



# ANNUAL REPORT

FOR 2015

Compiled in terms of the Regulations for reporting by Public Higher Education Institutions  
published under Government Notice No R 464 of 9 June 2014

OF

# THE UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997,  
and the Statute of the University of Cape Town,  
promulgated under Government Notice No. 1199 of 20 September 2002  
and as subsequently amended by Government Notices 259 of 26 February 2004; 476 of 20  
May 2005; 748 of 27 August 2010; and 408 of 23 May 2012

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## REPORT OF THE CHAIR OF COUNCIL FOR 2015

### Details of the Council of the University of Cape Town as at 18 June 2016

#### EXECUTIVE OFFICERS OF THE COUNCIL

Dr M R Price (Vice-Chancellor)  
 Professor S Klopper (Deputy Vice-Chancellor)  
 Professor F Petersen (Deputy Vice-Chancellor)  
 Professor D P Visser (Deputy Vice-Chancellor)  
 Professor A Mall (Acting Deputy Vice-Chancellor)

#### REGISTRAR

Mr R N Pillay (Secretary to Council)  
**EXECUTIVE DIRECTOR: FINANCE**  
 Mr A Francis (attends by invitation)

#### MEMBERS OF COUNCIL

|   |
|---|
| Ministerial Appointees (3) <ol style="list-style-type: none"> <li>1. Ms S Barsel</li> <li>2. Archbishop N Ndungane (<i>Chair</i>)</li> <li>3. Ms R Omar</li> </ol>  |
| Members elected by convocation (6) <ol style="list-style-type: none"> <li>4. Mr G Bloch</li> <li>5. Ms DJ Budlender (<i>Deputy Chair</i>)</li> <li>6. Mr Justice IG Farlam</li> <li>7. Mr JJ Gauntlett SC</li> <li>8. Dr H Raubenheimer</li> <li>9. Mr S Zungu</li> </ol> |
| Academic and professional administrative & support staff (PASS) elected members (2) <ol style="list-style-type: none"> <li>10. Ms E Brooks (<i>PASS</i>)</li> <li>11. Professor U Rivett (<i>Academic</i>)</li> </ol>   |
| Members elected by Senate (3) <ol style="list-style-type: none"> <li>12. Professor A le Roex</li> <li>13. Professor M Ramutsindela</li> <li>14. Mr JA Rousseau</li> </ol>   |
| Members elected by donors (2) <ol style="list-style-type: none"> <li>15. Ms L Meyer</li> <li>16. Mr T Setiloane</li> </ol>  |
| Nominee of Cape Town City Council (1) <ol style="list-style-type: none"> <li>17. Mr G Bloor</li> </ol>  |
| Nominee of the Premier of the Western Cape (1) <ol style="list-style-type: none"> <li>18. Alderman O Kinahan</li> </ol>   |
| Appointed by the Appointments Committee of Council (5) <ol style="list-style-type: none"> <li>19. Ms Y Dwane</li> <li>20. Mr A Jakoet</li> <li>21. Mr TD Petersen</li> <li>22. Mr S Pityana</li> <li>23. Mr B Zwane</li> </ol>  |
| Appointed by the SRC (2) <ol style="list-style-type: none"> <li>24. Mr C Chungu</li> <li>25. Mr R Moseli</li> </ol>   |

## **COUNCIL STATEMENT ON CORPORATE GOVERNANCE**

### **Legal persona and capacity**

The University is autonomous and is a legal persona with full juristic capacity by virtue of its incorporation as a university (originally by an Act of the Union Parliament of 1916 when Parliament incorporated the South African College, and now in terms of the Higher Education Act, 1997 (the Act) and the Institutional Statute of the University of Cape Town published under that Act). This legislation places the governance of the University in the hands of a Council, provides for the Council's composition and powers, and provides for the role and powers of the Senate and the role and functions of the Institutional Forum.

The Council is required to make this report by virtue of provisions in the Act and the regulations published in terms of the Act, on 9 June 2014, Government Gazette No 37726.

### **The Council and governance structures provided for in the Act**

The University of Cape Town grew out of the South African College, which had been established in 1829. The institution became a University in 1918 under a 1916 Act of the Union Parliament. That, and successive legislation, gave way to the Higher Education Act, No. 101 of 1997 (the Act), and the promulgation in terms of the Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as subsequently amended). The Act deals inter alia with public higher education institutions, of which the University is one.

The Act requires a public higher education institution to have a Council, a Senate, a structure to advise the Council on student matters, an Institutional Forum, and a Students' Representative Council. The Act, read with the Institutional Statute, defines the role, powers and composition of each of these bodies.

The Council governs the University in terms of the Act and the Statute. It consists of 30 members, of whom 18 (60%) are external or independent (in that none may be a student or a staff member) and 12 internal. The term of office (other than for the student members who serve for one year, and the Vice-Chancellor and Deputy Vice-Chancellors who serve *ex officio*) is four years. The current term for Council members ends on 30 June 2016.

While the Council governs the University, the Senate has jurisdiction over the academic functions of the University. The Senate consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 330 members in 2015. Much of the work of Senate is done by the Faculty Boards (UCT has six faculties) and by committees of the Senate.

The Institutional Forum brings together (in a body of 30) ten student members chosen by the Students' Representative Council, ten staff members chosen by trade unions and staff

bodies, and ten members representing Council, Senate and executive leadership. It advises the Council on issues affecting the University as required by the Act.

The Council is supported by specialist committees and working groups.

The matters reserved for decision by full Council are those specified in the Act (changes to the Institutional Statute, adopting institutional rules, acquiring or disposing of fixed property, setting fees, and specified financial transactions), those listed in the Institutional Statute (paragraph 12(5)), and matters that Council has reserved to itself. Beyond this, Council has powers of delegation and has made use of these powers to delegate or assign some of its powers and functions to a committee of Council, a member of Council, or an officer of the University (paragraph 12(4) of the Statute). Schedules of delegated authority are reviewed periodically by Council. In 2015 the Council reviewed and approved the policy on quotations, tenders and requests for proposals.

In order to promote accountability and transparency, Council publishes the papers of the Senate (including the monthly Principal's Circular), the Institutional Forum, and many UCT committees on an open governance intranet. Council papers, other than those dealing with commercial interests, are available to staff, trade unions and student bodies.

The Council as currently constituted complies with the requirements of the law.

Members of Council are not remunerated. Should a Council member need to travel outside Cape Town to attend a meeting however, s/he may be reimbursed for the travel expenses incurred. The Chair of Council receives a monthly allowance for administrative costs in maintaining an office.

### **Ethics in decision-making and in University work**

The Council is committed to behaving ethically and with integrity in all its dealings.

The Council is committed to high standards of corporate governance. Care is taken to ensure that:

- the University complies with the governance prescripts contained in the Act and the Institutional Statute.
- that the mandates of committees are clear, written, consistent with the legislation and fully adhered to.
- that full and accurate records are kept of the proceedings of Council, Senate, the Institutional Forum and their applicable committees.
- that where decisions are made under delegated authority the written authority limits are not exceeded.

The delegated authorities are reviewed periodically, usually annually.

In order to ensure that there is neither an actual nor a perceived conflict of interest, and that decisions are made independent of the personal interests of members, each Council member, all senior managers, and all members of Council committees are required: (i) to make an annual declaration of interests; (ii) to declare any conflict or potential conflict ahead of discussion of relevant issues; and (iii) to recuse themselves should any such conflict of interest arise. In addition, all Council members must subscribe to the Council's code on conflicts (or potential conflicts) of interest before the first meeting of Council in each year.

An amendment to the Higher Education Act in 2011 extended the requirement to disclose potential conflict of interest to all staff. For this purpose, the University has defined 'staff' as being those employees for whom the University has made a contribution to the Unemployment Insurance Fund.

The importance of ethical behaviour is particularly relevant in all the University's academic work. Two standing committees of Senate, supported by faculty-level ethics committees, promote and ensure the highest ethical standards in teaching and research with particular regard to human subjects of research and to animal experimentation. A third committee ensures that both ethical and bio-safety issues are dealt with in matters related to genetically modified organisms. Revised controls and systems for ensuring that these are effective were adopted by Senate and Council in 2012, and further refined in 2014 and are being implemented through a new Office of Research Integrity.

As a further step to ensure fairness in all institutional dealings with staff, students and third parties, and to promote probity, the Council has established an Ombud's Office. The full-time Ombud has been in office for four full years and is an established internal service.

In addition, a whistle-blower hotline, managed externally through KPMG, was introduced in early 2015. Allegations of fraud, corruption, or unethical conduct may be reported confidentially and anonymously and all reported cases are investigated by the University.

Corporate governance and ethics in decision-making are further reinforced by the University's statement of values<sup>1</sup>. This is reviewed periodically.

## Stakeholders

UCT is a diverse community, and located within a wider context of multiple stakeholder groups on whom UCT relies and who have expectations of the University in terms of its mission, actions and decisions. The University's stakeholder network includes, *inter alia*, academic partners, staff (academic and professional), students, government agencies, the private sector, civil society groups, parents, funders, and the media. These relationships are valued and nurtured at various levels in the institution. For example, this is done via the

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<sup>1</sup> [http://uct.ac.za/downloads/uct.ac.za/about/policies/UCT\\_Statement\\_of\\_Values.pdf](http://uct.ac.za/downloads/uct.ac.za/about/policies/UCT_Statement_of_Values.pdf)

Executive with government agencies, via the faculties and research units with research partners, via the Department of Development and Alumni with donors, alumni and members of Convocation, with schools and parents via the Student Recruitment Office and Schools' Intervention Initiative, with staff members via the representative bodies and consultative forums, with students via the SRC and other student formations, with the media via the Executive and the Department of Communication and Marketing, and with civil society groupings through the work of the University in its social responsiveness and community engagement endeavours.

### **The responsibilities of the Council**

The Council's key responsibilities are to ensure that:

- The University has clear strategic goals and objectives.
- The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving the goals and objectives.
- The University's financial position is sound in the short and long term.
- No fees are set, and no financial appropriations made, without Council approval.
- Risk management and internal controls are in place.
- All the University's members (staff, students, and alumni), donors, customers, and suppliers are treated in an appropriate manner.
- The University complies with all relevant laws, regulations and accounting policies.
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted and have appropriate terms of reference and reporting procedures.

### **Objectives for the Council for 2015**

The Chair of Council is required to report annually on the work of the Council. The Auditor General requires that the Council report on the extent to which the Council has met its pre-determined objectives for the year. The reporting regulations as published in the Gazette of 9 June 2014 under Government Notice No. R.464 are designed for reporting against such predetermined objectives. A key part of this is the Annual Performance Plan (approved by Council on 6 December 2014). Having regard to this, and its responsibilities under the Act and the Statute, the Council set the following high-level objectives for 2015.



## Objectives Part 1: To meet the targets in the Annual Performance Plan, in particular

|     | Objective   | Comments  |
|-----|---|---|
| 1.1 | To achieve the approved enrolment targets for 2015, as well as the graduate outputs targets. (inclusive of first-time entering undergraduate enrolment target)  | Met. See below.   |
| 1.2 | To complete the state-funded efficiency and infrastructure projects, and the capital programme for 2015 on budget and on time, in particular the new lecture theatre on the main campus.                                    | Substantially met. See page 52  |
| 1.3 | To ensure that the 2015 earmarked teaching- and research-development grants are utilized for the purposes for which they have been awarded, by achieving the research output per instructional/research professional staff. | Met. See below, as well as on page 52   |
| 1.4 | To ensure that the 2015 earmarked foundation programme grants are utilized for foundation programmes that promote access and success.   | Met. See page 56<br>748 first-time entering undergraduates and a course success rate of 81% for first-time entering foundation students in foundation programmes. |
| 1.5 | To ensure that the 2015 earmarked NSFAS funding is utilized to provide financial aid to eligible students.  | Met. See page 57  |
| 1.6 | To ensure that the 2015 earmarked clinical training grants are utilized to augment clinical training of health professionals and that enrolment targets for health professionals are met.                                   | Met. See page 58  |
| 1.7 | To adopt a five-year strategic plan (2015-2019), a five year employment equity plan (2015 to 2019) and mid-year performance reports to the Department of Higher Education and Training (November 2015).                     | Partially met. See below.   |

**Note: Please refer to pages 52 to 58 for comments related to goals 1.2 to 1.6**

### **Enrolment planning objective 1.1**

Our enrolment planning compact with the Ministry and the Department of Higher Education & Training required that we achieve a headcount enrolment of 27 535 students in 2015

(converted to a weighted full-time number, of what are termed *teaching input units* that the State will fund by way of input subsidy, *in the 2017/18 financial year, of 64 516*). Head count enrolment for 2015 was 27 790 while the teaching input unit total was 67 562.

The number of graduates for the reporting year was 7 202 against the target of 7 050

The approved first-time entering undergraduate enrolment target was set at 3 895 students. During the year the university exceeded this target, with 4 131 first-time entering undergraduate enrolment students. Success rates and data on graduates are dealt with in the report on UCT operations later in the document.

The numbers quoted above were taken from a June 1<sup>st</sup> 2016 HEMIS extract.

**Research objective 1.3**

The following are the research output per instructional/research professional staff as well as results for the year:

| Key Performance Indicator   | Target | Actual |
|-----------------------------|--------|--------|
| Publication units           | 1 350  | 1 374  |
| Research master's graduates | 600    | 575    |
| Doctoral graduates          | 200    | 217    |
| Weighted Total              | 2550   | 2600   |

The Research masters target was not reached due to students not completing and submitting dissertations for examination at the rate expected.

**Strategic plan; employment equity plan and the mid-year performance reporting: objective 1.7**

The regulations for reporting by public higher education institutions require that the annual performance plan must be linked to the goals in a five-year institutional strategic plan. Mid-year and annual reporting would therefore take this into account. The previous five-year cycle for the strategic plan was 2010 to 2014. The tumultuous political events in the higher education sector during the course of 2015 impacted profoundly on the process to develop the 2015 – 2019 version of the institutional strategic plan. At UCT this included the #RhodesMustFall movement which ignited a national #FeesMustFall campaign that manifested itself across the higher education sector. Consultations with internal constituencies informed the view that the strategic plan for 2015 – 2019 needed to take careful account of the events and signals of 2015. The next iteration of the strategic plan was therefore put on hold to allow for further review and consultation, and Council did not

approve a new strategic plan in 2015. In the interim, the goals of the 2010 – 2014 strategic plan remained in place as an interim plan.

Council approved both the employment equity plan 2015-2020 as well as the mid-year performance report for 2015.

### Objectives Part 2: Governance and internal objectives

| Objective  |  | Comments  |
|------------|--|---|
| <b>2.1</b> | To govern the University effectively, ensuring and promoting academic freedom, transformation and success in the core activities of teaching and learning, research, and community engagement.   | Met: See below, and refer to the section on the work to the committees of Council |
| <b>2.2</b> | To achieve a budget for 2016 that complies with the Council's financial plan for sustainability; this will require careful cost savings, attention to the revenue side of the budget and a surplus on operations in 2016 of between 1% and 2%.   | Met: See below  |
| <b>2.3</b> | To make 2016 budget appropriations set forth in the new strategic plan that achieve the objectives, recognizing the importance of meeting transformation objectives, and the need to ensure effective financial aid having regard to the uncertainty of the way in which NSFAS funding is to be arranged.  | Partially met: See below  |
| <b>2.4</b> | To hold the Vice-Chancellor accountable for his objectives and for effective administration.   | Met: see the report on UCT operations in the later section of this report         |
| <b>2.5</b> | To recruit and appoint successors to 4 Deans (Law; Engineering and the Built Environment; Health Sciences; and Commerce) and to initiate the process for the recruitment of a DVC (in succession to Professor Visser who retires in December 2016).  | Met: See below  |
| <b>2.6</b> | To set the admissions policies for admission in 2017.  | Met: see below  |
| <b>2.7</b> | To receive reports from the Senate on: teaching and learning, in particular on strategies for online learning and the implications these strategies may have for size-and-shape and infrastructural provision; on research; and on social responsiveness and engaged scholarship, and where necessary to interrogate the Senate on matters related to these core areas of Senate's work. | Met: see below  |

### **Council governance: objective 2.1.**

Senate and the Council, as statutory bodies, gave due attention to the promotion of academic freedom, to transformation and success in the core activities of teaching and learning. The Senate reports submitted to the Council on research, on engaged scholarship and on teaching and learning account for the work of the University in these key areas.

Council resolved to end outsourcing at UCT. This was a major decision, reversing an almost two decades-old decision to outsource non-core activities. In the light of this resolution UCT will insource five of the six non-core services during the course of 2016, and the sixth service will follow thereafter.

A further far-reaching transformation decision was to authorise the administration to arrange for the temporary removal of the statue of Cecil John Rhodes on the authority granted by *Heritage Western Cape* in terms of section 27(18) of the Heritage Resources Act, Act 25 of 1999, urging the importance of this for creating an improved institutional climate and conditions essential for the functioning of the University while the longer-term fate of the statue was discussed.

### **Financial strength and financial performance: objective 2.2**

Council has a comprehensive financial plan<sup>[1]</sup>, which foregrounds sustainability. Key to this is a set of principles.

1. We target a recurrent operating surplus amounting to 3% of total recurrent operating income.
2. Capital expenditure is driven by strategy and is constrained by affordability.
3. Debt finance is used conservatively.
4. Net investment income is used only to seed new initiatives and strategic choices.
5. Staff housing and student housing operations cover their full costs and provide resources for long-term maintenance and the expansion of stock.
6. Holding free cash at a level between 20% and 30% of recurrent operating expenditure.

#### *How did we fare in 2015?*

Council-controlled operations, per our management accounts at 31 December 2015, resulted in a small surplus of R18.6 million (0.7% against the target of 3%) on total Council-controlled expenditure of R2.63 billion. The management accounts provide a measure of the sustainability of operations; they do not include movements related to investments or investment income or charges that must be made to the Statement of Comprehensive

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<sup>[1]</sup> See <https://www.uct.ac.za/usr/finance/about/finplan.pdf>

Income that are regulated by International Financial Reporting Standards (IFRS). That is why this number differs from the surplus for the reporting year of R98 million under Council-controlled operations in the Annual Financial Statements. The deficit on operations reported in the Financial Review (p. 72) omits all non-recurrent revenue, which is why it differs from the management accounts' surplus of R18.6 million.)

There is more work to be done if we are to achieve the sustainable levels we consider necessary.

Student housing ended the year with a higher surplus than originally planned, thus enabling it to make additional (internal) capital loan repayments in respect of the Obz Square residence project.

Capital expenditure of R301 million was in line with that for 2014.

For the 6<sup>th</sup> consecutive year Free cash<sup>[2]</sup> reserves met or exceeded the guidelines in our financial policy. The financial review and the financial statements, which follow, give the full picture.

In summary, we entered 2016 with a small surplus. That surplus was some way off the 3% on recurrent operations we target for long-term financial sustainability, primarily due to two abnormal adjustments: the R32 million VAT settlement on imported electronic resources and the additional security, residence, legal and other related costs associated with the #FeesMustFall protests in 2015. Free cash remains above the targeted range, and we have maintained the discipline of not applying revenues from investments to recurrent operations. The reality, however is that:

- as reported previously, increases in state funding via the block grant is not keeping pace with inflation or higher education inflation (which is running above the consumer price index (CPI) by several percentage points annually);
- unit tuition fees were not increased for 2016, meaning that in real terms our level of funding has decreased; and
- financial aid demands will continue to grow at a rate much faster than inflation.

In 2015 the Special Budget Task Team (SBTT) continued its work to ensure that we are able to deal with the difficult years we face and the task team reported to the Executive in early 2016. As is now more widely known, we plan to reduce the university operating budget by R120 million over the next two years. This will primarily take the form of a cut to the staffing budget.

The budget for 2016, adopted at the last Council meeting of 2015, provides for:

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<sup>[2]</sup> Free cash is Council-controlled cash held by the University for which there is no commitment and which may be used for strategic purposes of to fund capital expenditure.

- a tuition and related (Council controlled) budget with estimated revenues of R2.91 billion; expenditure of R2.89 billion and an operating surplus of R21 million, short of the 3% target;
- estimates of the cost of insourcing to the extent that they exceed the costs for the services as delivered in 2016;
- capital expenditure of R138 million;
- student and staff housing budgets with estimated revenues of R371.4 million, expenditure of R350.8 million and an operating surplus of R43.8 million to be applied to the repayment of internal loans.

The financial position is sound, but as has been reported for the past two years, failure to take action to manage the balance between revenues and costs can and will change this position rapidly. The events in the latter half of 2015 have simply created more pressures and uncertainty in this regard. But we recognise that any further growth beyond our capacity to grow is often a major factor causing failure: Council must keep in mind that it is accountable for controlling this risk.

The 2016 budget appropriations were made, bearing in mind the delay in finalising the strategic plan for 2015-2020. The section on financial reporting provides further detail in this regard. It is necessary to underscore the fact that given the unprecedented events of 2015 in the South African higher education sector, UCT – like all other universities – will face a huge challenge in providing financial aid to the extent that will be required and is underwritten by current university policies.

**To hold the Vice-Chancellor accountable for his objectives and for effective administration:  
Objective 2.4**

*Refer to report on UCT operations in the later section of this report*

**Recruitment of Deans and a Deputy Vice-Chancellor: Objective 2.5**

Selection processes were successfully concluded for the appointment of the Deans of Law (Professor Penelope Andrews), Engineering and the Built Environment (Professor Alison Lewis), Health Sciences (Professor Bongani Mayosi), and Commerce (Professor Ingrid Woolard). A further selection process was concluded for the appointment of a Deputy Vice-Chancellor (Professor Mamokgethi Phakeng) to succeed Professor Danie Visser who will retire at the end of 2016. Deputy Vice-Chancellor Crain Soudien resigned during 2015 to take up the position of Chief Executive Officer of the Human Sciences Research Council. The 2015 selection process to appoint a successor Deputy Vice-Chancellor was not successful and a fresh selection process will be undertaken in 2016.

