for its consideration.

The purpose of the consultation is to:

(1) Clarify strategy/vision for the institution;
(2) Provide an understanding of the resource implications of strategy;

(3) Provide information regarding the role of tuition fees in the budget of the Institution.
(4) Allow stakeholders to raise issues, ideas and trade-offs which they believe to be relevant (ie. campus equity, quality concerns, levels of financial support, support for under-prepared students, etc); and
(5) Provide information on the factors informing the proposed increment.

Records of these engagements should be kept and could form part of the documentation submitted to Council to assist it in arriving at a final decision. At these engagements, the Institution should be represented by Individuals who are suitably mandated and knowledgeable on the matters at hand.

The process of consultation outlined above, and the setting of annual fee increments by Council should be concluded in advance of or together with the finalisation of the budget process and decision-making by Council. It is important that stakeholders apply their minds to all dimensions that impact on the budget and do not simply use tuition fees increase as the sole means of balancing the budget. Sufficient time must be provided to publish new fee structures in relevant university booklets to inform current and prospective students and their sponsors and enable them to make informed decisions concerning their studies.

The Council, the University executive management and senior leadership and stakeholders should be committed to engaging in a process that is rational, informative and inclusive, and which arrives at decisions that have been properly debated, on the basis of relevant and adequate information.

3.3 Factors to be considered

Tuition fee increments should be congruent with the goals and strategic plan of the Institution and ensure financial sustainability. Institutions must ensure that all relevant internal and external conditions, challenges and pressures are taken into account in arriving at an appropriate tuition fee.

Other factors for consideration may include:

1. Current and expected cost structures

1.1 Total Cost of employment
1.2 Maintenance of buildings and equipment
1.3 Geographical location
1.4 Multi-campuses and campus equity
1.5 Programme and Qualification Mix
1.6 Capital expenditure programme
1.7 Other operational expenditure

2. Inflation, including internal inflation*
3. Need for academic development and support programmes
4. Competitor behavior
5. Campus development plans
6. Teaching ratios
7. Professional registration requirements

8. Financial aid
9. Extraordinary expenses (base adjustments)
10. Size and shape of recurring third stream income

(* Internal inflation in higher education - The internal inflation of HEI's is a weighted average of several cost items. The weighting will be institution-specific and is dependent on the particular cost structure of an institution. It is suggested that institutions consider the following items in determining their internal inflation:

The nature of the higher education labour market
Staff cost
Operational costs
Undergraduate Financial Aid
Postgraduate Financial Aid
Library Acquisitions
Security
Cleaning
Rates
Electricity
Sewerage
Refuse removal
Water
Maintenance of buildings and equipment
Capital replacement cycle
Transport

In addition to the above, the factors which drive residence fees include:

1. The local housing market, availability of student accommodation and price competition
2. Maintenance back-logs
3. Cost of renovations
4. Food costs.

It is advised that the principles of a) ring-fencing residence income and costs from academic activities and b) break-even for residences should apply. This implies that there should be no cross-subsidization from academic activities to residences.

4. Inclusive single fee

HEIs will be encouraged to introduce an all inclusive tuition fee.

The all inclusive tuition fee should ensure that the advertised tuition fee includes adequate access to and allocations of resources (such as library and laboratory access and usage, lecture notes, bandwidth, etc.) to students for the purposes of study and research. These allocations and allowances should be based on institutional policies, specified and made known to current and prospective students.

Should a student make use of facilities and resources in excess of institutional allocations, such usage can be charged in addition to the advertised tuition fee.

Costs and charges for application and registration, international students, membership of student clubs and societies, textbooks (unless otherwise specified), parking, library and traffic fines, late payment penalties and interest should not be covered by the all inclusive tuition fee and should to continue to be additional charges.

5. Additions

A second phase of the project should address issues of:

- Timelines (moving towards an inclusive fee structure)
- Migration Strategy (support to institutions to move to an inclusive fee structure)
- Communication Strategy (advocating the guidelines)

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