Council also appointed Ms Mary-Jane Morifi as a Trustee of the UC Foundation Trust, and Ms Zetu Makamandela-Mguqulwa for a further term as University Ombud.

**To set the admissions policies for admission in 2017: Objective 2.6**

Council confirmed the undergraduate admissions policy for admission in 2017. Council was satisfied that there was no need to intervene with any major policy changes at this point.

**Senate Reports: Objective 2.7**

The Senate reported to Council on Teaching and Learning, Research and Innovation, and Social Responsiveness and Engaged Scholarship. These are elaborated on in the relevant sections of this report.

## The Committees of Council

Attendance at Council Meetings – 2015 (the list below deals with membership as it was in 2015)

### Attendance at Scheduled Council Meetings - 2015

| 2015            | 7<br>March | 20 June | 29 Aug | 26 Sept   | 5 Dec | % Attendance                               |
|-----------------|------------|---------|--------|-----------|-------|--|
| S Barsel        | Ap         | P       | Ap     | Ap        | P     | 40   |
| G Bloch         | P          | P       | Ap     | P         | P     | 80   |
| G Bloor         | Ap         | P       | Ap     | P         | P     | 60   |
| E Brooks        | P          | P       | Ap     | P         | P     | 80   |
| DJ Budlender    | P          | P       | P      | P         | P     | 100  |
| Y Dwane         | Ab         | P       | P      | Ab        | P     | 60   |
| MP Ensor        | P          | P       | P      | P         | P     | 100  |
| IG Farlam       | P          | P       | P      | P         | P     | 100  |
| JJ Gauntlett SC | P          | P       | P      | Ap        | P     | 80   |
| B Jakoet        | P          | P       | P      | Ap        | P     | 80   |
| O Kinahan       | P          | Ap      | P      | P         | P     | 80   |
| S Klopper       | P          | P       | P      | P         | P     | 100  |
| AP le Roex      | P          | P       | P      | P         | P     | 100  |
| R Mahapa        | P          | P       | P      | P         | P     | 100  |
| A Mall          |            |         |        | P         | P     | 100  |
| R Moseli        |            |         |        |           | P     | 100  |
| LY Meyer        | P          | P       | P      | P         | P     | 100  |
| NWH Ndungane    | P          | P       | P      | Ap        | P     | 80   |
| R Omar          | P          | P       | P      | P         | P     | 100  |
| CME O'Regan     | P          | Ap      | Ap     | Ap        | P     | 40   |
| F Petersen      | P          | P       | P      | P         | P     | 100  |
| TD Petersen     | Ap         | P       | P      | P         | P     | 80   |
| MR Price        | P          | P       | P      | P         | P     | 100  |
| H Raubenheimer  | P          | P       | Ap     | P         | P     | 80   |
| J Rousseau      | P          | P       | P      | P         | P     | 100  |
| U Rivett        | P          | Ap      | P      | P         | P     | 80   |
| T Setiloane     | P          | P       | P      | Ap        | P     | 80   |
| C Soudien       | P          | P       | P      | P         |       | 100  |
| A Spoor         | P          | P       | P      | P         | P     | 100  |
| DP Visser       | Ap         | P       | P      | Ap        | P     | 60   |
| S Zungu         | Ap         | Ap      | P      | Ap        | P     | 40   |
| B Zwane         | Ap         | P       | P      | P         | P     | 80   |
|                 |            |         |        | <b>P</b>  | =     | <b>Present</b>                             |
|                 |            |         |        | <b>Ap</b> | =     | <b>Apology</b>                             |
|                 |            |         |        |           | =     | <b>Not a member<br/>during this period</b> |
|                 |            |         |        | <b>Ab</b> | =     | <b>Absent</b>                              |



## Attendance at Special/Extra-ordinary Council Meetings - 2015

| 2015            | 8 April | 22 April | 24 Oct    | 31 Oct | % Attendance                           |
|-----------------|---------|----------|-----------|--------|--|
| S Barsel        | P       | P        | P         | P      | 100                                    |
| G Bloch         | P       | P        | P         | P      | 100                                    |
| G Bloor         | Ap      | Ap       | P         | P      | 50                                     |
| E Brooks        | P       | P        | P         | P      | 100                                    |
| DJ Budlender    | P       | P        | P         | P      | 100                                    |
| Y Dwane         | Ab      | Ab       | Ab        | Ap     | 0                                      |
| MP Ensor        | P       | P        | P         | P      | 100                                    |
| IG Farlam       | Ap      | P        | P         | P      | 75                                     |
| JJ Gauntlett SC | Ap      | P        | P         | P      | 75                                     |
| B Jakoet        | Ap      | Ap       | Ap        | Ap     | 0                                      |
| O Kinahan       | P       | P        | P         | Ap     | 75                                     |
| S Klopper       | P       | P        | P         | P      | 100                                    |
| AP le Roex      | P       | P        | P         | P      | 100                                    |
| R Mahapa        | P       | P        | P         | Ap     | 75                                     |
| A Mall          |         |          | P         | P      | 100                                    |
| LY Meyer        | P       | P        | Ap        | Ap     | 50                                     |
| NWH Ndungane    | P       | P        | P         | Ap     | 75                                     |
| R Omar          | P       | P        | P         | P      | 100                                    |
| CME O'Regan     | P       | P        | P         | P      | 100                                    |
| F Petersen      | P       | P        | P         | P      | 100                                    |
| TD Petersen     | P       | P        | P         | P      | 100                                    |
| MR Price        | P       | P        | P         | P      | 100                                    |
| H Raubenheimer  | P       | P        | P         | Ap     | 75                                     |
| J Rousseau      | P       | P        | P         | P      | 100                                    |
| U Rivett        | Ap      | P        | P         | Ap     | 50                                     |
| T Setiloane     | Ap      | P        | P         | P      | 75                                     |
| C Soudien       | P       | P        |           |        | 100                                    |
| A Spoor         | P       | P        | P         | P      | 100                                    |
| DP Visser       | P       | Ap       | P         | P      | 75                                     |
| S Zungu         | P       | P        | P         | Ap     | 75                                     |
| B Zwane         | P       | Ap       | P         | P      | 75                                     |
|                 |         |          | <b>P</b>  | =      | <b>Present</b>                         |
|                 |         |          | <b>Ap</b> | =      | <b>Apology</b>                         |
|                 |         |          |           | =      | <b>Not a member during this period</b> |
|                 |         |          | <b>Ab</b> | =      | <b>Absent</b>                          |


### Council's Executive Committee

Council is supported by a standing Executive Committee (EXCO) to which Council has delegated specific formal decision-making functions. Council meets at least five times each year and EXCO meets regularly between February and November, generally in those months in which Council does not meet.

The EXCO consists of the Chair and Deputy Chair of Council, the Chair of the University Finance Committee, four members of Council (two of whom must be external members and one of whom must be a student member) and the Vice-Chancellor.

The table below sets out the number of EXCO meetings held in 2015 and each member's attendance record.

Attendance at EXCO meetings – 2015 (the list below deals with membership as it was in 2015)

| 2015         | Feb | April | May | July | Oct  | Nov | % Attendance                           |
|--------------|-----|-------|-----|------|--|-----|--|
| DJ Budlender | P   | P     | P   | P    | P  | P   | 100                                    |
| MP Ensor     | P   | P     | P   | Ap   | P  | P   | 83                                     |
| O Kinahan    | P   | P     | P   | P    | Ap   | P   | 83                                     |
| LY Meyer     | P   | P     | P   | P    | Ap   | P   | 83                                     |
| R Mahapa     | P   | P     | P   | P    | P  | P   | 100                                    |
| R Moseli     |     |       |     |      |  | P   | 100                                    |
| NWH Ndungane | P   | P     | Ap  | P    | P  | Ap  | 67                                     |
| TD Petersen  | P   | P     | P   | P    | P  | P   | 100                                    |
| MR Price     | P   | P     | P   | P    | P  | P   | 100                                    |
|              |     |       |     |      | <b>P</b>   |     | <b>Present</b>                         |
|              |     |       |     |      | <b>Ap</b>  |     | <b>Apology</b>                         |
|              |     |       |     |      |  |     | <b>Not a member during this period</b> |
|              |     |       |     |      | <b>Ab</b>  |     | <b>Absent</b>                          |

### The Council Appointments Committee

The Council Appointments Committee considers nominations for certain vacancies in the Council in terms of paragraph 46 of the Statute, and appoints five members of the Council. One vacancy arose during the reporting year – Judge O'Regan resigned her Council membership and was replaced by Mr Siphon Pityana with effect from the start of 2016.

### The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external members of Council, independent members and the Vice-Chancellor. The Audit Committee met three times on its own and once for the joint meeting with the University Finance Committee. Its year-end meeting did not take place due to student protest action at the time. Both internal and independent auditors have unrestricted access to the Committee.

A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the University Audit Committee. The University Audit and Risk Management Committees continued with a comprehensive review of the risk measures in place to manage and mitigate identified risks. The University Audit Committee's responsibilities are to:

- Ensure that there is an effective process for assessing and managing risk;
- Assess the financial statements for reasonability and accuracy, and for compliance with accounting policies and regulations laid down by the Minister under the Act;

- Recommend to Council the approval of the Annual Report, incorporating the Annual Financial Statements;
- Review and approve the scope of the internal audit programme;
- Recommend the appointment and retention of the independent external auditors;
- Review the scope of the audit conducted by the independent external auditors; and
- Review on its own and with the help of internal audit, the adequacy and effectiveness of internal control.

A comprehensive risk policy framework was adopted by Council on the advice of the Risk Management and University Audit Committees.

### **The University Finance Committee**

The University Finance Committee (UFC) is a standing committee of Council and is chaired by an external member of Council. The UFC advises Council on financial strategy, makes recommendations on revenue and capital budgets, and monitors and reports quarterly on progress against these budgets. The committee met six times during 2015. In addition, there was a joint meeting with the Audit Committee. Another meeting, scheduled with the University Strategy Forum for 23 October 2015, did not take place due to the student protest disruption on campus at the time.

### **The Council Remuneration Committee**

The Council Remuneration Committee (RemCom) is a standing committee of Council and consists of external Council members (Debbie Budlender and Bakar Jakoet), the Chairs of the University Audit (Ian Farlam), Human Resources (Buyani Zwane) and Finance (Trevor Petersen) Committees, and the Vice-Chancellor (except for matters relating to the Vice-Chancellor). RemCom is responsible for:

- Advising the Council on remuneration policy;
- Setting mandates for consultation and negotiations on remuneration and conditions of service with staff bodies and trade unions;
- Evaluating the performance of the Vice-Chancellor and senior staff; and
- Determining the remuneration of the senior leadership group members in terms of the performance management system.

The Remuneration Committee reports to Council each year setting out the decisions taken, thus ensuring transparency with regard to executive and senior staff salaries. The remuneration of each member of the senior leadership group is published in the Annual Financial Statements. RemCom met three times during 2015.

### **The University Student Affairs Committee**

The University Student Affairs Committee (USAC) is a standing committee of Council established in terms of section 27 (3) of the Act. It includes one member of the Executive, two Council members, members of the academic staff (appointed by Senate) and student

representatives. It is chaired by a Deputy Vice-Chancellor and advises the Council on student matters. Council requires the USAC to report twice a year on student concerns. USAC met five times in 2015.

#### **The University Human Resources Committee**

The University Human Resources Committee (UHRC) is a standing committee of Council that advises Council on HR policy and employment equity policy and plans and has, up to now, also played a role in considering reports on outsourced providers' compliance with the code of conduct. It also provides information on staff issues and staff concerns. The committee met four times during 2015. An external Council member chairs the UHRC.

#### **The University Information and Communication Technology Committee**

The University Information and Communication Technology Services Committee (UICTC) is a standing joint committee of Senate and Council. It was established in recognition of the vital role of Information Communication Technology Services (ICTS) in teaching, research, administration and communication. This committee is responsible for formulating strategy proposals for ICTS at UCT.

It is chaired by a Deputy Vice-Chancellor, and it includes members of Council, members of the academic staff appointed by Senate, the Executive Director: Finance, the Registrar, and SRC-appointed members. It has successfully overseen the University's migration to a new email platform, continues to oversee the enterprise content management (ECM) project, and through ICT Services has taken on responsibility for teaching venue upgrades and provisioning. The UICTC met five times in 2015.

#### **The University Building and Development Committee**

The University Building and Development Committee (UB&DC) is a standing committee of Council and advises Council on development of the physical plant and oversees major capital projects.

This committee includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings. The committee is chaired by a member of Council and met eleven times during 2015.

#### **The University Strategy Forum**

The University Strategy Forum is a standing joint committee of Senate and Council chaired by the Vice-Chancellor and consists of Council members, and elected Senate, staff and student representatives. This standing committee advises Senate and Council on strategy and met twice in 2015.

## Challenges for the year ahead

### Transformation

The transformation challenge remains a priority. The change in the demographic representation of staff, especially at the levels of professor and associate professor, has been slow. The protest events of 2015 have highlighted the ongoing transformation imperative and the latter will be at the core of the University's strategic direction in the year ahead, and beyond. This will include, but not be limited to, issues of demography, institutional culture, transformation of the curriculum, staff development and institutional symbols.

Council will build on its work of 2015 during which time it took decisions related to:

- an application to *Heritage Western Cape* for the permanent removal of the Rhodes statue, (urging the importance of this for creating the necessary institutional climate and for the functioning of the University);
- the establishment of task teams to conduct audits of building names and artworks of the University;
- a review of the Institutional Forum;
- a review of the Discrimination and Harassment Office;
- proposals in respect of an annual lecture to commemorate the student uprising in 2015;
- the establishment of a working group to draft guidelines for the deployment of the South African Police Services on the campuses.

### Financial constraints

The #FeesMustfall movement and the zero percent increase on fees in 2016, together with an escalation of costs due to inflation factors, will present a huge challenge in the year ahead. Austerity will have to inform all financial considerations, greater efficiencies will have to be found, and resources will have to be deployed wisely. The financial security of the University in the time ahead, and for future generations, will depend on sound fiscal management over the next few years.

### Insourcing

Having taken the decision in 2015 to insource non-core functions and phase this in during the course of 2016, much attention will have to be paid to complete this process such that it gives the required effect to the 2015 decision. UCT will insource five of the six non-core services during the course of 2016, and the sixth service will follow thereafter.

### Leadership and transition

The term of office of the Council will come to an end on 30 June 2016. The process to elect members from the different constituencies and constitute the next Council, for the period 1 July 2016 to 30 June 2020) is underway.

The Vice-Chancellor is supported by a wider senior leadership team, including a number of new appointments that will take effect in 2016. They are:

- Dean of Commerce, Professor Ingrid Woolard
- Dean of Law, Professor Penny Andrews
- Dean of Health Sciences, Professor Bongani Mayosi
- University Registrar, Royston Pillay
- Executive Director: Finance, Ashley Francis
- Deputy Vice-Chancellor Designate (Research and Innovation), Professor Mamokgethi Phakeng.

In addition, the vacancy in the post of Deputy Vice-Chancellor responsible for *Transformation and Student Affairs* will be filled.

I wish to pay tribute to all the members of Council, especially the members of EXCO (Deputy Chair Debbie Budlender, Lucille Meyer, Trevor Petersen, Paula Ensor, Owen Kinahan, the 2014/2015 SRC President (Mr Ramabina Mahapa), the 2015/2016 SRC President (Mr Rorisang Moseli) and the Vice-Chancellor, Dr Max Price.

I would also like to extend thanks to the members of all committees, but in particular I would like to mention five important committees: the Remuneration Committee (chaired by Bakar Jakoet); the Finance Committee (chaired by Trevor Petersen); the Human Resources Committee (chaired by Buyani Zwane); the University Building & Development Committee (chaired by Owen Kinahan); and the Audit Committee (chaired by Ian Farlam).

To the members of the Council who serve without reward and in particular to the members of EXCO and the committee chairs, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.

  
ARCHBISHOP NJONGKO W H NDUNGANE

CHAIR OF COUNCIL

18 June 2016

# REPORT ON UCT OPERATIONS DURING 2015

## Introduction

At the end of 2009 the Council approved a Strategic Plan for the University for the period 2010 – 2014. The process of developing the new strategic plan by the Senior Leadership Group started towards the end of 2014 and continued early in 2015. A process of consultation was launched at a workshop of Academic heads of department in early April 2015. This workshop took place against the backdrop of the launch of the #RhodesMustFall movement and the Black Academic Caucus. These movements had raised concerns about the slow pace and limited conception of transformation within the University. The HODs endorsed the need to accelerate the pace, and broaden the scope of transformation. As a result, the Executive decided to request the Council to extend the period of the previous Strategic plan to the end of 2015 to allow for time to revise the plan and consult with key stakeholders about a proposed new direction for the University. Council acceded to this request. Hence the framework of the 2010-2014 Strategic Plan was used to set the objectives for UCT's 2015 Annual Performance Plan and members of the Executive. The framework was also used to organise this report on progress with regard to the pre-determined objectives approved by Council in order to demonstrate the alignment of these objectives with the Strategic Plan. Reports on the pre-determined objectives pertaining to capital expenditure and finance are contained in the sections of the Report on the Annual Financial Review and in the Report of the Chair of Council. Satisfactory progress has been made in relation to the pre-determined objectives based on an analysis of the evidence, although the Transformation section of the Report highlights ongoing challenges which need to be addressed. The draft new 2016 to 2019 Strategic Plan has identified accelerating the scope and pace of, transformation as a key driver. The section below contains reports against pre-determined objectives where these were specified, as well as summaries of the other key activities which took place during 2015 to advance the broad goals of the Strategic Plan.

## Section One: Report on 2015 objectives

### Goal One: Internationalising UCT via an Afropolitan Niche

#### Strengthening UCT's International Profile

Objective: Develop our global relationships in a 3-way partnership approach (UCT; African or developing world partner; and a global north partner)

The strategic plan had prioritised the need to develop relationships with universities across the African continent and strategic 3-way partnerships with institutions in the North and the Global South. A modest count of UCT's relations on the continent spanning memoranda of understanding and exchange agreements to publishing collaborations and research

contracts indicates that UCT has established collaborations in 36 countries across the continent.

The International Academic Programmes Office (IAPO) continues to coordinate the ARISE consortium, a European Union (EU) funded academic mobility scheme to partner with other institutions on the continent. ARISE's technical partner is the University of Leuven. UCT is also a consortium member of two other similar EU funded programmes: University of Ibadan led, PAMAPS – Postgraduate Academic Mobility for African Physician Scientists and University of Yaoundé led, ERMIT - Entrepreneurship, Resources, Management Innovation and Technology (in association with University of Porto, Portugal).

IAPO has developed a new partnership with the Commission for Conciliation, Mediation and Arbitration (CCMA) for the delivery of short term programmes to organisations in African States.

### Strengthen internationalisation at home

Objective: Increase the number of Semester Study Abroad (SSA) and full degree students from African and other countries

For the first time, UCT registered more than 1 000 SSA students (from approximately 1 300 who applied): an increase of just more than 8% compared to 2014. The number of international students registered in 2015 was also just more than 8% compared to 2014. International students came from 109 countries, including 60 from other BRICS countries and 3 122 from 39 other countries in Africa.

### International Students

|  | 2011   | 2012   | 2013   | 2014   | 2015   |
|--|--------|--------|--------|--------|--------|
| Total UCT students enrolled                              | 25 508 | 26 050 | 26 330 | 26 333 | 27 790 |
| Total UCT students (excl. SSA)                           | 24 664 | 25 096 | 25 353 | 25 386 | 26 762 |
| Total international students (excl. SSA)                 | 3 771  | 3 929  | 3 776  | 3 735  | 4 000  |
| % international students (excl. SSA)                     | 15%    | 15%    | 14%    | 14%    | 14%    |
| Number of countries represented                          | 111    | 112    | 105    | 102    | 109    |
| Number of African countries represented                  | 42     | 37     | 42     | 37     | 39     |
| Total SADC students                                      | 2 053  | 2 439  | 1 955  | 1 966  | 2 372  |
| % SADC students at UCT                                   | 8%     | 9%     | 7%     | 7%     | 9%     |
| Total Non-SADC International students (excl. SSA)        | 1 364  | 1 470  | 1 821  | 1 769  | 1 477  |
| Total Non-SADC International students from Africa        | 648    | 707    | 739    | 724    | 752    |
| Total Study Abroad Students                              | 844    | 954    | 977    | 947    | 1 028  |
| Total International Students incl SSA/non-degree seekers | 4 593  | 4 892  | 4 753  | 4 682  | 5 028  |
| % All International student registrations at UCT         | 18%    | 19%    | 18%    | 18%    | 18%    |
| Total international undergraduates                       | 2 727  | 2 888  | 2 756  | 2 541  | 2 663  |
| Total international postgraduates                        | 1 866  | 2 004  | 1 997  | 2 141  | 2 365  |
| <b>Note: 2015 figures as at 1 June 2016</b>              |        |        |        |        |        |



During 2015, a number of systems were updated and automated. The largest impact was the implementation of on-line applications for semester study abroad students (replacing a mostly manual system) and the automation of course approvals for SSA students by HoDs.

The funding agreement between UCT and the MasterCard Foundation was finalised in early 2014. Implementation for the Programme continued throughout 2014. In 2015 3 staff members including a Programme Coordinator, Recruitment Officer and Administrator were appointed to run the Programme. The Programme received its 1st cohort of 19 MasterCard Foundation scholars in February 2015 and the second cohort of 21 in 2016. Two Scholars graduated in December 2015. The MasterCard budget was re-purposed in December 2015 to offer additional scholarships over the next 8 years.

A short term programme with the United Nations System Staff College was hosted for a second time, 12 – 16 October 2015, by IAPO, in collaboration with the Graduate School of Business. Approximately 26 high level senior Directors from over 20 countries in Africa, the Middle East, Asia, Europe and North America attended the programme on Leadership for Transformation and Unity Building in the Workplace.

### **Enhancing UCT's Profile through participation in international networks**

Objective: Enhance UCT's profile through the role played by the VC in launching the Alliance of African Research Universities, chairing the Worldwide University Network, the Global Universities Forum and the Australia-Africa University Network

The Vice-Chancellor attended the World University Network (WUN) Annual General Meeting at the Chinese University of Hong Kong in April 2015, marking the second year of his term as Chair. UCT has remained an active part of the network: seven research mobility awards were granted from UCT funding for this purpose, and in 2015 UCT researchers joined, as consortium partners, nine successful WUN research project applications.

The Australia-Africa Universities Network (AAUN) comprises leading universities in Africa and Australia and boasts African membership from nine institutions in the South, East and West of the continent, as well as ten Australian universities. Four prioritised themes guide collaborative activities in education and research: Food Security; Mining and Minerals; Public Health; and Education. UCT has principal investigators on two projects.

The African Research Universities Alliance (ARUA) was launched in March 2015 at the African Higher Education Summit in Dakar, Senegal, and attended by the Chair of the African Union Commission, Dr Nkosazana Dlamini-Zuma. The three main thrusts of ARUA are intended to be: improving training and support for PhD students, capacity building to enhance research management, and collaborative research. The Vice-Chancellor was selected as the first Chair of ARUA.

## Goal Two: Transformation of UCT Towards Non-racialism – Redress, Diversity, Inclusiveness and the Recognition of African Voices

The project of transformation is multifaceted. Committed to overcoming the legacy of apartheid and colonialism in the university system, it encompasses:

- changes to the demographic profile of the staff and student bodies
- teaching and learning, including curriculum design
- staff development
- institutional culture, including artworks and other symbols
- addressing manifestations of racism and sexism

Efforts by the University of Cape Town in these respects have been ongoing for many years. Last year saw a marked acceleration – largely in response to the challenge levelled by the #RhodesMustFall (RMF) campaign and other lobby groups such as the Black Academic Caucus, the Students' Representative Council (SRC), Faculty Student Councils, student formations such as #PatriarchyMustFall and LGBTQIA lobbies, the UCT Left Students Forum, staff unions and several others.

The debates around the statue of Cecil John Rhodes put the issue of transformation centre stage at UCT, produced a high degree of consensus about the need to act more quickly and decisively in respect of transformation generally, and brought home to people that transformation affects everyone and is everyone's responsibility.

### Transformation interventions since March 2015

Key interventions have included the appointment of Associate Professor Elelwani Ramugondo as my special advisor on transformation; employment equity programmes; creating forums for views not usually voiced; addressing the dominance on campus of symbols that reflect a particular, white or colonial, heritage; student access; gender and sexual harassment issues; curriculum reform; and insourcing.

These programmes are all aligned with the new four-year strategic plan (2016 to 2019), which is currently being finalised. The plan is also the transformation plan for UCT since its key element is the way transformation infuses all elements of our repositioning over the next period.

### **Creating new spaces for all to be heard**

Each of the faculties held faculty assemblies intended to open safe spaces, especially for black students, to talk about how they experienced the institution. Some professional, administrative, support and service (PASS) departments also held similar open meetings. These encounters have raised many issues, and faculties are taking them up on the strength

of further discussion and investigation. The issues raised included concerns about racism in classroom settings, a dearth of black intellectual voices in the curriculum and other curriculum issues, and risks of stigmatisation associated with academic development programmes.

Objectives: Finalise the 2015-2020 Employment Equity Plan for adoption by Council in June 2015; develop plans and strategies for the realisation of the EE goals and targets, particularly through the support and development of our own staff; implement the new DHET 'Staffing South African Universities Framework'; review and improve the role of the EE representatives in the selection process

### **Demographic transformation and employment equity**

- During the 2015 period the University of Cape Town completed an analysis of the current profile for the university staff component against relevant statistical data pools for higher education staff and graduates. The analysis showed the proportion of black (African, Coloured and Indian) academic staff at UCT is 23% in relation to the total number of academics in the University. This is 8% lower than the national average for traditional universities (31%) based on data from the Higher Education Data Analysis (HEDA) data. In 2015 UCT also had a total of 54% of white Academic staff which is (2%) higher than the national average for the traditional universities (52%). In developing the new employment equity plan the University formulated the plan based on the statistical data pools for suitably qualified persons in South Africa. The data is drawn from the Higher Education Management Information System (HEMIS) which provides data on all graduates nationally, the Higher Education Data Analysis (HEDA) which provides data on all academics currently in universities nationally and professional bodies such as Health Professionals Council South Africa (HPCSA), South African Nursing Council etc.
- In June 2015 the University Council approved the new employment equity plan for the University. In this plan the University purports that by 2020 there will be a 9%-point increase in black academic staff (effectively a 33% increase on current numbers) in this figure, bringing the total percentage of black academic staff at UCT to 32%. It is estimated that by 2020, white academic staff at UCT will constitute 49% of the total number of academics at the institution. This is a 5% decrease from the figure in 2015. If the rate of transition continues at the same pace into the future, one might predict that in fifteen years (in about 2030) there will be many more black academic staff than white staff. The new UCT Employment Equity Plan can be viewed at <http://www.uct.ac.za/about/transformation/policies/>. The plan also indicates the measures which are being put in place to assist the university in achieving its targets.
- Several faculty boards reviewed the composition of their ad hominem promotion committees. Senate approved the substantial reconstitution of one of the faculty ad hominem promotion committees before the 2015 ad hominem process kicked off.

- Some faculties and departments have decided to advertise all positions using the targeted employment equity statement, which indicates that the advertised post should preferably be filled by a black South African.
- The Recruitment, Development and Retention programme (RDR) has been initiated under the supervision of Deputy Vice-Chancellor Professor Francis Petersen. One leg of this programme is the new Next Generation Professoriate. Thirty-five middle-level and senior academics from designated groups and from all faculties have been selected and have started the programme, which is designed to ensure that within five years they will be promoted to associate or full professors. Another project within RDR is the Next Generation Academics Programme (mostly aimed at recruiting students entering their PhD studies into an academic career), which is funded by the Department of Higher Education and Training.
- There has been much concern that deans and academic heads of departments were not being held accountable for transformation of staff demography in the faculties. This has been discussed and the point has been re-emphasised that they are indeed responsible and accountable for equity targets, and mechanisms for ensuring such accountability are being developed in consultation at each level.
- We have increased the allocation from the Vice-Chancellor's Strategic Fund for equity posts (to provide opportunities to make appointments of equity candidates even when there may not be a vacancy).
- We are examining human resources data to see whether different criteria are being used to appoint or promote black academics compared to white, how long it takes black and white academics to be promoted from one grade to the next, and whether there is any bias in extending appointments over the age of 65.
- A review is being conducted of the reports submitted by the employment equity (EE) representatives on selection committees to see whether such reports were submitted in every case, whether they were reviewed by the relevant oversight person, and to what extent EE representatives raised concerns about the selection process.

The track record in 2015 for senior executive appointments demonstrates this serious commitment to employment equity. Seven posts were filled (Deputy Vice-Chancellor: Research; Deans of Law, Commerce, Health Sciences and Engineering and the Built Environment; Registrar; and Executive Director: Finance). All appointees are from the designated groups: four are women and five are black. However, changing the profile of the professoriate at UCT remains our toughest challenge.

Eleven senior administrative appointments, 6 from designated groups and 5 white males, were also made. The appointments from designated groups included 3 black males, 2 black females and 1 white female.

## **Institutional culture and symbolic landscape**

Objectives: Facilitate debate, policy and decision-making around signage, symbolism and naming on the UCT campuses; implement strategy for UCT to become Employer of Choice; revise the reward and recognition strategy; develop individual career plans including formal mentorship; roll out 360-degree evaluation of managers to academic heads of departments

- A task team of six, including three SRC-nominated student members, was appointed by Council to review the names of buildings. Largely because of the unavailability of student members from the mid-October study break until the start of this semester, this committee has made limited progress.
- Another task team of six people, including three nominated by the SRC, was appointed by Council to consider how to manage the university's art collections (including portraits, plaques and sculptures) in response to concerns that UCT's representation practices are not inclusive and that the University needs an active and considered curation policy. Again, progress has been slower than we would have liked for reasons already mentioned. The team has produced an inventory of commemorative plaques, sculptures and statues to complement the already existing inventory of works of art. It has also identified a number of works in public spaces that are controversial to the point of causing offence to some viewers.
- The graduation ceremony of December 2015 was modified as a pilot. The musical items were changed (*Gaudeamus igitur* and other items were replaced by South African music) and a praise singer was included in the programme.
- The most important interventions around institutional climate are conversations and gaining insight into how we see and treat one another. There have been a number of faculty and departmental forums held to open up such spaces. Some lecturers have created classroom discussions unrelated to their disciplines to encourage students to talk about how they experience the university and their colleagues. As the executive, we have attempted to keep open the space for dialogue and have even accepted disruption at public events and lectures, and extended occupations, in the interests of promoting constructive engagement with all groups. We will continue to do this provided the engagement is lawful, peaceful and respectful.
- Career and succession planning have now been included as part of a newly developed performance management and development process for professional staff. The process enhances engagement between line and staff with a view to fostering an inclusive and supportive culture which drives performance and development.
- A course on leading with a mentoring mind-set has been designed and introduced for academic and professional line managers. It has been run nine times since its introduction, has been very well attended by academic and professional line managers and has received positive reviews from attendees.

36 academic HODs have completed the 360 evaluation. These evaluations are accompanied by an option of coaching support for the individual.

- A UCT Human Resources Strategy which positions UCT as the Employer of Choice has been developed and endorsed by the University Human Resources (UCTHR) Committee. The reward and recognition system has been revised as part of the revision of the performance management system for professional staff. Key elements of the new strategy have been confirmed as part of the endorsed UCTHR Strategy and finalisation of the strategy will take place in 2016. A staff development strategy has been developed and endorsed by the UCT Staff Development Committee.

### **Student access**

**Objective: Implement the new admissions policy and keep a close eye on the results to ensure it achieves our transformation goals**

- The new admissions policy was implemented for the first time in the latter part of 2015 for admissions in 2016. The policy is designed to increase both the number of black students as well as the number of disadvantaged students. We are monitoring the offers being made as the selection process proceeded and were satisfied that a higher proportion of offers were being made to black applicants than in previous years. The take-up of offers, reflected in actual registrations, including an analysis of the change in social class distribution, will be done in the next few months.

### **Rights related to gender, sexual orientation and harassment**

**Objective: Implement a plan to address concerns expressed in the climate survey and by groups of staff and students**

- A team with external experts was established to review the Discrimination and Harassment Office (DISCHO), which had been criticised for not being effective in addressing sexual harassment on campus. The review team completed its work in November 2015 and the report is being considered by stakeholders.
- Responding to concerns that sexual assault perpetrators were not being sentenced appropriately by the Student Disciplinary Tribunal (SDT), Professor Rashida Manjoo in the Law Faculty was requested to review all the SDT cases of the last five years. The sentences were generally found to be appropriate. One recent sentence was considered too lenient and the university has initiated an appeal to increase this sentence.
- A sexuality and gender policy has been drafted and is being discussed.
- We have in the meantime acknowledged the need to move away from the assumption of binary (female/male) gender classification and we recognise the right of individuals to self-classify their gender. We have implemented a third option for gender identification on student application forms. A working group is examining the

implications for all our administrative systems of the move away from binary gender classification.

### **Labour relations and outsourcing**

#### **Objective: Renew outsourced contracts using the new code of conduct**

Perhaps one of the most significant transformation interventions in 2015 was the decision to insource the services currently provided by six external contracting companies (security, catering, two cleaning services, gardening and the UCT transport service, the Jammie Shuttle). The University is currently preparing for the insourcing. This was a departure from the original objective.

#### **Governance processes**

Council appointed a task team to review the Institutional Forum (IF), which it felt was failing to address transformation issues and to bring stakeholders effectively into a common forum.

A review of the Discrimination and Harassment Office (DISCHO) was undertaken. The report was submitted to Council in April 2016.

Last June, following the removal of the Rhodes statue, a Transformation Dialogue Forum was created, including students (SRC, Student Assembly and RMF, academics, deans and heads of department, Professional and Support Staff (PASS), the Black Academic Caucus, the IF, trade unions and management. The forum has struggled to get going, largely due to ongoing disciplinary issues involving members of the RMF.

### **Goal Three: Working Towards a Desired Size and Shape for UCT**

UCT had targeted an overall enrolment of 27 535 students in 2015. The total enrolment target included 16 910 undergraduates, 3 222 postgraduates below the master's level, 4 543 master's students and 1 491 doctoral enrolments. The headcount enrolment was projected to translate into 21 337 full-time equivalent enrolments. The overall undergraduate engineering target for 2015 was 2 452.

### **Student numbers**

#### **Objectives: See Enrolment Planning Objective 1.1 for details**

The actual enrolment in 2015 was 27 790 students, including 17 701 undergraduates, 3 243 postgraduates below the master's level, 4 735 master's students and 1 740 doctoral enrolments. The 2015 headcount enrolment target was therefore met and exceeded at all levels. The 2015 headcount translated into 20 781 FTEs and 67 562 Teaching Input Units (TIU) (against a Ministerially approved total of 64,516 TIUs).

The undergraduate headcount enrolment in Engineering and the Built Environment was 2 935, which was markedly higher than the target of 2,452.

We enrolled 4 131 first-time entering undergraduates against a target of 3,895.

In terms of discipline, the 2015 enrolment was projected to be made up of 40% in Science, Engineering and Technology (SET), 26% in Business/Management, 3% in Education and 31% in the broad Humanities. The actual proportions for 2015 were as follows: 43% in SET, 26% in Business/Management, 2% in Education and 29% in the broad Humanities.

We expected in the region of 7 050 graduates in 2015. This target included a projected 3 604 undergraduate completions, 2 000 completions below the master's level, 1 250 master's graduates and 200 doctoral graduates. To date, we have recorded 7 202 graduates, made up of 3 653 undergraduate completions, 2 161 postgraduates below the master's level, 1 171 master's graduates and 217 doctoral completions.

The undergraduate course success improvement rate was 4.2%, taking this rate to 87.6%. This is well in excess of the target increase of 0.6%.

### Demographic statistics

The targeted racial profile of the 2015 South African enrolment was 36% African, 15% coloured, 9% Indian and 40% white. The actual demographic profile of the 2015 South African enrolment was as follows: 28% African, 16% coloured, 8% Indian, 36% white and 12% undisclosed. The high proportion of students with undisclosed race makes it difficult to assess performance in relation to our demographic targets.

The demographic profile of the overall 2015 enrolment is shown below:

| <b>Headcount Enrolments 2010 - 2015 showing percentage growth on base</b> |              |              |              |              |              |              |                 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
|   | <b>2010</b>  | <b>2011</b>  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  | <b>% Change</b> |
| SA African  | 5323         | 5744         | 6012         | 6256         | 6247         | 6341         | 19.1%           |
| SA Coloured   | 3653         | 3687         | 3530         | 3608         | 3620         | 3619         | -0.9%           |
| SA Indian   | 1681         | 1671         | 1701         | 1731         | 1819         | 1845         | 9.8%            |
| SA White  | 9183         | 8992         | 8814         | 8483         | 8141         | 8148         | -11.3%          |
| International   | 4171         | 4268         | 4802         | 4290         | 4686         | 5028         | 20.5%           |
| Unknown   | 1003         | 1146         | 1191         | 1962         | 1820         | 2809         | 180.1%          |
| <b>Total</b>  | <b>25014</b> | <b>25508</b> | <b>26050</b> | <b>26330</b> | <b>26333</b> | <b>27790</b> | <b>11.1%</b>    |

A disproportionate but desirable increase in SA African enrolments (19.1% against an overall increase of 11.1%) is apparent. Over the 2010 – 2015 period white enrolments decreased by



11.3%, while international enrolments increased by 20.5%. There has been, however, a very marked increase in students with undisclosed race in the last 5 years.

| <b>Headcount enrolments 2010 - 2015 by race, showing percentage of total</b> |              |  |              |              |              |              |
|--|--------------|--|--------------|--------------|--------------|--------------|
|  | <b>2010</b>  | <b>2011</b>  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  |
| SA African   | 5323         | 5744   | 6012         | 6256         | 6247         | 6341         |
| % of total incl. International   | 21.3%        | 23.0%  | 24.0%        | 25.0%        | 25.0%        | 25.3%        |
| % of total excl. International   | 25.5%        | 27.0%  | 28.2%        | 29.0%        | 28.9%        | 27.9%        |
| SA Coloured  | 3653         | 3687   | 3530         | 3608         | 3620         | 3619         |
| % of total incl. International   | 14.6%        | 14.5%  | 13.6%        | 13.7%        | 13.7%        | 13.0%        |
| % of total excl. International   | 17.5%        | 17.4%  | 16.6%        | 16.7%        | 16.7%        | 15.9%        |
| SA Indian  | 1681         | 1671   | 1701         | 1731         | 1819         | 1845         |
| % of total incl. International   | 6.7%         | 6.6%   | 6.5%         | 6.6%         | 6.9%         | 6.6%         |
| % of total excl. International   | 8.1%         | 7.9%   | 8.0%         | 8.0%         | 8.4%         | 8.1%         |
| SA White   | 9183         | 8992   | 8814         | 8483         | 8141         | 8148         |
| % of total incl. International   | 36.7%        | 35.3%  | 33.8%        | 32.2%        | 30.9%        | 29.3%        |
| % of total excl. International   | 44.1%        | 42.3%  | 41.4%        | 39.3%        | 37.6%        | 35.8%        |
| International  | 4171         | 4268   | 4753         | 4753         | 4686         | 5028         |
| % of total incl. International   | 16.7%        | 16.7%  | 18.2%        | 18.1%        | 17.8%        | 18.1%        |
| Other/?  | 1003         | 1146   | 1240         | 1499         | 1820         | 2809         |
| % of total incl. International   | 4.0%         | 4.5%   | 4.8%         | 5.7%         | 6.9%         | 10.1%        |
| % of total excl. International   | 4.8%         | 5.4%   | 5.8%         | 6.9%         | 8.4%         | 12.3%        |
| <b>Total</b>   | <b>25014</b> | <b>25508</b>   | <b>26050</b> | <b>26330</b> | <b>26333</b> | <b>27790</b> |
| Total less international   | 20843        | 21240  | 21297        | 21577        | 21647        | 22762        |
|  |              | This is the % of total, including international students |              |              |              |              |
|  |              | This is the % of total, excluding international students |              |              |              |              |

## Student Housing

### Objective: Achieve 100% occupancy

The total student housing capacity for 2015 was 6 667 beds, and it was expected that 100% occupancy would be achieved. In reality, 6 627 of the beds were occupied and the occupancy rate was therefore 99.5%.

|                    | Capacity | New Students<br>- actual | Returning Students<br>- actual | Total - actual |
|--------------------|----------|--------------------------|--------------------------------|----------------|
| Undergraduate beds | 6 049    | 2 240                    | 3 765                          | 6 006          |
| Postgraduate beds  | 618      | 398                      | 223                            | 621            |
| Total              | 6 667    | 2 638                    | 3 988                          | 6 627          |

## Goal Four: A Vision for the Development of Research at UCT: Greater Impact, Greater Engagement.

### Research Performance

This section provides a snapshot of UCT's research performance against a range of indicators, including research funding, support to postgraduate students and postdoctoral researchers, the publication count, and NRF rating. It then addresses some of the major activities of the research and innovation office in 2015.

Total research income from external sources amounted to R1.386 billion in 2015, representing an increase of 12% or R153 million year-on-year. The number of new research contracts approved in 2015 increased to 2 306, from 2 113 in 2014, whilst the total value of these new contracts amounted to R1.444 billion in 2015 (compared to R1.180 billion in 2014). Funding through the National Research Foundation (NRF) amounted to R314 million in 2015 compared to R287 million in 2014.

In 2015, 5 097 awards were made to 3 380 students who were registered for honours, master's or doctoral degrees, at a total value of R255 036 960. Awards were therefore made to 3 380 of the 7 780 students registered at the honour's masters and doctoral levels in 2015. By way of comparison, in 2014, 6 780 students were registered for honours, master's and doctoral degrees at UCT and of these, 3 186 students received awards to a total value of R206 million.

In 2015, out of 334 registered Postdoctoral Research Fellows (PDRFs) 308 received over R68 million in funding support. This included 161 international PDRFs registered at UCT, receiving fellowships to the value of R30 million.

UCT was awarded 1623.61 units for 2014<sup>2</sup> research publications, which resulted in the University being placed third overall in the national publication count rankings, but ranked first for book / chapter outputs (133.75 units) and first for international journal publications (87% of UCT journal publications) .

In addition, 240 research master's students and 217 doctoral students graduated in 2015.

The number of NRF rated researchers at UCT continues to increase and there are currently 513 researchers with a rating. Three new A ratings were awarded to UCT researchers during 2015.

UCT featured in the top 15 universities worldwide in the respective *Times Higher Education* (THE) BRICS and Emerging Economies Rankings (4<sup>th</sup>) and the Quacquarelli Symonds (QS) BRICS Rankings (14<sup>th</sup>). This is in addition to maintaining its strong presence in three main global university ranking systems in 2014: *THE* World University Rankings (120), QS World University Rankings (171) and Shanghai Jiao Tong Academic Ranking of World Universities (Top 300).

### **New Research Strategy and enabling environment**

Objectives: to implement the results of the Business Process Re-engineering with the assistance of e-research management tools; establish a new initiative to effectively communicate and make visible UCT's research performance and capabilities

Extensive re-engineering of business processes across PASS departments that support research were completed in 2015, resulting in recalibration and streamlining of services and organisational structures in order to absorb expanded activities without increased budget provision. A research information management system (CONVERIS) was purchased and is in the process of being implemented.

The implementation of an integrated communications strategy as part of the three-year eResearch Administration project is underway.

### **Research Focus and Impact**

Objectives: To call for and establish five new interdisciplinary research institutes; to launch the Big Data Project; to establish the first node of the postgraduate Design School

UCT recognises the importance and value of focusing its efforts and resources in selected research areas in order to take the quality and impact of research to the next level, and to address local and societal challenges. During the course of 2015, five new interdisciplinary institutes were selected: (i) Institute for Safety Governance in the Global South; (ii) Institute for Democracy, Citizenship and Public Policy in Africa; (iii) Institute for Conservation Conflict

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<sup>2</sup> Publications reported to the Department of Higher Education and Training in 2014.

and Co-operation; (iv) Future Water Institute; (v) Neuroscience Institute. In addition, UCT launched a Big Data project as the *Inter-Institutional Institute for Data Intensive Astronomy (IDIA)* led by UCT. Additional developments include the Iziko Planetarium project and an invitation from DST's National Integrated CyberInfrastructure System (NICIS) to establish and host a regional *Tier 2 Data Node* which will extend the NICIS programme and complement and support national data intensive research priorities.

Vice Chancellor strategic funding enabled 15 grants capped at R50 000 for principal investigators and R1 500 000 for six doctoral packages that are embedded into the triangular collaborations between UCT; a developing world partner; and a global north partner. The purpose is to give PhD students embedded in the project a bursary, part-time employment within the academic department and an opportunity to spend time at the partner university of her/his supervisor over a three-year period.

The first node of the postgraduate Design School has been established.

UCT is home to 39 Chairs funded through the DST's South African Research Chairs Initiative (SARChI), two Department of Science and Technology/NRF Centres of Excellence (COE) and one COE node, and one national Competence Centre.

### **URC Framework for Research Development**

Objective: Implement the interventions supported by the Teaching Development Grant to train supervisors and equip postgraduates with dissertation writing skills

The URC framework for research development offers a range of initiatives to support researchers to complete higher degrees, get published, obtain funding, supervise postgraduate students and generally develop a passion for research. It is driven by the Research Office and mainly focused on the Emerging Researcher Programme (a structured mentorship programme). Limited to date to staff on permanent conditions of service, the time-consuming personalized mentoring model of this programme has been overtaken by demands for greater reach, with specific cohorts (nGAP participants, NRF/DST Research Career Advancement Fellows as well as UCT's own 'next black professoriate') requiring dedicated support. As a result, and despite increasingly limited resources, development initiatives are being conceptualized across the full researcher life cycle, with online and blended learning offerings being developed to help meet the increased demand. As vehicles for transformation, these initiatives are geared to help new academics (who are increasingly young and black) to develop their research careers more rapidly than might have been possible in the past. In future, all early to mid-career staff as well as postgraduates would select from an integrated suite of offerings (workshops, seminars and retreats as well as MOOC's and blended learning modules) that best suit their particular stage of development, regardless of their appointment status. In addition, and as soon as additional resources can be secured, personalized mentoring and consultation will be

reserved for limited cohorts, such as academic staff still working towards their higher degrees.

### **Increasing the Visibility of our Research**

#### **Objective: Implement strategies that enhance the visibility and discoverability of unique UCT Libraries Special Collections**

Progress continued in 2015 to implement the strategy to make the Humanitec Project sustainable beyond 2015 and scale up online access to African scholarship content housed at UCT in various multimedia formats which are dated and no longer accessible e.g. reel tapes, VHS and PAL video technology (known as legacy equipment). Funding was approved by the ITIPC to purchase an amount of legacy equipment to enable the Libraries to access content on dated equipment and convert analogue content to digital format to make the unique local content accessible to scholars. In 2015, the focus was to find and identify appropriate legacy equipment in good condition to procure.

2015 saw the Libraries undertake six digital collection projects to support its strategy of promoting the Digital Humanities.

In August, the Digital Archive website ([www.digitalcollections.lib.uct.ac.za/humanitec](http://www.digitalcollections.lib.uct.ac.za/humanitec)) was launched to celebrate the 14 unique local collections (with more than 14 000 unique local items) that anchor the cross disciplinary Humanitec project that has brought together researchers from across UCT to make unique local content discoverable and accessible for researching and teaching.

Special Collections is actively making digital material curated by the Libraries available via the website including digital documents, maps, images and recordings;

Two exhibitions were curated to promote the visibility of the local and unique collections. The Neville Alexander manuscript collection was highlighted in an exhibition curated by the Special Collections in August to celebrate the renaming of the Humanities PG Building in honour of Neville Alexander.

The Libraries hosted the exhibition and book launch of the 3<sup>rd</sup> Ernest Cole Award made to Graeme Williams. The exhibition and book are entitled "A City Refracted".

### **Intellectual Property (IP) and Technology Transfer**

#### **Objective: Monitor the utilisation and commercialisation of research outputs**

The total income from IP commercialisation was R 3.77m. There were 42 new disclosures, two new UCT spin-off companies. 13 patents were granted and 56 new patent applications were filed at different stages of patenting. A larger number (13) of PCT applications was filed compared to the average since 2010 (8).

One of UCT's spin out companies, Antrum Biotech, was the winner at the **National Science and Technology Forum (NSTF) Awards** in the category "research leading to innovation by a team or individual in an SMME" for the development of an accurate rapid test for extra pulmonary TB called IRISA-TB. This is the fourth year in a row that a UCT innovation has won this award.

### Postgraduate studies

- 10 MOOCs on a range of academic and professional issues were supported by weekly discussion groups and facilitated by PhD students and postdoctoral fellows: there were 122 sign-ups. Two one-day PhD retreats were held for 130 first year PhDs (75 + 55 students). A total of 46 workshops/seminars were hosted, facilitated or organised through the reporting period with a total of 1 414 sign-ups.
- A 1-day retreat accommodating 77 2nd year PhDs was run in September, 2015. A range of academics presented and 10 university-related service providers exhibited.
- A two-and-a-half-day writing retreat with 17 PhD students was organised. A 120-page reference manual was supplied to each attendee.

## Goal Five: Enhancing the Quality and Profile of UCT's Graduates

### Student success rates

Specific Four Year Objectives linked to the Teaching Development Grants were as follows

- A 0.6% average annual increase in the UG FTE degree credits by course level and a 2.5% average annual increase the PG FTE degree credits by course level (Table 26 of UCT's Enrolment Plan submission to the DHET);
- To improve student success rates by 4% in Commerce initiatives (from 88.4% in 2014) and improve the pass rate to 85% in Property Law and Constitutional Law;
- To reduce exclusion rates to less than 5% in the Science Faculty and improve pass rates in the Humanities Faculty so that 75% of the class achieve >55%;
- To improve the class average in the third and fourth years of the Health and Rehabilitation Sciences to 70% because of this programme.

### Interim figures: final 2015 figures will become available at the end of July 2016

- 13 100 UG FTE degree credits against a target of 13 613;
- 3 923 PG degree credits in 2015 against a target of 4 106;
- Commerce pass rate: 84.4%
- Constitutional Law pass rate 81.6%; Property Law pass rate 77.4%;
- Humanities: 75% of the UG class with >=55%
- Health and Rehabilitation Sciences third year average 63.5% and fourth year average 66.8%
- Science academic exclusion rate 4%.

A total of 7 202 students obtained a degree or a diploma during calendar year 2015. Of these 4 514 were in the human sciences and 2 688 in the natural sciences.

Just less than 2.5% of all undergraduate students were refused readmission on academic grounds at the end of 2015. This proportion is slightly lower than that in 2014 (3%) and in prior years. The success rate in undergraduate courses in 2015 was 87.7%, (87.7% in 2014). The success rates according to race shown in the following table:

|                                | SA African | SA Coloured | SA Indian | SA White & Undisclosed |
|--------------------------------|------------|-------------|-----------|------------------------|
| UG course success rate in 2015 | 82.2%      | 86.7%       | 88.2%     | 91.7%                  |

The undergraduate course success rates in 2015 thus varied between 82.2% (for SA African students) and 91.7% (for SA White students and those with undisclosed race). The success rates at the lower end of the spectrum were nevertheless close to the target of 84%.

Examination of the longitudinal performance of the 2010 first-time entering undergraduate (FU) cohorts, excluding Health Sciences entrants, shows the following:

- 69.7% of the 2010 FU cohort (in comparison with 61% of the equivalent 2009 cohort) had completed an undergraduate qualification within five years of registering at UCT;
- 13% of the 2010 cohort (in comparison with 19% of the 2009 FU cohort) had been excluded from UCT on academic grounds during the five-year period of the analysis;
- The rate of dropout in good academic standing amongst the 2010 FU cohort was 7.6% (in comparison with 9% as within the 2009 FU cohort);
- 11% of the 2010 FU cohort was still busy with undergraduate studies at the end of 2014. This proportion had stabilised at between 6% and 8% amongst recent prior FU cohorts. The larger proportion still busy with their undergraduate studies suggests slower progress amongst the 2009 and 2010 FU cohorts but also reflects increases in the intake into extended degree programmes.

### Academic staffing

UCT's 2015 HEMIS staffing submission shows that a total of 1 179 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents a 12.5% increase over the 2011 figure of 1 048.

The proportion of permanent, full-time academic staff qualified at the doctoral level in 2015 was 70%. A further 24% of these academic staff held master's degrees. The Research sections of this report suggests that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

## Improving the quality of the curriculum, pedagogy and support for students

### On-line learning

Objectives: Implement the first on-line and blended distance qualifications and the first 6 MOOCs; extend the use of e-learning and e-resources in teaching

The Centre for Innovation in Learning and Teaching (CILT) launched UCT's first four Massive Open Online Courses (MOOCs) in early 2015. The goals of the MOOC project include:

- To showcase the teaching and research excellence of UCT
- To give exposure to African content and knowledge
- To make UCT's knowledge resources globally accessible
- To profile key postgraduate programmes and research areas aligned with the university's strategic goals
- To offer opportunities to build skills and knowledge for students transitioning into new fields or levels of study

Four MOOCs were offered in 2015:

- Medicine and the Arts, with Prof Susan Levine and Prof Steve Reid (total sign ups 13 000)
- What is a Mind? with Prof Mark Solms (total sign ups 22 000 and ranked in Class Central's list of top 10 global MOOCs of 2015 based on participant reviews and satisfaction ratings)
- Understanding clinical research: Behind the statistics with Dr. Juan Klopper (total sign ups 11 000)
- Climate change mitigation in developing countries with Prof Harald Winkler (total sign ups 3 000)

A third of the way through the project, the impact thus far includes

- The Medicine and the Arts MOOC showcased some 17 presenters, the majority of whom were UCT academics (showcasing 14 different departments), giving global exposure to a variety of disciplinary perspectives.
- Those enrolling come from over 100 countries in the world.
- The second MOOC, What is a Mind? is giving Prof Mark Solms' interdisciplinary field 'neuropsychanalysis' greater global exposure and, since it was voted one of the top courses of 2015, has been gaining in popularity.

Creating MOOCs has grown and developed our capacity for online learning provision, specifically giving us experience in learning design as well as the production of educational



videos. Through the design of the courses, we have explored innovative approaches to building learner engagement and participation, including use of peer review assessments and online mentoring. Releasing material under open licences has allowed for flexible reuse, facilitating experimentation with flipping the classroom<sup>3</sup> (Medicine and the Arts Masters course) and bridging (Understanding Clinical Research for MMed students in the Health Sciences Faculty).

Eight new programmes to be delivered using online provision were approved. A reading of new qualification proposals indicates that the shift to explore the possibility of distance mode provision using online learning is driven by a number of factors, which are not necessarily mutually exclusive of each other. The use of online provision may be beneficial because of the economies of scale but is also allowing the Institution to realise its Afropolitan mission and increase access to higher education. The commitment to opening access to higher education is promoted both where there is an interest in shifting the mode of provision of existing residential offerings<sup>4</sup> and where there is a purposeful attempt to diversify UCT's student body. An uptake for online learning is taking place in qualifications for graduate students and is to some extent influenced by a demand for flexible learning as well as where financial, family or distance-related constraints can be partly mitigated by online study. This makes it possible to respond to the demand for qualifications for working professionals, who can also develop reflective capacities and are able to relate their work to the curriculum.

While the Department of Higher Education and Training recognises only two modes of provision, contact and distance, learning opportunities are occupying spaces on a continuum that extends from traditional face-to-face onsite courses through to the fully online degrees, indicating that while the economies of scale of online provision may be attractive, programme and course convenors are investigating the ways that ICT's can best be used to support learning, and the affordances and barriers are carefully considered.

#### Objective: Improve success rates in Service Courses

The Service Courses Working Group continued its deliberations in 2015. It was established with faculty representation to analyse the data on service courses to understand and develop guidelines around these courses at the university. The document that was produced aims to serve as the basis for a conversation between the receiver and the provider of the service course. It will be presented to the Deans in 2016.

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<sup>3</sup> The flipped classroom is a pedagogical model in which the typical lecture and homework elements of a course are reversed

<sup>4</sup> Refer to \* in column 2 of Table 1

### Objective: Improve success rates in Courses Impeding Graduation (CIGs)

Following on from 2014, faculties were requested to present their strategies for improve throughput in courses impeding graduation (CIG) to the Senate Teaching and Learning Committee. A draft working document, 'Courses, Combinations and Contexts that Impede Graduation' (C3IGs or CubIGs), which identified possible reasons for the problems experienced, was circulated for comment with a view to deepening understanding of factors impacting on success.

### **Curriculum reform**

#### Objective: make recommendation on curriculum flexibility and create greater breadth

A Curriculum Review Task Team developed a draft concept document which initially identified two imperatives: catering for diversity through the provision of flexible learning pathways and consideration of whether there are sufficient opportunities for breadth in the existing curriculum. Consultation with the Deanery and the newly elected SRC at the end of 2014 informed a revision of the document to foreground breadth initiatives currently taking place at UCT. In April 2015 the Task Team was disbanded as it was deemed necessary to launch a new process which would take account of the calls from #RhodesMustFall and the Black Academic Caucus to reflect on the dominant assumptions that underpin UCT's curricula, pedagogies, and forms of support for students. These calls were echoed in faculty assemblies which took place during the course of 2015. There is also a sense that young academic staff, and particularly black staff, feel unfairly burdened by heavy teaching loads and that this may impede their career promotion. A new task team was established by the Vice Chancellor to take this process forward. Several meetings were held with the Vice Chancellor towards the end of 2015 to clarify the brief of the task team.

### **Development of academics as teachers**

Following the first phase of the Quality Enhancement Project, the supporting emerging academics' Teaching programme (seaTEACH) was established. Various models of this programme aim to support participants' development of their practice through a critical engagement with relevant theory in order to respond meaningfully to the challenges of working in classrooms. The interventions are structured to permit flexibility, tailored to be responsive to participant needs, and can be adapted to suit groups within departments. The programme has been well supported by individuals from non-education backgrounds, increasing the awareness of issues related to teaching and learning in these spheres. Participants become key voices for teaching and learning in their departments, and continue to develop their teaching practice through other CILT programmes and activities.

## **Expanding the use of educational technology**

### **Objective: Extend the use of educational technology in teaching**

The successful Laptop Project continues with 480 students in first year Chemical Engineering, Physics, Law and second year Architecture. Laptop ownership is mandatory and financial aid students are provided with a laptop by the university.

The Lecture recording project continued in 2015. It was agreed that the opt-out model that allows for lectures to be recorded unless the lecturer specifically requests not to be recorded is preferable. The pilot study revealed that lecture recordings give students flexibility in how they make use of lectures as a learning resource, and thus enhance students' learning experiences. There is no single narrative: different students use recordings in different ways (also expected to vary with subject/discipline and teaching approaches). Lecture recordings more often supplement than replace lecture attendance. Usage is regular and spread across the semester, and becomes more intense as the course progresses. Lecture recordings are a student-centered technology. The plan is to expand coverage and increase quality through targeted expansion of venues (assess demand for recording in smaller venues) and improvements in blackboard coverage, audio, camera tracking.

A process was launched to review the educational technology policy. To assist with this task a survey was undertaken of academics to ascertain their views and plans with regard to online learning.

### **Objective: Promote opportunities for research at the undergraduate level**

The Library at UCT is taking on this new role of 'library as publisher'. The first title that was produced by the library was *UR@UCT: undergraduate research journal*. The journal publishes undergraduate research that has been mentored by a supervisor. The link to the journal is <http://journals.uct.ac.za/index.php/UR>. There are three other titles that the library is currently working with – two of which are international titles. The second arm of the library as publisher programme is the publishing of books (monographs). Two books have been published under the auspicious of the library (<http://openbooks.uct.ac.za/arl/index.php/uctlibraries/catalog/book/17>). The Library is currently engaging with relevant faculties to publish open textbooks as a direct contribution to institution's transformation agenda.

## **First year experience**

### **Objective: Continue the First Year Experience project and the Mentoring Programme**

Every student entering higher education has a first year experience. For some it is a time of tremendous personal growth and a significant growth in self-confidence. For others, the experience is a less positive one – one that is defined by confusion, a sense of being overwhelmed, and a sense of failure. The First Year Experience (FYE) is something that, by

definition, touches every aspect of campus life across all faculties. While this certainly provides many opportunities for collaboration on different initiatives, it also has the potential to influence (in tremendously positive and less positive ways) the work of FYE. On the one hand, the FYE is promoted as an ethos and a way that we (UCT) do things for first year students (which needs a level of uniformness across faculties), while on the other hand it recognises that the FYE project can – and in some instances, must – look quite different from one faculty to another. To this end, the FYE project is involved in various initiatives and activities that contribute overall to the following four objectives:

1. Strengthening pre-admissions support and first-year career's advice;
2. Providing a welcoming and supportive university environment for prospective and new students in all faculties;
3. Promoting a renewed focus on first year teaching;
4. Promoting an integrated approach to student development, linking initiatives that respond to students' academic, affective, social and material needs.

As the FYE project continues to consolidate and expand its footprint on campus, it is also becoming more involved in particular initiatives that focus particularly on easing the transition into higher education (e.g., UCT Timelines Initiative), and initiatives that focus on the pre-enrolment space – in other words, initiatives that can better help prospective students and their families make the decision about higher education, in general, and UCT, in particular. The FYE begins long before students arrive at UCT, when they and their families first start interacting with people from the university.

### **Data analytics**

A significant development in this respect is the appointment of a new Data Analyst in April 2015 to assist with developing a central database and to conduct analyses as required. In related initiative, a data analytics task team was established in August 2015 to start developing a coherent and more widely accessible data monitoring system to track student performance and progress, as well as to advise on and track evidence-based educational interventions. The team will assist in devising a comprehensive learning analytics framework for the institution.

### **Library support**

#### **Objective: Implement and scale self-help services using Open Education Resources**

The teaching of new literacies such as information literacy, digital literacy, data literacy and scholarly communication literacy are now becoming common practice among academic libraries at the international level. Information literacy, at UCT Libraries, is promoted through the creation of guides for self-directed learning. These guides (LibGuides) are created to support the retrieval, evaluation and ethical use of information resources. Embedded in the LibGuides are audio and video clips to assist in self-directed learning.

Progress has been made in that more LibGuides have been created. Further, the Library is experimenting with the use of gaming to deliver information literacy programmes. In the recalibration of the Library, a new post will be created (Education Technologist Librarian) to improve virtual information and other literacy support.

At the Research Week (RW), UCT Libraries joined a small cohort of academic libraries that are currently offering a publishing service. At RW, the University launched UR@UCT, an undergraduate e-journal. The hosting of this journal by the Library makes UCT undergraduate research accessible to an international readership and hopefully stimulates an interest in pursuing postgraduate studies.

### Academic programmes

As part of the remit of scrutinizing new programmes, the Programme Accreditation and Approval Committee submitted for Senate's consideration 25 new qualifications and four new specialisations in existing qualifications in 2015.

The interest in the inclusion of Professional Master's qualification type in the HEQSF in 2013 has continued. The rationale for the shift towards professionally orientated qualifications at this NQF level and deliberations at the various levels of governance within the institution indicate that there is an increasing demand for knowledge and research practices that can be applied in professional spaces. 2015 saw seven<sup>5</sup> (two of which were for a distance and contact mode offering of the same qualification) new professionally orientated qualifications and their suite of courses being approved for submission to the DHET for PQM consideration. Each qualification proposes to provide advanced professional knowledge in their individual fields and engage enrolled students in applied professional projects.

The institution is also taking an interest in the purpose of the Advanced Diploma qualification. Six Advanced Diplomas<sup>6</sup> were approved for submission to the DHET for PQM consideration. Of these, four were proposed to either serve as a capping qualification for an undergraduate Diploma or to facilitate a change of track and therefore the onward development of students with undergraduate diplomas, so that they may advance to postgraduate qualifications; opening up possibilities in career choices and employability.

Finally, it is worth mentioning that a continuing trend is to build on and extend existing research networks and collaborate on teaching. To this end, two new specialisations in the Master of Arts degree were approved in 2015. Both specialisations involve students and staff collaborating with their counterparts from specific parts of the world, with the intention that students are able to construct a wider frame of reference and expand their network of professional and academic contacts.

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<sup>5</sup> Column 4, Table 1

<sup>6</sup> Column 5, Table 1

**Table 1: A snapshot of new offerings approved by UCT's Senate in 2015**

|   | Distance mode   | Advanced Diploma | Professional Master's | Co-badged | Existing offering that is being aligned to the HEQsF |
|---|---|------------------|-----------------------|-----------|--|
|   | * Shift in mode of provision of existing residential offering |                  |                       |           |  |
| Advanced Diploma in Actuarial Science                                 |   | √                |                       |           | √  |
| Advanced Diploma in Drama   |   | √                |                       |           |  |
| Advanced Diploma in Music   |   | √                |                       |           |  |
| Advanced Diploma in Theatre and Performance                           |   | √                |                       |           |  |
| Bachelor of Commerce in Actuarial Science                             |   |                  |                       |           | √  |
| Master of Commerce in Risk Management of Financial Markets            |   |                  | √                     |           |  |
| Postgraduate Diploma in Higher Education Studies                      |   |                  |                       |           | √  |
| Postgraduate Diploma in Management Information Systems                |   |                  |                       |           | √  |
| Postgraduate Diploma in Management Information Systems                | √*  |                  |                       |           |  |
| Master of Laws in Environmental Law                                   |   |                  | √                     |           |  |
| Master of Laws in Marine and Environmental Law                        |   |                  | √                     |           |  |
| Postgraduate Diploma in Management in Business Communication          |   |                  |                       |           |  |
| Postgraduate Diploma in Disability Studies                            | √*  |                  |                       |           |  |
| Postgraduate Diploma in Interdisciplinary Pain Management             | √   |                  |                       |           |  |
| Postgraduate Diploma in Regulatory Compliance Management              | √   |                  |                       |           |  |
| Master of Inclusive Business Innovation                               |   |                  | √                     |           |  |
| Master of Inclusive Business Innovation                               | √   |                  | √                     |           |  |
| Bachelor Honours in Financial Analysis and Portfolio Management       | √*  |                  |                       |           |  |
| Postgraduate Diploma in Power Plant Engineering                       |   |                  |                       |           |  |
| Master of Architecture (Professional)                                 |   |                  | √                     |           | √  |
| Advanced Diploma in Accounting  | √*  | √                |                       |           |  |
| Master of Development Policy Practice                                 |   |                  | √                     |           |  |
| Postgraduate Diploma in Development Policy Practice                   |   |                  |                       |           |  |
| Postgraduate Diploma in Public Sector Accounting                      | √*  |                  |                       |           |  |
| Advanced Diploma in Cosmetic Formulation Science                      |   | √                |                       |           |  |
| <b><i>New specialisations in generic qualifications</i></b>           |   |                  |                       |           |  |
| Master of Arts specialising in Dramaturgy                             |   |                  |                       | √         |  |
| Master of Arts specialising in Global Media                           |   |                  |                       | √         |  |
| Master of Laws specialising in International Taxation                 |   |                  |                       |           |  |
| Bachelor of Commerce Honours specialising in Public Sector Accounting |   |                  |                       |           |  |

## Goal Six: Expanding and Enhancing UCT's Contribution to South Africa's Development Challenges.

### Re-ACT Student Social Responsiveness Conference 2015

Objective: To enhance the work of student societies

'Redefining, Re-evaluating and Rethinking our social action' - This was the theme of the Re-ACT Student Social Responsiveness Conference, 2015. The aim of the conference was to create a space for students to network and critically engage with the way that social responsiveness happens at institutions of higher education. The Re-ACT Student Conference stemmed from a need identified by student leaders of the Development Agencies Sub-Council, to raise awareness, discuss and collaborate on issues of student involvement and social action at an institutional level. Within the context of the current conversations around transformation, social responsiveness is a crucial and needed part of this dialogue. Through this conference, the students aimed to create a space where they could re-define, re-evaluate and re-think these issues in a new and creative way, relevant to our current context.

The conference was attended by about 60 participants. Attending participants included students from the University of Western Cape (UWC), Stellenbosch University, Rhodes University and the University of Cape Town (UCT).

This conference paved the way for a space to be created where students could engage with various issues of social responsiveness shaped by their individual and collective perspectives. The conference also facilitated an opportunity for students to network with others who share similar goals of wanting to create positive change through understanding its complexities as well as the various ideologies embedded in the intention to create a socially just society.

Through means of the group projects on the final day, students were encouraged to tap into the resources already available to them, including their own personal positionality and skills to come up with creative and innovative ways to engage with communities, notwithstanding the fact that community participation is fundamental in this process.

### Poverty and Inequality (PII) Curriculum Seminar Series

Objective: Promote debate about the extent to which our curricula address the changing needs of developing countries, emerging economies and African voices

In developing countries like South Africa, higher education plays an integral role in part in developing knowledge and ways of learning that attempt to understand and address societal complexities and challenges, and this requires engagement with lived realities and the South African socio-political landscape that is defined by poverty and inequality.

Curriculum design and pedagogy have an important place at the forefront of the university's commitment to transformation, placing added significance on partnerships and collaboration when equipping students to meet social challenges.

Together with other Vice Chancellor's Strategic Initiatives also gaining ground, the Poverty and Inequality Initiative (PII) provides a fertile space within the university to address key issues pertaining to South Africa, and particularly whether the University is equipping students critically to think about and address these challenges. To this end the PII's Curriculum Seminars, which aim to facilitate meaningful discussion and debate on how departments and programmes at UCT engage with matters relating to poverty and inequality through their curricula.

The launch of the 2015 seminar series was held on 22 April, with presenters Harsha Kathard, Roshan Galvaan, and Elelwani Ramugondo from the Allied Health and Rehabilitation Sciences profiling innovative curriculum transformation within their department, which placed the issues of decolonisation and social justice at the centre of its curriculum review. A second seminar focused on the review of the Postgraduate Certificate in Education to ensure that teachers exiting from UCT are prepared for teaching in conditions which characterise the majority of the schools in South Africa. These two presentations illustrate strategies for curriculum review which place questions of transformation at the centre of discussions about the curriculum. The presentations also illustrated how the re-design of their curricula was enriched by drawing on different epistemologies and knowledges.

### **Launch of the Engaged Scholarship Programme (ESP) in 2015**

Objective: Strengthen networks, infrastructure and other mechanisms for engaging with the university's external stakeholders to enhance the knowledge generation and translation process

As a project of the University Social Responsiveness Committee, the ESP sought to expand and deepen the existing community of engaged scholarship practice at UCT. The programme provided a space for professional development for staff who wished to embed high quality engagement in their research and/or teaching. The intended outcomes of the 2015 pilot programme were that participants who completed the programme would be better placed to:

- understand why engaged scholarship is crucial to the mission of UCT;
- design and implement an engaged scholarship project based on ongoing areas of research and/or teaching interest;
- develop mutually beneficial partnerships within and beyond the university;
- understand, critically interrogate and apply standards of engaged scholarship;
- understand the nature, and challenges, of different forms of engagement;
- document their engaged scholarships for recognition and promotion;
- theorise the processes, complexities and outputs that emanate from engagement;



- contribute to local and international debates on engaged scholarship;
- assist in building a community of engaged scholars by providing leadership in engaged scholarship in their own departments or units, as well as in cross-disciplinary initiatives.

At the heart of the programme were four three-hour workshop-seminars, interspersed with preparatory reading, reflective work and practical applications. An interactive approach drew on participants' experience and interests. Experienced engaged scholars from UCT led some of the workshops or presented aspects of their work.

Participants were drawn from Health Sciences (7), Humanities (4), Commerce (2), EBE (3), Law (1) and Science (1). They came from a wide range of disciplines and fields - biomedical engineering, business, disability studies, education, environmental science, film studies, gender studies, health economics, history, law, mathematics education, medical anthropology, politics, sociology, social development and sports management. Some came as experienced engaged scholars but with limited knowledge of engaged scholarship as a distinct field with its own literature, concepts and contestations, burgeoning theory, ethics and quality criteria. Others came as activist-researchers who hoped to find ways of aligning their desire for engagement, on the one hand, with the imperative for academic publication, on the other. Some came because they were eager to connect with like-minded people with whom they might develop collaborative projects in teaching or research. A few came in fighting spirit, ready to interrogate UCT's policies and practices, and propel transformation.

#### **Involvement in knowledge generation with external non-academic partners, knowledge transfer and knowledge application.**

The 2015 Social Responsiveness Report contains summaries of engaged scholarship of units and individual academics: 13 from the Engineering and Built Environment, 70 from Health Sciences, 30 from Law, 25 from Science, 13 from Commerce and 4 from CHED.

#### **UCT Knowledge Co-op**

Objective: Increase the number of UCT Knowledge Co-op projects through expanding the pool of staff and postgraduate students involved in establishing new partnerships

In 2015, 80 new project topics were submitted to the Knowledge Co-op by 34 external partners. 20 of these are new partnerships. A total of 42 projects were facilitated during 2015; these involved 70 students supervised by 23 academics.

The bulk of projects (29) were research-based and about one third involved community service. 18 dissertations were at master's level; there were four honours theses and two undergraduate research reports.

Workshops were offered to academics supervising Knowledge Co-op projects around the Code of Good Practice for Engaged Scholarship with External (non-academic) Constituencies (developed in 2012). The Student Guide: Working with Community Partners is used in support sessions to offer guidance to students involved in these projects regarding their

interaction with community groups. This guide was also offered to all student development agencies.

### **Global Citizenship Programme (GCP)**

The UCT global citizenship programme is a series of short courses aimed at extending and enriching the learning experiences for students across all faculties. While the GCP is focused on enriching the learning of UCT students, it does this in the context of two important external partnerships: with the Development Action Group (DAG), an NGO working in the urban sector in Cape Town, and with the Global Education Network, a coalition of European government and NGOs working in the area of youth leadership and learning.

Based on the successes of the short courses, the GCP also runs a credit-bearing course in the EBE faculty: Social Infrastructures: engaging with community for change (SI). SI is open to all UCT students even though located in EBE, and it focuses on exposing students to the daily lived realities of communities outside of campus, many of which are under-resourced. The course asks students to think about issues of development and community engagement as part of their developing professional expertise. The partnership with DAG is ongoing and provides a space to examine some of the challenges of community engagement work more intentionally and thoughtfully.

| <b>Course</b>  | <b>Registered Students</b> |
|--|----------------------------|
| GC1 – global debates, local voices                               | 124                        |
| GC2 - service, citizenship and social justice                    | 121                        |
| G3 – 60 hours community engagement with reflection               | 50                         |
| EBE – social infrastructures: engaging with community for change | 91                         |

### **Careers Service (CS) Outreach to Schools**

As part of the VC’s 100-UP programme, during the 2015 academic school year 89 learners from UCT’s township feeder schools came over a 20-week period to UCT Careers Service for 1:1 careers consultations with one of CS’s Careers Advisors. Ongoing career development and advice will be provided to this group starting from grade 10 and continuing right through to graduation at UCT.

## Section Two: Report on Earmarked Grants

### State infrastructure and efficiency grants: Council Objective 1.2

Infrastructure spent is R195.3 million, with R93.1 million spent from the Department's contribution of R174.3million and the University spending R102.2 million of its own funds. The nature of the infrastructure grant is that projects are funded over an extended period and in some cases there are delays due to planning permissions and heritage requirements, which tend to take longer than anticipated.

In 2013, the University received funding from the Department of Higher Education and Training amounting to R174.3 million for a number of projects approved by the Minister. The projects were to be completed over a period covering three years (2012-2015) in line with the three-year funding cycle approved by the Minister. The current infrastructure and efficiency grant covers three financial years and ended on 31 March 2015. No allocations for 2015/16 – 2017/18 financial years were made in 2015 for the next three-year cycle. However, the University was requested by the Department of Higher Education and Training to identify five priority areas with a particular focus on maintenance backlogs and student housing. Progress on all projects was in line with planned completion dates. Key among these were the

- additions to the engineering complex (the New Engineering Building) and an associated teaching and learning building (the new Snape building) which allow the University to increase enrolment in key engineering disciplines;
- refurbishment and renovation of the Centlivres Building to allow for an increased intake in architecture;
- funding for a new large lecture theatre; and
- funding for expansion in *education*.

The contracts for the two buildings in the engineering complex and the expansion for architecture were not without difficulty. Each of these building projects was completed in 2015 and the buildings are fully operational. The work on the new large lecture theatre on the main campus was delayed by over a year due to heritage and planning permission issues but work began in late 2014 and continued throughout 2015. The facility will be ready for use in May 2016. The hoped-for expansion of facilities for education which depended on a series of negotiations over a land swap with a local school is no longer possible, but discussions with the Humanities Faculty are underway to utilize these funds as intended.

### Teaching Development Grant: Council Objective 1.3

The 2015/6 Teaching Development Grant covered 38 projects spread across the institution. The funding is aimed at providing financial support to all universities to improve their graduation rate.

The total allocation of the TDG for 2015/2016 amounted to R12 339 404 and total expenditure amounted to R13 295 449. This represents a total overspend for 2015/16 of

R956 045 which comprises an underspend of R870 129 and an overspend of R1 826 174. The overspends are largely attributed to timing issues between when expenditures were incurred and the funding/budget cycle, as well as activities which expended funds from the originally approved 2014/15 unspent funds, which were later withheld by the Department and not rolled over.

For the 2015/2016 qualitative report covering the period 1 March 2015 – 31 March 2016, the University provided details of achievements against performance targets, the outcome/impact of projects and expenditure breakdowns and details of funds committed by 31 March 2016. The University is gratified to see that projects have made major progress-related strides since 2014/2015. Significant impact-related evidence is emerging largely as a result of the Monitoring & Evaluation system now being fully operational. Final institution-wide and faculty-based figures on student performance in 2015 will only be available at the end of June 2016. Interim figures are provided and discussed below, as at 1 June 2016.

### **Overall (institution-wide) targets set for the period 1 April 2014 – 31 March 2017**

As 1 June 2016, 2015 interim figures indicate that improvements in 2013 and 2014 were largely sustained in 2015. It is projected that 2015 final figures will indicate an improvement on 2013 and 2014 results, with further progress toward/attainment of targets.

| <b>Target</b>  | <b>Progress between 2013 &amp; 2014</b>   | <b>Progress 2015 (as at 26 April 2016)</b>   |
|--|---|--|
| 0.6% average increase in the success rate for contact students in the undergraduate FTE degree credit by course level (Table 26 of UCT's Enrolment Plan submission to DHET). | The 2013 figure was 84.19%; 88.4% in 2014.<br>UG FTE degree credits 13 352 in 2013; 13 602 in 2014.<br>The target was thus attained.                      | 88.4% in 2015 (no change).<br><br>13 100 UG FTE degree credits in 2015 to date.<br>Figures are likely to change, improvements projected. |
| 2.5% average increase for contact students in the postgraduate FTE degree credits by course level (Table 26 of UCT's Enrolment Plan submission to DHET).                     | PG degree credits 3 671 in 2013; 3 618 in 2014 probably due to a decrease in enrolments at the PG diploma level.<br>The target has not yet been attained. | PG degree credits 3 923 in 2015.<br>Figures are likely to change, further improvement is projected.                                      |

### **Faculty-based targets set for the period 1 April 2014 – 31 March 2017**

Targets for improvement were set for particular courses and/or years in Health and Rehabilitation Sciences, Commerce, Law, Science and Engineering and Built Environment (EBE). As at 1 June, 2015 interim figures indicate that improvements in 2013 and 2014 were generally sustained in 2015. It is projected that 2015 final figures will indicate an improvement on 2013 and 2014 results, with further progress toward/attainment of targets.

| Target  | Progress 2013 & 2014  | Progress 2015 (as at 26 April 2016)  |
|---|---|--|
| <p>Improve student success rates by 4% in Commerce initiatives;<br/>           Improve the pass rate to 85% in Property Law and Constitutional Law;<br/>           Reduce exclusion rates to &lt;5% in Science;<br/>           In Humanities the course pass rates will be improved so that 75% of the class achieve &gt;55%;<br/>           Improve the class average in third and fourth years of Health &amp; Rehabilitation Sciences to 70% because of this programme;<br/>           Improve success rates in Accounting 2012W or 2113W;</p> | <p>Commerce pass rate: 88.4% in 2013, 88.49% in 2014;<br/>           Constitutional Law pass rate: 80.43% in 2014;<br/>           Law of Property pass rate 81% in 2014;<br/>           Science academic exclusion rate 5.1% in 2014;<br/>           HUM 78.82% with &gt;=55% in 2014 i.e. target attained;<br/>           Health &amp; Rehabilitation Sciences third year class average 64.4% in 2014;<br/>           Health and Rehab fourth year class average 66.3% in 2014;<br/>           ACC2012 pass rate up from 90.9% in 2013 to 92% in 2014;</p> | <p>Commerce pass rate (contact only): 87.6%, so a very slight decline;<br/>           Constitutional Law pass rate up to 81.67% in 2015;<br/>           Law of Property pass rate down to 77.4% in 2015;<br/>           Science academic exclusion rate 4% in 2015;<br/>           75% of UG class with &gt;=55% in 2015, so still attained;<br/>           Health &amp; Rehab Sciences third year average 63.5% in 2015; fourth year average 66.8% in 2015<br/>           ACC2012W pass rate 81.3% in 2015;</p> |
| <p>Reduction in average time to completion over the period 2014 – 2016 from an average of 2.5 years to 2.0 years for Master's, and from 5.0 years to 4.0 years for Doctorates.</p>  | <p>2014 average time to degree for master's qualifications was 2.0 years and for doctoral degrees was 4.9 years. Hence the target for Master's students has been attained but we have a long way to go to attain the Doctoral target.</p>   | <p>2015 average time to degree for master's qualifications was 2.3 years and for doctoral degrees was 5.2 years. Neither target was attained.</p>  |

### TDG Collaborative Projects

The 2015/16 total available funds for collaborative projects amounts to R3 135 034. Against R3.135 million, the R3.053 million spend for the 2015/2016 period represents 97% of the funds available for 2015/2016.

### Research Development Grant: Council Objective 1.3

UCT undertook to use its **Research Development Grant** of R4.928 million for 2015/16 to support the development of research capacity among early career academic staff. This key grant has enabled UCT to maintain and extend its very important Emerging Researcher Programme and thereby to support early career researchers in a number of ways. The funds were used, in accordance with the proposal that was accepted by DHET, for the following purposes, all of which were designed to support emerging researchers:

- Seminars and workshops to promote research skills and provide opportunities for completion of publications and grant proposals
- Research development grants to finance research costs
- Exchange and mobility grants to enable the researchers to travel and thereby broaden their intellectual horizons
- NRF top-ups to finance the institutional contribution for NRF grants for emerging researchers.

In accordance with this plan, the Research Office offered the following activities:

- 38 seminars, some of which were geared to the development of generic research-related skills and others designed to broaden the researchers' understanding of the national and international research and publishing milieu. These seminars were attended by 534 discrete individuals – with overall participation totalling 798
- 22 workshops, including workshops to support participants to write for publication or complete sections of their doctoral thesis; supervision training and grant proposal writing. A total of 224 people participated in these workshops.

The grant also enabled the Research Office to award 48 Research Development Grants, 19 mobility awards and top-up funds for 52 researchers who had won NRF Thuthuka or Y-rated awards.

The University reported 90.4% spent on its total budget of R4.928 million with an underspend totalling R663 230.94. Earlier in this year, when the University anticipated an underspend, an application was made to the Department to roll over these funds into the 2016/17 financial year. We noted that it is particularly important for us to be able to use these funds in the 2016/17 year as the University had approximately R1.2 m less for this year than was expected, and also has no further sources of external funding to supplement our grant, as the University did in the past. The Department has subsequently approved the rollover request.

### Foundation programme grants: Council objective 1.4

Foundation provision funds complement teaching development funds. The primary purpose of foundation provision is to improve the academic performance of students who are at risk of dropping out due to their poor educational backgrounds. Such students are placed on Ministerial approved extended curriculum programmes, which are in most cases one year longer than the regular qualification. Additional earmarked funds are provided to universities, as the extended nature of the curriculum of these students requires more

effort from universities to maintain. Both teaching development funds and foundation provision funds aim to increase the graduation rate of a university. Any improvement in the graduation rate is again to the benefit of a university, as additional graduates are also funded within the teaching output sub-block grant.

UCT continues to offer extended curriculum programmes in all six its faculties. In 2015 (as in 2014), UCT offered nine extended curriculum programmes approved by the minister. Two new programmes that were launched in the Faculty of Humanities in 2014 extended their provision of foundation courses to students in their second academic year of study in 2015.

For 2015 we had 748 first-time entering students in Ministerially-approved foundation programmes (in addition to students in our own foundation programmes) against a target of 640. Of particular note was the course success rate of 82% for first-time entering foundation students in foundation programmes. The past year has seen substantial work in reviewing the forms these interventions should take, for while the overall undergraduate success rate is good, there is an urgent need to close the gap between (a) black students (a course success rate of 82.2% - a significantly better result that we would have seen a decade ago) and (b) students who did not categorise themselves and white students, for whom the rate was 91.7%.

UCT received an earmarked Foundation Grant of R18.5 million from DHET and spent a total of R27.4 million in 2015/16. The University's continued financial contribution signals the importance that the institution attaches to the provision of extended curriculum programmes.

#### **NSFAS allocations: Council objective 1.5**

A key Council responsibility is to ensure access by means of a comprehensive financial aid scheme that takes into account students whose families have varying financial means. Increasing numbers of students' battle to afford tuition and housing fees and without a comprehensive financial aid scheme in place at UCT many students from poorer homes would not be able to access UCT.

The State's National Student Financial Aid Scheme (NSFAS) makes an important contribution, and in 2015 UCT students received R118 million in NSFAS funding. However, in order to cater for all students deserving of a place at the University we add significantly to what the State provides. In 2014 undergraduate students received R595 million in support (2014: R538 Million), through or from UCT. Corporate and external sources provided the biggest funding with R280 million, NSFAS R118 million and endowments R60 million. This funding allowed bursary and loan funding to those most in need. Following the student protests in 2015, focus will be on ensuring that financial aid is more responsive to the needs of our students from now onwards.



### Clinical training grant: Council objective 1.6

The University receives an important earmarked grant to augment state subsidies for clinical training. For 2015/2016 (the University's year 2015) this grant was R37.055 million. A budget virement request was submitted and approved by the DHET for reallocation of the non-clinical academic staff budget to cover additional operating and equipment costs required for the development of a new clinical training site at George Hospital in the Eden District. This brought the total allocation for 2015/16 financial year to R33.743 million. Total expenditure amounted to R31.324 million and the balance will be rolled over to the next funding period following approval from the Department of Higher Education and Training. The Clinical Training Grant has been a valuable resource in ensuring that the University is able to provide a high standard of clinical training and in ensuring that UCT graduates are fit for practice. The University is concerned that the next allocation of this grant is 13.45% less in real terms, at a time when the University is required to increase the numbers of graduates in the health professions.

Because of UCT's strong track record in the use of the clinical training grant, the University was requested by the Department of Higher Education and Training to lead a review on behalf of the Department to assess the impact of the current CTG on clinical training for health sciences students with a view to:

- Examining the criteria for the allocation of funding;
- Considering programmes eligible for funding;
- Examining funding models and mechanisms including staff costs;
- Exploring the intersections and alignment of the HPTDG and the CTG;
- Exploring alternative methods for the distribution of funds;
- Examining contributions made by universities to clinical training; and
- Identifying mechanisms for monitoring and evaluation of the grant.

This task is expected to be completed in 2016 with a number of recommendations for the Department to consider. Given the impact of the review, UCT has ensured that the other universities that benefit from the grant and other key stakeholders, including the Department of Health and the Provincial Department of Health amongst others, are involved or consulted during the course of the review. Although UCT has been requested to lead the review, it is important to note that this is a Department of Higher Education and Training review and ultimate responsibility in terms of the implementation of the recommendations lies solely with the Department.



Max Price: Vice Chancellor

18 June 2016

# IF Report to Council for 2015

## Introduction

The IF Report to Council is broken down into five sections. The first section reflects on the IF's mandate, and how the IF executed its mandate in 2015, section two examines issues the IF considered in 2015, section three analyses activities and progress made in 2015. Section four considers the challenges facing the IF, and section five provides some recommendations.

### 1. IF mandate

The IF of a public higher education institute has the following duties:

Advise the Council on issues affecting the University, including but not limited to, the following:

- (a) the implementation of the Act and the national policy on higher education
- (b) race and gender equity policies
- (c) the selection of candidates for senior management positions
- (d) codes of conduct, mediation and dispute resolution procedures
- (e) the fostering of an institutional culture which promotes tolerance and respect for fundamental human rights and creates an appropriate environment for teaching, research and learning
- (f) perform such functions as determined by Council.

The 2015 IF met four times as per schedule, and twice for special meetings to consider the review of the recruitment and general human resources policies; the Dean of Commerce appointment; the Department of Labour Report; and to review the Vice-Chancellor's process report on the appointment of two new Deputy Vice-Chancellors (DVC: Research and Internationalisation and DVC: Transformation and Social Responsiveness).

In assessing the performance of the IF for 2015, a review of the issues it considered and the approach it took in relation to these is important. These will provide a sense of how well the IF is fulfilling its statutory obligations.

### 2. Issues considered by the IF

Some of the issues considered by the IF during 2015, included:

- The search and appointment processes for:
  - Dean of Law

-Dean of Faculty of Health Sciences

-Dean of Commerce

-Two new Deputy Vice-Chancellors

- The removal of the Rhodes statue. The IF supported a process of discussion as to where the statue should go.
- A proposal was considered about a process where trust could be restored between students and management so that discussions in good faith could occur.
- The food vendor prices and tendering process was also considered.
- A discussion was held about process and feedback about the Admissions Policy for 2017.
- The revised terms of reference for the Works of Art Committee (WOAC) and the Naming of Buildings Committee (NOBC) were considered.
- A discussion was held about stricter human rights emphasis with regards to tendering processes. There was a recommendation that UCT develop a robust human rights framework against which all tendering parties should be measured. This framework could be used for example to assess the eligibility of G4S had it not been for the decision to insource, as well as be used in future tenders.
- A discussion was held regarding the University's new Employment Equity Plan 2015-2020. IF noted that the 2020 targets were less ambitious than the 2015 targets. The University needed to be clear on how the new targets were going to be met e.g. targeted advertisements and recruitment processes for designated groups. There was also a discussion about the EE barriers and possible solutions.
- The review of policy for the appointments of new Deans and Deputy Vice-Chancellors.
- The IF discussed plans for ongoing dialogue regarding transformation issues. E.g. Transformation Charter which the SRC was tasked with working on, Gender classification, and the Sexual Orientation Policy.
- Processes were discussed to level out an imbalance in the composition of committees.
- Updates and changes to various HR Policies - general recruitment policies for academic and PASS staff; DVC policy; policy on appointment of academic staff; and policy on appointment of PASS staff.

### 3. IF activities and progress

Some of the activities of the IF during 2015, included:

- The IF Induction Workshop held on the 12 February to outline and discuss the role of the IF.
- The formulation of a task team to conduct a review of the IF which included: terms of office; relationship of the IF to Council and to the University Transformation and Advisory Committee (UTAC); investigating the effectiveness of co-chairing; reviewing of the composition of the IF; reviewing of the IF's administrative capacity.

#### 4. Assessment of the IF for 2015

It should be noted, as reported in 2012, that the IF is dependent on the Transformation Services Office to create, fund, and manage activities.

The IF is experienced by its members as having a structure that is challenging (IF Review). Its mandate is a difficult one. It has to advise the Council on issues which are central to transformation. Its ability to do this effectively depends on its relationship with Council, its leadership and its members' willingness to take on difficult issues.

In 2015 the IF was able to put a number of transformation issues on its agenda. The most challenging of these was the state of transformation at UCT. This debate was given impetus by the student protest for the removal of the Rhodes statue, the request from students for an independent assessment of the institutional symbols and names on the campus, the process of curriculum reform, and the Employment Equity barriers for the University in achieving its targets for the new Employment Equity Plan 2015-2020. It considered these challenges and issues, and concluded that additional efforts needed to be taken to understand specific transformation problems at UCT.

It must be said that the IF has struggled with attendance and has not always managed to be quorate. Serious attention to this challenge will be given in the first workshop to be held in 2016.

#### 5. Suggestions

The IF should not only meet 4 times a year, but should engage in continual discussions with its members, as well as with members of the public, society, academics, administrators, unions, students, and government. These discussions could be a mixture of open public discussions and select small discussion groups, where individuals are encouraged to share their views and practices on strategically important topics. The IF should conduct or commission annual studies, which benchmark UCT's progress regarding transformation.

Compiled by:

  
\_\_\_\_\_  
Prof. Anwar Mall

18 June 2016

## **REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS (INCORPORATING THE REPORT ON RISK AND THE MANAGEMENT OF RISK)**

The University maintains systems of internal control to mitigate identified risks, to ensure the integrity of our core activities of teaching and research, and to safeguard our assets. The University has a documented organisational structure and division of responsibilities, coupled with established policies and procedures that are communicated throughout the institution. Organisational structures are not static and are continually under review by management, but the essential elements are stable.

Information systems utilising modern information technology are in use throughout the University. These have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security. There were no major changes to any of the University's key administrative systems during the period under review, although these systems are in a state of regular review and adaptation to meet new demands. The development, maintenance and operation of all systems are under the control of competent, trained staff.

The University applies what it considers to be acceptable standards to protect privacy and ensure control over all data, including disaster recovery and back-up procedures, while at the same time complying with the intention and the spirit of the Promotion of Access to Information Act to make available information and data that should be in the public domain, as befits a public institution.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the preparation of financial statements and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The University's independent auditors, EY (Ernst & Young), assess the key accounting systems on an annual basis and have found that, while controls are generally adequate, there are areas where the control environment can be improved. These have been brought to the attention of the University Audit Committee (UAC) and of management, and are being attended to. EY have reported on the progress made in addressing these issues, indicating where items have been resolved, partly resolved or not yet resolved. In certain instances, management may be comfortable to accept a particular risk; these instances require the assent of the UAC.

It is the role of Internal Audit to monitor internal control systems and to assist line management in ensuring the adequacy of such controls. The Council, through the UAC,

provides oversight of the preparation, integrity and fair presentation by management of the financial statements and of the financial reporting process.

### University Audit Committee

The UAC is a standing committee of the Council, which in terms of its constitution consists of at least three members (who should be financially literate) of whom at least two should be from members of Council other than the Executive Officers, staff or students.

The UAC is chaired by Justice I Farlam who is an external member of Council and, as such, has direct access to all Council matters. Council has stipulated that it requires a report from the UAC at every meeting.

Attendance at UAC meetings during 2015 is given in the table below.

| University Audit Committee (UAC) |                          | April        | May | Sept            | Nov | %    |
|----------------------------------|--------------------------|--------------|-----|-----------------|-----|------|
| Justice I G Farlam               | Chair & Council Member   | P            | P   | P               | Can | 100  |
| Mr G Bloor                       | Council Member           | Ap           | Ap  | Ap              | Can | 0    |
| Ms F Jakoet                      | Member (independent)     | P            | Ap  | P               | Can | 66,6 |
| Advocate A C Mopp                | Member (independent)     | P            | P   | Ap              | Can | 66,6 |
| Dr M R Price                     | Member (Vice-Chancellor) | Ap           | P   | P               | Can | 66,6 |
| P = Present                      | Ap = Apology             | Abs = Absent |     | Can = Cancelled |     |      |

### Risk Management Committee

The University Council is aware of its responsibility and accountability concerning the identification of and mitigation against risk. As a result, there is a standing Risk Management Committee (RMC) with an external member of the Audit Committee and the Director of Internal Audit as assessor members. The Committee reports to the UAC and is chaired by the Vice-Chancellor.

The Vice-Chancellor and management are responsible for designing, implementing and monitoring the process of risk management and this is considered to be a key performance area. The integrated approach on risk management allows the RMC to focus on any aspects of the University and its operations which might be a threat towards attaining its vision and mission.

Attendance at RMC meetings during 2015 is given in the following table.

| Risk Management Committee (RMC)                         |  | Mar          | May | Aug          | Oct | %               |
|---|--|--------------|-----|--------------|-----|-----------------|
| Dr M R Price (VC and Chair)                             |  | P            | P   | P            | Can | 100             |
| Professor E Uliana (Deputy Chair)                       |  | P            | P   | P            | Can | 100             |
| Professor S Klopper                                     |  | P            | P   | P            | Can | 100             |
| *Professor D Ross                                       |  | P            | N/A | N/A          | Can | 33,3            |
| **Professor M Wormald                                   |  | N/A          | P   | P            | Can | 66,6            |
| Professor PJ Schwikkard                                 |  | P            | P   | P            | Can | 100             |
| Mr H T Amoore   |  | P            | P   | P            | Can | 100             |
| Mr A Theys  |  | P            | P   | P            | Can | 100             |
| Dr M Khan   |  | P            | Ap  | P            | Can | 66,6            |
| Ms G Kruger   |  | P            | P   | Ap           | Can | 66,6            |
| Judge Farlam (external member of UAC – assessor member) |  | P            | P   | P            | Can | 100             |
| Ms L Rhode (Director Internal Audit – assessor member)  |  | P            | P   | P            | Can | 100             |
| P = Present   |  | Ap = Apology |     | Abs = Absent |     | Can = Cancelled |

Following student protests the meeting scheduled in October 2015 was cancelled.

\* Resigned from the University.

\*\*Nominated by the Deans following Professor Ross' resignation.

### Assessing and managing risk

The University has identified 11 risk domains, each with its own champion who is responsible for the particular domain. Risks related to each of the following broad operational areas, for which risk schedules must be prepared by the officers listed below, are regularly assessed by the RMC. The RMC brief covers the full range of risk, including risk associated with core business, and therefore directly concerned with institutional sustainability. These risks domain include the following:

- Commercial (Executive Director: Finance)
- Communication and Marketing (Executive Director: Communications and Marketing)
- Financial (Executive Director: Finance)

- Human Resources (Executive Director: HR)
- Information Technology (Executive Director: ICTS)
- Property and Services, including crime and safety of people (Executive Director: Properties & Services)
- The Student experience (Executive Director: Student Affairs)
- Student and Student Related Risk (Academic, academic record, throughput rates etc.) (Registrar)
- Legal Compliance and Litigation (Registrar)
- Development & Alumni (Executive Director: Development and Alumni)
- Reputation risk (Executive Director: Communication & Marketing)

## Defining risks in 2015

Two central themes dominated the headlines in the higher education terrain, namely lack of transformation (including #RhodesMustFall and #FeesMustFall). While efforts were already underway to address the lack of transformation at the University, it became apparent that there was urgency required to ensure that these initiatives bear the intended outcome. The #FeesMustFall campaign showed that it is not only internal threats that the RMC must take into account, but external threats as well. The initial focus of the protests was primarily about the lack of more radical forms of transformation, followed by protests to support no fee increases and the insourcing of outsourced workers, but later evolved into calls for free education not only for the poor, but also for students from middle and in some cases the upper class, as a means to broaden access to higher education.

At the time of the #FeesMustFall campaign, the University Council had already approved the 2016 tuition and accommodation fees. However, the events in other universities had a profound impact on all higher education institutions in the country, with the result that all universities implemented a zero percent fee increase for 2016 with government contributing in part for the lost income. For the University this meant that government covered only 85% of the lost income which would have been realised had Council approved increases being implemented.

As part of the University's 2015 Annual Performance Plan (APP), a list of the most critical risks, assessment of likelihood of occurrence, assessment of potential impact and measures put in place in mitigation of risk were identified. The following are some of critical risks which were identified for 2015 and measures put in place to address these threats:

### Decline in State funding

A decline in State funding has been identified over the years as one of the most critical risks facing the University. The decline in State funding has a direct impact on the income for the University and puts pressure on other revenue streams. As part of the efforts to ensure that



higher education is adequately funded, the senior finance managers have been involved in numerous engagements individually and, as part of the higher education sector, in developing key relationships with Government Departments and other key stakeholders. In 2015 various presentations were made by Universities South Africa (USAf) to the Portfolio Committees on Higher Education and the Select Committee on Appropriations (SCOA). It is fundamentally important that universities are funded adequately in relation to the goals that we wish to pursue and achieve as a society as well as the real costs of the provision of high quality higher education.

#### [Failure by the University to recognise commercial opportunities](#)

Closely linked to the above risk, is the failure to recognise commercial opportunities. As a result, there is a greater need to develop entrepreneurial awareness within the academic community. In 2016 the University will be embarking on a process to diversify its sources of funding, including investment in UCT spin-off companies and the realisation of commercial opportunities.

#### [Student protests related to financial aid](#)

Two key risk areas were identified in relation to student protests. Firstly, a reduction in the level of funding received from NSFAS resulting in an increased reliance on the University's own funding in order to maintain current levels of financial aid support for financially needy students. In addition, the NSFAS central application system resulted in uncertainty in the application and admission processes within the University, as to whether students to whom academic offers had been made were successful in applying for financial aid through NSFAS. The central financial aid system presents long-term risk for the University as students who are deemed financially and academically eligible for funding at UCT might not be guaranteed funding when competing with students from other universities through a central financial aid system. The University realises that the financial aid challenges facing NSFAS cannot be resolved without the direct involvement of key stakeholders, including Universities and financial aid officers who are at the coal face of student funding challenges. As a result, the University agreed to the secondment of its senior financial aid manager to NSFAS and assist in its planning and roll out of NSFAS central application system.

Another risk relates to the 50% progression requirement in respect of student funding at UCT (and other Higher Education Institutions). NSFAS policy requires that a student maintains a 50% pass of the number of courses taken in an academic year. The University believes that academic performance should be judged over a number of years and not based on a student's performance in one academic year, especially in the case of continuing students.

Following commitments by government to assist academically and financially eligible students, the University developed a new approach aimed at assisting students who have incurred fee debt in 2013, 2014 or 2015, and will enable them to proceed with their studies

(or to graduate) despite the outstanding debt against their name. The new plan, funded mostly from the new allocations made available by government through NSFAS, but also from UCT's own resources and donors, will mean that no NSFAS-eligible student should be prevented from continuing with their studies or from graduating due to unaffordability, provided they are academically eligible. It is clear that corporates are the most significant contributors to financial aid at the University, and the focus for 2016 will be on maintaining and improving current relationships with corporate sponsors to ensure that their support increases. Part of measures to deal with this risk included proactive engagement with DHET, NSFAS, National Treasury, and key committees of Parliament through USAf towards maintaining the UCT/NSFAS baseline allocation while making a case for an increase in the NSFAS budget for higher education especially for financially needy students.

### Drop in research income

As a research intensive university, the performance of Soft Funded Academic and Research Staff (SFARS) is negatively affected by the lack of grant support; SFARS potentially constitute the next generation of academics and there's a need to address the support they receive. It has been established that SFARS struggle to generate grants to secure their own salaries, spending so much time on proposal writing and/or raising funds that it impacts negatively on their research. A task team has been tasked with providing a set of recommendations for contract research staff. The recommendations will assist in developing a university-wide approach in addressing the challenges with SFARS.

### Crime rates in the UCT vicinity

Over the years, this has been reported as one of the major risks facing the University. The relatively high incidence of crime has an impact on staff, students and the general perception about the University. In addition to awareness campaigns there are a number of ongoing initiatives on-and off-campus aimed at increasing safety in the vicinity of the campus. Due to the initiatives put in place by the University, crime off-campus has also decreased. The establishment of the Groote Schuur Civic Improvement District (GSCID) has lowered the levels of crime in the Rondebosch Shopping area and along Main Road. In addition, the University has, at its expense, established a Residential Security Initiative to cover the Observatory, Mowbray, Rosebank and Rondebosch residential areas where a major portion of our students live. This has enabled the GSCID to extend its highly visible security operations to a greater area, again with the intention of lowering crime levels. Segways are also used by the campus protection services to allow for more effective patrol of our surrounding areas.

### Fraud risk

The Protected Disclosures Act no 26 of 2000 makes provision for procedures in terms of which employees may disclose information anonymously regarding unlawful or irregular

conduct by their employers or fellow employees. Given that UCT is committed to maintaining a culture of ethical compliance, an external service provider, KPMG, was appointed in 2015 to provide a whistle-blowing hotline for a period of three years. Given that most cases of fraud at the workplace are perpetrated internally, it is incumbent upon employees and other stakeholders to report any instances of fraud, corruption or misconduct. Many organisations, including some of the universities in the country, have a whistle blowing hotline. This is in line with good and responsible corporate governance.

A whistle blowing hotline is a simple, yet highly effective management tool designed to enable concerned employees and students, as well as third parties associated with the University, to report fraudulent, corrupt and unethical practices in the University. The hotline is sometimes referred to as an ethics or fraud hotline. The hotline allows for UCT staff, students, suppliers and other interested parties to report fraud, corruption, unethical conduct and misconduct confidentially and anonymously. A number of allegations were reported regarding unethical conduct on the part of mostly UCT employees and following internal investigations, staff members faced disciplinary enquiries. It is for this reason that all matters reported on the hotline will be referred to the RMC to ensure that the necessary investigations have been carried out and where corruption, fraud and/or abuse of property or assets are proven, the committee will ensure that the necessary action is taken against the perpetrators.

#### [Sexual harassment and discrimination](#)

In last year's Annual Report reference was made to the prevalence of sexual harassment and discrimination in universities both locally and internationally. The University has extensive policies, practices and protocols that deal with sexual harassment which are constantly being updated. The University's dedicated office, the Discrimination and Harassment Office (DISCHO), is available to assist the UCT community in matters of discrimination, sexual harassment, harassment in general, domestic violence, and rape. Following criticism that DISCHO was not being fully effective in addressing issues of sexual violence and harassment on campus, the UCT Council requested a review of DISCHO to be undertaken. The purpose of the review was to determine whether the services provided by DISCHO are in line with university approved policies, to obtain feedback from the users of DISCHO services and university stakeholders on the effectiveness of the services, and to identify possible areas for improvement. The DISCHO Review Report was released in early 2016 and made a number of recommendations which will be implemented during the course of 2016.

#### [Compliance in a complex and onerous legal environment](#)

The University is subject to an array of Acts and Regulations and the RMC believes that this is a key risk area requiring systematic attention. Accountability for legal compliance rests with the Registrar, and responsibility has been assigned to the Director: Legal Services and

Secretariat (an appointment in the Registrar's Office) who has been tasked with undertaking continuous reviews of compliance, reporting to each RMC meeting. A Litigation Register has been developed that is intended to reflect all litigation or arbitration matters facing the University, including matters relating to the CCMA and the Labour Court. The Litigation Register is reviewed at each meeting of the RMC.

#### Investment risk

The University has an established Joint University/UCT Foundation Investment Committee (JIC). This Committee, as the name implies, is appointed jointly by the University and the UCT Foundation and advises both bodies on investment strategy, the appointment of investment managers in terms of that strategy and in setting the mandates within which those managers operate. In addition to its membership, comprising Members of Council and Trustees of the Foundation, the JIC has co-opted additional members, nominated by reason of their expertise in the field of investment. The JIC has also engaged the services of a firm of actuarial consultants to assist in monitoring the investment performance against benchmarks set and against the returns achieved by similar funds monitored by the consultants.

#### Health and Safety

The Executive Director: Properties and Services reports at each meeting of the RMC on the significant issues emanating from the Physical Risk Co-ordinating Committee (PRCC). The PRCC has two sub-committees of its own, the Genetically Modified Organisms Committee and the Radiation Control Committee. The RMC monitors actions taken by management to mitigate any risks identified and takes cognisance of external reports (e.g. the OHSAS report).

#### Insurance risk

The University is a participant in a national consortium of Higher Education Institutions (TERISA), which provides both cost effective insurance and service expertise. Consequently, it is adequately covered in terms of its insurance policy against fire and related risks, accidental damage, business interruption, theft, employee infidelity, and both public and employer's liability. The RMC was satisfied that all reasonable steps were being undertaken to ensure that the University had appropriate insurance cover. The University cover includes amongst others, all its assets, primary liability, management liability, umbrella liability, professional indemnity, contractors' liability, electronic equipment, HIV/needle stick, cyber liability, motor fleet, travel, commercial crime, and marine small craft and Employment Practices Liability. The SASRIA (all risks) cover has been increased from R100 million to R250 million. The student protests in 2015 and subsequent destruction of property has meant that the premiums for higher education institutions in 2016 will be adjusted by the insurance industry to reflect their new risk profile.

## Business Continuity

The RMC has also considered the risks associated with business continuity and identified information technology, fire, epidemics, contamination, student unrests, staff unrests, flooding, power, strikes by staff, student on student violence and terror attacks as areas requiring a business continuity plan. The Finance Department has already begun with the development of its own business continuity plans. Other key operational areas, including HR and ICTS, will be developing their business plans in due course. However, there are contingency measures in place to ensure that any possible disruptions will be minimised.

## Audit Committee

The key responsibilities of the UAC were listed in the Council's Report on Corporate Governance.

### Areas of focus of the Audit Committee

The UAC is required by Council to ensure that management has adequate controls in place over assets, risk and financial systems and controls generally, and has systems to allow for timeous and accurate financial reporting that comply with all applicable requirements.

### Internal Audit and the Internal Audit plan

The main factors considered in developing the internal audit plan are the key risk areas per the risk schedules and the requirements of management and the UAC, taking into account available resources. The UAC approves the scope of internal audit assignments on an annual basis. Internal Audit continues to deliver on the agreed audit plan and meet with stakeholders in order to understand their key risks and adapt the audit plan accordingly.

## Tax risks

Both the RMC and UAC continued to assess the identification and management of PAYE and VAT compliance. As most of these issues are common to the Higher Education sector, a major intervention has been the University's involvement in a tax task team established under Universities South Africa, (USAf). This team is recognised by the SA Revenue Services (SARS) as the contact body for tax issues related to the higher education sector. A major focus of the SARS and the USAf tax team has been to establish an agreed basis for the identification of the VAT status of activities, particularly in the research area. It must be noted that the purpose of engaging with SARS as an industry has been to reduce VAT risks by eliminating uncertainties.

In April 2012 SARS issued a binding class ruling on the treatment of VAT in the Higher Education Sector. The greatest impact of the SARS ruling is on contract research in that, where there is student involvement in the research activity, this constitutes an educational activity in terms of the VAT Act. As such, this is deemed to be a 'mixed supply', meaning that

there are VAT and VAT Exempt activities taking place at the same time. In this event SARS has ruled that the university may only claim 50% of the VAT on bought-in services and goods.

The ruling also affects the ratio of apportionment applied in respect of the VAT on central costs which support both exempt and VAT activities within the university. While the basis of calculation remains the same, a maximum claim of 12.5% is to be imposed. Over the last number of years UCT's apportionment ratio has been in excess of 30%.

This ruling expired in December 2014 and has now been extended to 31<sup>st</sup> December 2015 on the proviso that at least 70% of HEI institutions complete their apportionment ratio calculations up to 31<sup>st</sup> December 2014. This will enable SARS to re-assess the impact of the ruling and, in particular, the 12.5% cap on the apportionment claim. It is hoped that the extension will also provide the opportunity to reach clarity regarding the VAT treatment to be applied to the assets of the University, both at the time of purchase and when there is deemed to be a change in use of the asset.

As reported last year on risks related to the VAT treatment of the access fees paid to overseas providers of academic digital media, the University had to account for 5 years of VAT on the importation of services from across our borders at a cost of R32 million, inclusive of interest. Payment was made in May 2015.

The VAT on imported services demonstrates the vulnerability of the sector arising from the complexities and risks associated with VAT compliance. As such, when USAf was invited to make representations to the Davis Tax Committee ("DTC") on the VAT in the sector, with specific emphasis on educational services, this opportunity was gladly accepted. Representations were made to the DTC on 9 September 2013 to motivate the zero-rating of educational services. As an alternative to the zero-rating, a reduced VAT rate was discussed. While the zero-rating of educational services was not well-received, the alternative of a reduced VAT rate was, in principle, accepted as fair to all parties involved, being the institution, the fiscus and the students.

In February 2015 USAf, on behalf of the sector, formally requested the DTC to consider making a recommendation that educational and related activities to be subject to VAT at an as yet to be determined reduced rate, which rate had to be determined and agreed to by 31 December 2015. This completion target was not met and as such current arrangements have been extended to apply until the end of 2016. When this work is completed and the VAT Act amended, the complexities and risks associated with VAT compliance in the sector will drastically reduce.

## Delegated Authorities

Schedules of delegated authority are set by Council after review by the Audit Committee, and cover financial authorities, human resource matters, procurement, research contracts and legal matters and compliance. Internal audit periodically reviews and reports on adherence to these authorities. During the year under review, there were no updates to any of the schedules.

## Going Concern

The Committee, having considered the Annual Financial Statements together with management's input thereon, has not identified any issues to indicate that the going concern assumptions applied by management were inappropriate.

## Extension of the Public Audit Act to include Higher Education Institutions (HEI's)

The Public Audit Act 2004 (Act No 205 of 2004) authorises the Auditor-General of South Africa (AGSA) to perform the audit of all public entities (as defined in this Act) but allows the AGSA to opt not to do so, which the AGSA had done by notice in the gazette for public universities, provided that they appoint their own auditors in accordance with provisions contained in Section 25 of the Act, read with regulations published under the Act. The Public Audit Act, 2004 requires that the AGSA be consulted regarding these audits. This has led to the AGSA setting terms for the way audits are performed. Up until now the University's independent auditors have had to express an opinion on the financial statements under the regulations published under the Higher Education Act, Act 101 of 1997, but from now on they will also be subject to the requirements of the AGSA which include:

- Measurement of the performance of the University against predetermined objectives (PDOs). Management will report on whether the University achieved the PDOs, the auditors will audit that information for accuracy and report accordingly;
- Compliance with laws and regulations will be audited. The focus will be on procurement, contract management and human resources; and
- The status of internal control will be reviewed in areas deemed significant to financial information.

## Rotation of the independent auditors

The University's policy is that, in the ordinary course of events, an audit firm will be appointed for an initial three-year period, followed by a full-scale review of performance after which, if the performance is judged satisfactory, there would be an expectation of annual appointments for a period of five additional years. The University is able to terminate the appointment at any time during the initial three or subsequent five-year period. At the end of the second period (i.e. after a total of eight years) the University will seek tenders for the audit appointment. The incumbent audit firm will not be debarred

from competing for the appointment. Under the provisions of the Public Audit Act, the appointment of auditors is to be made in consultation with the AGSA. The Audit Committee was satisfied with the performance of EY and recommended their re-appointment for the 2015 audit. This recommendation was endorsed by Council and ratified by the AGSA.

#### The scope of the independent external and internal audits

The Committee reviewed the audit approach and key risk areas of the external audit. During the year the Committee has interacted with Internal Audit in respect of the internal audit plan, and continues to review progress against the plan and the findings from the respective audits.



Justice Ian Farlam  
Chair of the University Audit  
Committee  
18 June 2016



Max Price  
Chair of the Risk  
Management Committee



Ms Liesle Rhode  
Director of Internal Audit



# ANNUAL FINANCIAL REVIEW

## Financial Policy

### ***Securing Financial Stability for UCT***

*Our financial policy is to provide for sustainable operations and the ability to invest in educational initiatives consistent with our mission. We practise conservative financial management, by striving for efficient recurrent operations which generate funds to support strategic initiatives.*

*UCT plans within a multi-year framework. The financial policy is realised by integrating the following areas:*

- We target a surplus from Council-controlled recurrent operations to fund new initiatives and provide a hedge against unforeseen circumstances.*
- Capital expenditure is undertaken in terms of the strategic framework, and is constrained by affordability as evidenced by available cash resources and borrowing capacity.*
- Debt finance is used conservatively if required and further constrained by the ability to service the debt, in terms of both the interest and capital repayments.*
- Investment income after deducting all financing costs, being volatile in nature, is only used to seed new initiatives and other strategic choices.*

## Financial Management

UCT pays particular attention to financial management, seeking to ensure a combination of good practice, stewardship and forward projection that provides the university with the financial resources needed to meet its objectives. The comprehensive university financial plan consists of seven distinct yet interrelated components:

- Continuing educational operations;
- Research and other operations similarly dependant on specific funding;
- Staff and student housing operations;
- Investment income and financing expenditure;
- Capital expenditure;
- Capital structure and financing; and
- Cash flow planning.

## Highlights 2015

### **Continuing educational operations**

Continuing Educational Operations encompasses the main recurrent operating activities that provide and support teaching and learning.

Total recurrent operating income increased by R205 million (8.8%) to R2 539 million, mainly from an increase in tuition and other fee income of R174 million (16.9%) to R1 199 million. State subsidy, the

largest income source, again provided a lower than inflation increase of R18 million (1.7%) to R1.1 billion. The increase in tuition fees comprised a general increase of 10.7% on local fees, coupled with varied increases of up to 20% on international fees, together generating R120 million, while increased enrolments generated a further R54 million, mainly in the Faculties of Health Sciences and Law.

Expenditure grew by R224 million (9.5%) to R2.62 billion, mainly due to an increase in personnel costs of R143 million (9.2%) to R1.69 billion. Expenditure other than personnel increased by R82 million (9.6%) to R933 million. Financial aid and scholarships from the operating budget increased by R23 million (9.9%) to R162 million. Other operating expenses increased by R51 million (7.6%) to R727 million.

Our undergraduate students received R595 million in total financial support, up from R538 million in 2014. This support comes from various sources; corporate and other external bursaries support students to a value of R280 million, while NSFAS provided loans amounting to R118 million and UCT contributed R137 million from council controlled funds. In addition, income from endowments and other funds available to the University for the purposes of financial aid contributed R60 million.

The recurrent operations generated a deficit of R97 million, following a deficit of R60 million in 2014 and a deficit of R57 million in 2013. This slide is mainly a consequence of the reductions in state subsidy; were it not for the increases due to fee rates and additional enrolments, the situation would have been significantly worse.

#### **Research and other operations similarly dependant on specific funding**

Research and other Specifically Funded Activities are usually outside the decision rights of university management (governance and monitoring rights and often approval rights are nevertheless retained). While these activities are of important academic and social value, they add considerably to the financial risk of the university particularly in respect of cash flows, accounts receivable management and infrastructural support.

Revenues increased by 15.4% to R2.28 billion. Government-related grants increased by 16.2% from R295 million to R492 million, while contract research continues to expand, growing by 11% to R925 million. The University has now experienced substantial growth in research activity for an extended period of time which has placed significant demands on core administrative departments, which in the majority of cases have received little real increases in resources. As these departments become over-stretched the risk of reputational damage increases.

In terms of key metrics, there were 42 new disclosures, 2 new UCT spin-off companies, 56 new patent applications were filed at different stages of patenting and 13 patents were granted. A larger number (13) of PCT applications were filed compared to the average since 2010 (8).

Income from donations and gifts amounted to R441 million compared to the R329 million raised in 2014.

#### **Staff and student housing operations**

The Staff and Student Housing Unit is required to cover its costs and provide resources for long-term maintenance and, ideally to contribute towards expansion of housing stock thereby providing

greater access to UCT students and staff.

In the past few years we have substantially expanded the housing stock with the addition of the Graca Machel and OBZ Square residences and as a result the Housing Sector is unable to fund any further expansion. Potential projects have also become a great deal harder to make viable due to the lack of increases we can levy on fees. The major costs of the residence operation are food and utilities, both of which are increasing at rates significantly above inflation. As such, any further expansion of the residence sector via plans at Avenue Road and Forest Hill will need to be very carefully considered and evaluated to ensure they are able to sustain themselves within the current constraints.

Fee revenues increased by 12.2% to R379.9 million, while the recurrent surplus of R17.2 million, when added to the provision for loan repayments of R22m, means the housing sector failed to make any significant progress in respect of its debt repayment obligations related to OBZ Square. The increased fee revenue in student housing resulted primarily from increased fees of 11.22% on Catering Accommodation, 9.72% on Self-catering Accommodation and 8.4% on food. Increases in operating costs were mainly due to the increased student numbers and increased utility costs. The continual failure to capitalise on the vacation accommodation opportunities and the commercial space has compromised the servicing of the debt.

### Capital structure and financing

Capital Expenditure of R301 million was in line with that for 2014. Works on the much needed large lecture theatre commenced in December 2014 after the Heritage Western Cape accepted a revised proposal in October 2014.

Capital Structure and Financing is informed by the relationship between reserves and borrowings, the extent to which these are underpinned by assets, limitations on their alienability and their liquidity. This defines our borrowing capacity which is constrained by the ability to service the debt.

The capital projects totalling R301 million, with two, being Snape and the new large lecture theatre partly funded by infrastructure grants from the Department of Higher Education and Training, have been financed without recourse to external borrowings. This is made possible by being alert to, and taking advantage of, timing opportunities, careful cash planning and management and being prepared to accept a modicum of financial risk. Liabilities total R1.51 billion against total assets of R9.18 billion; a debt ratio of 0.16.

### Cash flow planning

The Cash Flow cycle at UCT has a low point at the end of January and peaks in July/August after the bulk of the fees and most subsidies have been received. Careful planning and management of our cash is crucial in generating investment income and in providing the capacity to undertake projects, subject to a revised financial assessment at such time.

### Sustainability

The Financial Sustainability of UCT is a function of recurrent operations and free cash reserves. While the operating margins are low, the risk is somewhat mitigated as we know the bulk of our income (subsidy and fees) early in the operating cycle, if these are significantly different from plan we would

have the opportunity to react and adjust our operations accordingly. For the fifth consecutive year our free cash reserves are within the guidelines contained in our financial policy. However, the real reductions in state funding and the outlook for fee increases provide a warning against complacency and emphasise the importance not only of being within our free cash reserve target. Of the overall operating surplus of R659 million reflected in the Consolidated Income Statement, R534 million arises from specifically funded restricted activities. While these activities contribute to the mission of the university, they do not often provide for sustainability and instead draw on the infrastructure.

The table below shows that the Council-controlled unrestricted operations produced a deficit in 2015 of R79 million (2014 – R60 million deficit).

The actual surplus attributable to Council controlled unrestricted funds, as reflected in the Consolidated Income Statement on page 83, is R97 million, compared to R93 million in 2014, investment income R155 (R171 million in 2014) being the major contributor in both years to the difference between this and the deficits referred to above.

### Recurrent Unrestricted Council Controlled Operations 5-year Review (R million)

|   | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|--------------|--------------|
| <b>Recurrent income</b>                       | <b>2 539</b> | <b>2 335</b> | <b>2 167</b> | <b>2 024</b> |
| State appropriations-subsidies & grants       | 1 122        | 1 104        | 1 069        | 1 027        |
| Tuition and other fee income                  | 1 199        | 1 025        | 920          | 830          |
| Sales of goods & services                     | 210          | 198          | 169          | 153          |
| Private gifts & grants                        | 8            | 8            | 9            | 14           |
| <b>Recurrent expenditure</b>                  | <b>2 618</b> | <b>2 395</b> | <b>2 224</b> | <b>2 010</b> |
| Personnel                                     | 1 686        | 1 543        | 1 393        | 1 283        |
| Other operating expenses                      | 727          | 677          | 676          | 587          |
| Bursaries                                     | 162          | 139          | 127          | 114          |
| Depreciation and minor capital items expensed | 44           | 36           | 28           | 26           |
| <b>Recurrent Operating Surplus (Deficit)</b>  | <b>(79)</b>  | <b>(60)</b>  | <b>(57)</b>  | <b>14</b>    |

## Future Challenges – 2016 and beyond

State subsidies in respect of Council controlled activities grew by 1.7%, lower than in 2014 but still a reduction in real terms. The economic circumstances are such that this trend is likely to continue and possibly worsen. The circumstances are risky for all parties; to date our policies and practices have enabled us to continue operating with minor disruption, but would not be able to do so indefinitely.

Research related grants grew by 16.2% (2014 – 43.7%) increase, while contracts grew by 11% (2014 – 22%). The long-term goal of UCT is to be research intensive and this growth trajectory is in line with this objective. To mitigate the risk of this continued intensified research a project has been initiated with the objective of improving all research related support, and is underpinned by the selection of an appropriate IT system for the effective administration of research, at all steps in the research value chain. The Finance Department has a concurrent project to improve the skill levels and structure within Central Research Finance to support such intensified growth and related administration systems.

The interfaces among subsidy, fees and expenditures are in a state of tension. Plans have been implemented to curtail cost and enhance income so as to return to the policy target operating surplus by 2018, however further curtailment may still be necessary before then to ensure financial sustainability beyond 2018.



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MR. TD PETERSEN

CHAIR: FINANCE COMMITTEE

18 JUNE 2016



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ASHLEY FRANCIS

EXECUTIVE DIRECTOR: FINANCE

## Council's Statement of Responsibility for the Annual Financial Statements for the Year Ended 31 December 2015

The annual financial statements for the calendar year 2015 presented on pages 82 to 128 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations gazetted by the Minister of Higher Education and Training in terms of the Higher Education Act, 1997, and include amounts based on judgements and estimates made by management as more fully laid out in the notes to the financial statements. The Council has also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the annual financial statements.

The Council had adopted the 'going concern' basis in the preparation of the annual financial statements. The Council has no reason to believe that the University of Cape Town is not a going concern in the foreseeable future based on forecasts and available cash resources. The Council believes that the financial statements confirm the viability of the institution.

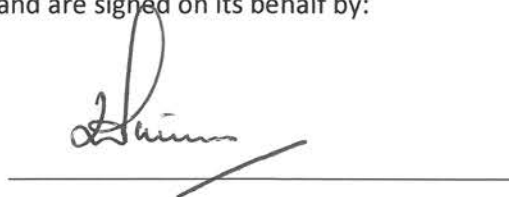
The financial statements have been audited by Ernst & Young Inc. who have been given unrestricted access to all financial records and related data, including minutes of the meetings of Council and all its committees. Council believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements set out on pages 82 to 128 were approved by the University Council on 18 June 2016 and are signed on its behalf by:



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ARCHBISHOP N W H NDUNGANE


CHAIR OF COUNCIL



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T D PETERSEN

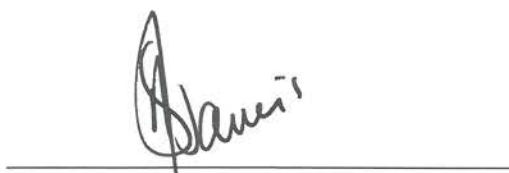
CHAIR OF THE FINANCE COMMITTEE



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DR. M R PRICE

VICE-CHANCELLOR



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ASHLEY FRANCIS

EXECUTIVE DIRECTOR: FINANCE

18 June 2016

# UNIVERSITY OF CAPE TOWN

Incorporated in terms of the Higher Education Act, 1997, and the Statute of The University of Cape Town, promulgated under Government Notice No. 1199 of 20 September 2002 and as amended by Government Notice 259 of 26 February 2004; 476 of 20 May 2005; 748 of August 2010; and 408 of 23 May 2012

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING AND THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN**

### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Introduction**

We have audited the consolidated financial statements of the University of Cape Town and its subsidiaries as set out on pages 82 to 128 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated changes in fund balances and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### **Council's responsibility for the consolidated financial statements**

The Council is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, and for such internal control as the Council determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Cape Town and its subsidiaries as at 31 December 2015, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Higher Education Act of South Africa.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the Public Audit Act of South Africa, 2004 (Act No.25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

#### **Predetermined objectives**

We performed procedures to obtain evidence about the reliability of the reported performance information for the following selected objectives presented in the annual report of the university for the year ended 31 December 2015:

- To achieve the approved enrolment targets for 2015 as set out on page 9;
- To achieve the approved graduate outputs targets as set out on page 10;
- To achieve the approved first-time entering undergraduate enrolment target as set out on page 10;
- To achieve the research output per instructional/research professional staff as set out on page 10;
- To ensure that the 2015 earmarked teaching development grants are utilised for the purposes for which they have been awarded as set out on page 51 and 52.



We evaluated the reported performance information against the overall criteria of reliability. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete. We did not identify any material findings on the reliability of the reported performance information for the selected objectives.

#### **Compliance with laws and regulations**

We performed procedures to obtain evidence that the University has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in the Higher Education Act of South Africa.

#### **Internal control**

We considered internal control relevant to our audit of the financial statements, information in respect of performance against predetermined objectives included in the Chair of Council's report and compliance with laws and regulations but not to gather evidence to express an opinion or conclusion on the effectiveness of the University's internal control.

Matters of internal control considered are limited to significant deficiencies that would result in a basis for a modification of the audit opinion, or any findings reported with regard to the performance against predetermined objectives included in the Chair of Council's report, or any matters identified as non-compliance with laws and regulations included in this report. Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control.

#### **Other reports**

We draw attention to the following engagements that are either in progress or have been completed. We opinion is not modified in respect of these engagements.

#### **Audit-related services and special audits**

We conducted twenty three agreed-upon procedure engagements during the year ended 31 December 2015. Six additional audits were completed by internal audit and five by other independent audit firms. These agreed upon procedures engagements were performed at the request of various entities providing funds to the University of Cape Town.

We conducted one special audit as requested by a donor funded entity during the year under review. These audits were signed off in terms of the entity specific accounting policies and were performed at the request of various entities providing funds to the University of Cape Town.

*Ernst & Young Inc.*

**Ernst & Young Inc.**  
**Director: Tina Lesley Rookledge**  
**Registered auditor**  
**Chartered Accountant (SA)**

**Cape Town**  
**18 June 2016**

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015

|   | Note | 2015<br>R'000 | 2014<br>R'000 |
|---|------|---------------|---------------|
| <b>ASSETS</b>                                       |      | 9,179,553     | 8,230,671     |
| <b>Non-current assets</b>                           |      | 7,158,105     | 6,572,923     |
| Property, plant and equipment                       | 5    | 2,656,632     | 2,442,407     |
| Investments   | 6    | 4,496,803     | 4,126,048     |
| Investments in associates                           | 7    | -             | -             |
| Non-current receivables and prepayments             | 8    | 4,670         | 4,468         |
| <b>Current assets</b>                               |      | 2,021,448     | 1,657,748     |
| Inventories   |      | 924           | 585           |
| Accounts receivable and prepayments                 | 9    | 277,253       | 234,410       |
| Student fees receivable                             | 9    | 87,717        | 58,667        |
| Cash at bank and cash equivalents                   | 10   | 1,655,554     | 1,364,086     |
| <b>ACCUMULATED FUNDS AND LIABILITIES</b>            |      | 9,179,553     | 8,230,671     |
| <b>Accumulated funds</b>                            |      | 7,670,372     | 6,810,769     |
| Non-distributable funds                             |      | 3,500,929     | 3,177,374     |
| Endowed funds                                       |      | 2,168,869     | 2,020,347     |
| Revaluation reserve                                 |      | 1,332,060     | 1,157,027     |
| Restricted funds designated for specific activities |      | 2,539,443     | 2,150,088     |
| Education and general                               |      | 2,352,401     | 1,990,057     |
| Student and staff accommodation                     |      | 187,042       | 160,031       |
| Unrestricted council controlled funds               |      | 1,630,000     | 1,483,307     |
| <b>Non-current liabilities</b>                      |      | 988,806       | 987,230       |
| Deferred revenue                                    | 11   | 481,336       | 476,488       |
| Provisions – employee benefits                      | 12   | 507,470       | 510,742       |
| <b>Current liabilities</b>                          |      | 520,375       | 432,672       |
| Accounts payable and accrued liabilities            | 13   | 361,344       | 319,236       |
| Deferred revenue                                    | 11   | 21,703        | 15,602        |
| Student deposits                                    |      | 72,849        | 56,236        |
| Provisions – employee benefits                      | 12   | 64,479        | 41,598        |

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in R'000)

| <b>Education and General</b>  |                                       |  |           |   |               |          |
|---|---------------------------------------|--|-----------|---|---------------|----------|
| Note  | Council<br>Controlled<br>Unrestricted | Specifically<br>Funded<br>Activities<br>Restricted | Sub-Total | Student<br>and Staff<br>Housing<br>Restricted | 2015<br>TOTAL | % Change |
| <b>Recurrent revenue</b>  | 2,676,191                             | 2,278,470  | 4,954,661 | 379,851                                       | 5,334,512     | 12.4     |
| State appropriations-subsidies<br>and grants  | 14 1,122,452                          | 491,821  | 1,614,273 | -   | 1,614,273     | 5.7      |
| Tuition and other fee revenue   | 1,198,719                             | -  | 1,198,719 | 334,870                                       | 1,533,589     | 15.6     |
| Income from contracts   | -                                     | 924,672  | 924,672   | -   | 924,672       | 11.0     |
| Rendering of services   | 210,084                               | 253,918  | 464,002   | 43,454  | 507,456       | 8.9      |
| Donations and gifts   | 7,840                                 | 440,712  | 448,552   | -   | 448,552       | 33.4     |
| <b>Sub-total</b>  | 2,539,095                             | 2,111,123  | 4,650,218 | 378,324                                       | 5,028,542     | 12.0     |
| Interest and dividends  | 15 137,096                            | 167,347  | 304,443   | 1,527   | 305,970       | 19.1     |
| <b>Recurrent expenditure</b>  | 2,583,468                             | 1,849,485  | 4,432,953 | 362,631                                       | 4,795,584     | 11.3     |
| Personnel   | 16 1,685,598                          | 768,877  | 2,454,475 | 49,956  | 2,504,431     | 12.6     |
| Other operating expenses  | 17 727,022                            | 698,995  | 1,426,017 | 272,779                                       | 1,698,796     | 7.8      |
| Financial aid and scholarships  | 161,820                               | 347,840  | 509,660   | -   | 509,660       | 16.5     |
| Depreciation  | 5 43,812                              | 33,783   | 77,595    | 5,112   | 82,707        | 15.8     |
| <b>Sub-total</b>  | 2,618,252                             | 1,849,495  | 4,467,747 | 327,847                                       | 4,795,594     | 11.3     |
| Net finance costs   | (34,784)                              | (10)   | (34,794)  | 34,784  | (10)          | (0.1)    |
| Finance costs   | -                                     | (10)   | (10)      | -   | (10)          | (0.1)    |
| Interest on internal borrowings   | (34,784)                              | -  | (34,784)  | 34,784  | -             | -        |
| <b>RECURRENT SURPLUS</b>  | 92,723                                | 428,985  | 521,708   | 17,220  | 538,928       | 23.7     |
| <b>NON-RECURRENT ITEMS</b>  | 10,890                                | 108,920  | 119,810   | 32  | 119,842       | (50.1)   |
| Loss on disposal of property,<br>plant & equipment                                    | (1,665)                               | (1,226)  | (2,891)   | (161)   | (3,052)       | (39.3)   |
| Realised profit on sale of<br>investments   | 12,588                                | 206,762  | 219,350   | 220   | 219,570       | (24.5)   |
| Fair value movement on fair<br>value through profit and loss<br>financial instruments | 5,331                                 | 12,725   | 18,056    | 88  | 18,144        | 940.0    |
| Impairment of available-for-<br>sale investments                                      | (5,364)                               | (109,341)  | (114,705) | (115)   | (114,820)     | 166.1    |
| <b>NET OPERATING SURPLUS</b>  | 103,613                               | 537,905  | 641,518   | 17,252  | 658,770       | (2.5)    |
| Transfer from endowed funds   | (5,928)                               | (3,831)  | (9,759)   | 9,759   | -             | -        |
| <b>SURPLUS FOR THE YEAR*</b>  | 97,685                                | 534,074  | 631,759   | 27,011  | 658,770       | (2.5)    |

\* This surplus should be read in conjunction with the Annual Financial Review with particular reference to sustainability and designated activities.

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in R'000)

|   | Council<br>Controlled<br>Unrestricted | Specifically<br>Funded<br>Activities<br>Restricted | Revaluation<br>Reserve | Student and<br>Staff<br>Housing<br>Restricted | 2015<br>TOTAL  |
|---|---------------------------------------|--|------------------------|---|----------------|
| <b>Surplus for the period</b>   | 97,685                                | 534,074  | -                      | 27,011  | 658,770        |
| <b>Other comprehensive income:</b>  |                                       |  |                        |   |                |
| Other comprehensive income to be reclassified to surplus or deficit in subsequent periods     | -                                     | -  | 175,033                | -   | 175,033        |
| Unrealised movement in market value-available for sale investments                            | -                                     | -  | 279,783                | -   | 279,783        |
| Reclassification adjustment for items included in income statement                            | -                                     | -  | (104,750)              | -   | (104,750)      |
| Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods | 25,800                                | -  | -                      | -   | 25,800         |
| Actuarial losses on post-retirement medical aid benefit obligation                            | 12.3 25,800                           | -  | -                      | -   | 25,800         |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>123,485</b>                        | <b>534,074</b>                                     | <b>175,033</b>         | <b>27,011</b>                                 | <b>859,603</b> |

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in R'000)

|   | Non-Distributable |                        | Funds Restricted for<br>Specific Activities | Unrestricted<br>Funds           | TOTAL            |                       |
|---|-------------------|------------------------|---|---------------------------------|------------------|-----------------------|
|   | Endowed<br>Funds  | Revaluation<br>Reserve | Education<br>and General                    | Student<br>and Staff<br>Housing |                  | Council<br>Controlled |
| <b>FUND BALANCES AS AT<br/>1 JANUARY 2015</b>   | 2,020,347         | 1,157,027              | 1,990,057                                   | 160,031                         | 1,483,307        | 6,810,769             |
| <b>Total comprehensive<br/>income</b>           | -                 | 175,033                | 534,074                                     | 27,011                          | 123,485          | 859,603               |
| Surplus for 2015                                | -                 | -                      | 534,074                                     | 27,011                          | 97,685           | 658,770               |
| Other comprehensive income                      | -                 | 175,033                | -   | -                               | 25,800           | 200,833               |
| Transfers between funds                         | 148,522           | -                      | (171,730)                                   | -                               | 23,208           | -                     |
| <b>FUND BALANCES AS AT<br/>31 DECEMBER 2015</b> | <b>2,168,869</b>  | <b>1,332,060</b>       | <b>2,352,401</b>                            | <b>187,042</b>                  | <b>1,630,000</b> | <b>7,670,372</b>      |

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in R'000)

| <b>Education and General</b>  |                                       |  |           |   |               |          |
|---|---------------------------------------|--|-----------|---|---------------|----------|
| Note  | Council<br>Controlled<br>Unrestricted | Specifically<br>Funded<br>Activities<br>Restricted | Sub-Total | Student<br>and Staff<br>Housing<br>Restricted | 2014<br>TOTAL | % Change |
| <b>Recurrent revenue</b>  | 2,432,378                             | 1,974,811  | 4,407,189 | 338,621                                       | 4,745,810     | 16.6     |
| State appropriations-subsidies<br>and grants  | 14 1,104,176                          | 423,326  | 1,527,502 | -   | 1,527,502     | 12.1     |
| Tuition and other fee revenue   | 1,025,131                             | -  | 1,025,131 | 300,951                                       | 1,326,082     | 11.7     |
| Income from contracts   | -                                     | 833,194  | 833,194   | -   | 833,194       | 22.1     |
| Rendering of services   | 197,623                               | 235,584  | 433,207   | 32,738  | 465,945       | 5.9      |
| Donations and gifts   | 7,506                                 | 328,713  | 336,219   | -   | 336,219       | 77.8     |
| <b>Sub-total</b>  | 2,334,436                             | 1,820,817  | 4,155,253 | 333,689                                       | 4,488,942     | 16.2     |
| Interest and dividends  | 15 97,942                             | 153,994  | 251,936   | 4,932   | 256,868       | 24.4     |
| <b>Recurrent expenditure</b>  | 2,362,018                             | 1,619,063  | 3,981,081 | 329,094                                       | 4,310,175     | 10.7     |
| Personnel   | 16 1,543,096                          | 637,081  | 2,180,177 | 44,858  | 2,225,035     | 10.2     |
| Other operating expenses  | 17 675,696                            | 653,801  | 1,329,497 | 246,911                                       | 1,576,408     | 10.6     |
| Financial aid and scholarships  | 139,098                               | 298,219  | 437,317   | -   | 437,317       | 11.8     |
| Depreciation  | 5 36,420                              | 29,962   | 66,382    | 5,033   | 71,415        | 21.3     |
| <b>Sub-total</b>  | 2,394,310                             | 1,619,063  | 4,013,373 | 296,802                                       | 4,310,175     | 10.7     |
| Net finance costs   | (32,292)                              | -  | (32,292)  | 32,292  | -             | (100)    |
| Finance costs   | -                                     | -  | -         | -   | -             | (100)    |
| Interest on internal borrowings   | (32,292)                              | -  | (32,292)  | 32,292  | -             | -        |
| <b>RECURRENT SURPLUS</b>  | 70,360                                | 355,748  | 426,108   | 9,527   | 435,635       | 150.7    |
| <b>NON-RECURRENT ITEMS</b>  | 39,802                                | 199,874  | 239,676   | 635   | 240,311       | (49.0)   |
| Loss on disposal of property,<br>plant & equipment                                    | (1,247)                               | (3,472)  | (4,719)   | (309)   | (5,028)       | (56.2)   |
| Realised profit on sale of<br>investments   | 42,512                                | 247,169  | 289,681   | 975   | 290,656       | 31.3     |
| Fair value movement on fair<br>value through profit and loss<br>financial instruments | -                                     | (2,160)  | (2,160)   | -   | (2,160)       | (90.2)   |
| Impairment of available-for-<br>sale investments                                      | (1,463)                               | (41,663)   | (43,126)  | (31)  | (43,157)      | 63.3     |
| <b>NET OPERATING SURPLUS</b>  | 110,162                               | 555,622  | 665,784   | 10,162  | 675,946       | 101.7    |
| Transfer from endowed funds   | (17,292)                              | 15,070   | (2,222)   | 2,222   | -             | -        |
| <b>SURPLUS FOR THE YEAR*</b>  | 92,870                                | 570,692  | 663,562   | 12,384  | 675,946       | 101.7    |

\* This surplus should be read in conjunction with the Annual Financial Review with particular reference to sustainability and designated activities.

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(All amounts in R'000)**

|   | <b>Council<br/>Controlled<br/>Unrestricted</b> | <b>Specifically<br/>Funded<br/>Activities<br/>Restricted</b> | <b>Revaluation<br/>Reserve</b> | <b>Student and<br/>Staff<br/>Housing<br/>Restricted</b> | <b>2014<br/>TOTAL</b> |
|---|--|--|--------------------------------|---|-----------------------|
| <b>Surplus for the period</b>   | 92,870   | 570,692  | -                              | 12,384  | 675,946               |
| <b>Other comprehensive income:</b>  |  |  |                                |   |                       |
| Other comprehensive income to be reclassified to surplus or deficit in subsequent periods     | -  | -  | 38,652                         | -   | 38,652                |
| Unrealised movement in market value-available for sale investments                            | -  | -  | 286,151                        | -   | 286,151               |
| Reclassification adjustment for items included in income statement                            | -  | -  | (247,499)                      | -   | (247,499)             |
| Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods | (28,800)                                       | -  | -                              | -   | (28,800)              |
| Actuarial losses on post-retirement medical aid benefit obligation                            | (28,800)                                       | -  | -                              | -   | (28,800)              |
| <b>12.3</b>   |  |  |                                |   |                       |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>64,070</b>                                  | <b>570,692</b>   | <b>38,652</b>                  | <b>12,384</b>   | <b>685,798</b>        |

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

|   | <b>Non-Distributable</b> |                                | <b>Funds Restricted for<br/>Specific Activities</b> |  | <b>Unrestricted<br/>Funds</b> | <b>TOTAL</b>     |
|---|--------------------------|--------------------------------|---|--|-------------------------------|------------------|
|   | <b>Endowed<br/>Funds</b> | <b>Revaluation<br/>Reserve</b> | <b>Education<br/>and General</b>                    | <b>Student<br/>and Staff<br/>Housing</b> | <b>Council<br/>Controlled</b> |                  |
| <b>FUND BALANCES AS AT<br/>1 JANUARY 2014</b>   | 1,864,399                | 1,118,375                      | 1,597,603   | 147,647                                  | 1,396,947                     | 6,124,971        |
| <b>Total comprehensive<br/>income</b>           | -                        | 38,652                         | 570,692   | 12,384                                   | 64,070                        | 685,798          |
| Surplus for 2014                                | -                        | -                              | 570,692   | 12,384                                   | 92,870                        | 675,946          |
| Other comprehensive income                      | -                        | 38,652                         | -   | -  | (28,800)                      | 9,852            |
| Transfers between funds                         | 155,948                  | -                              | (178,238)   | -  | 22,290                        | -                |
| <b>FUND BALANCES AS AT<br/>31 DECEMBER 2014</b> | <b>2,020,347</b>         | <b>1,157,027</b>               | <b>1,990,057</b>                                    | <b>160,031</b>                           | <b>1,483,307</b>              | <b>6,810,769</b> |

**UNIVERSITY OF CAPE TOWN**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

|  | Note      | 2015<br>R'000    | 2014<br>R'000    |
|--|-----------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |           |                  |                  |
| Cash receipts from students, government and private sources  |           | 4,441,585        | 4,050,747        |
| Cash paid to employees and suppliers                         |           | (4,093,337)      | (3,692,827)      |
| <b>Cash generated from operations</b>                        | <b>20</b> | 348,248          | 357,920          |
| Investment income – interest                                 | <b>15</b> | 256,001          | 210,558          |
| Investment income – dividends                                | <b>15</b> | 49,969           | 46,308           |
| Finance costs  |           | (10)             | -                |
| <b>Net cash inflows from operating activities</b>            |           | <u>654,208</u>   | <u>614,786</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |           |                  |                  |
| Additions to property, plant and equipment                   | <b>5</b>  | (300,928)        | (306,967)        |
| Proceeds on disposal of property, plant and equipment        |           | 944              | 165              |
| Net additions to investments                                 |           | (73,630)         | (111,391)        |
| <b>Net cash used in investing activities</b>                 |           | <u>(373,614)</u> | <u>(418,193)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |           |                  |                  |
| Government grants received during the year                   | <b>11</b> | 10,874           | 116,211          |
| <b>Net cash (outflows)/inflows from financing activities</b> |           | <u>10,874</u>    | <u>116,211</u>   |
| Net increase in cash and cash equivalents                    |           | 291,468          | 312,804          |
| Cash and cash equivalents at beginning of period             |           | 1,364,086        | 1,051,282        |
| <b>Cash and cash equivalents at end of period</b>            | <b>10</b> | <u>1,655,554</u> | <u>1,364,086</u> |

## 1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of Council on 20 June 2016.

The principal activities of the University relate to teaching, research and the providing of residential accommodation to students.

## 2. Basis of preparation

The consolidated annual financial statements have been prepared on an historical cost basis, except where stated otherwise (refer to accounting policies). The consolidated annual financial statements are presented in South African Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year, except where the University has adopted the IFRS amendments that became effective during the year.

### **NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

Various new and amended IFRS and IFRIC interpretations that have been issued and are effective have been adopted by the University but have no material impact as they are not applicable to its current activities.

### **IFRS AMENDMENTS AND IFRIC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

This listing of standards and interpretations issued are those that the University reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University intends to adopt these standards when they become effective.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The University is in the process of determining the impact of the effects of the adoption of IFRS 9 for the University's financial assets and liabilities.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The University is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.



## 2. Basis of preparation (continued)

### IFRS 16 Leases

In January 2016, the International Accounting Standards Board (IASB) published its new Leases standard. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The University is in the process of determining the impact of IFRS 16 and intends to adopt the Standard when it becomes effective.

### 2.1. Statement of compliance

The consolidated annual financial statements of the University of Cape Town and its related entities have been prepared in accordance with IFRS and in the manner required by the Minister of Higher Education and Training in terms of S41 of the Higher Education Act 101 of 1997 (as amended).

## 2. Basis of preparation (continued)

### 2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its related entities as at 31 December each year. The financial statements include the operations of the related entities listed below.

| Entity                                 | Nature of ownership  |
|--|--|
| The University of Cape Town Foundation | A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary |
| The UCT Lung Institute (Pty) Limited   | A wholly owned subsidiary of the University of Cape Town                                       |

The financial statements of related entities are consolidated from the date on which the University acquires effective control, up to the date that such effective control ceases.

The University controls an entity when it exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the University controls another entity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses. When there is a disposal or loss of control of a related entity, the consolidated financial statements would include the results for the part of the reporting period during which the University had control. Any difference between the net proceeds on disposal and the carrying amount of the subsidiary is recognised in the surplus for the period.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss. All inter-University balances, transactions, unrealised gains and losses resulting from intra-University transactions, are eliminated in full.

### 2.3. Segment information and accumulated funds

A segment is a recognised component of the University that is engaged in undertaking activities and providing services that are subject to risks and returns different from those of other segments. Segmentation provided in profit or loss of these financial statements is in terms of the guidelines prescribed by the Department of Higher Education and Training and is specifically not in terms of

IFRS 8. The operating businesses are managed separately but fall under the oversight of the University of Cape Town's executive leadership.

## **2. Basis of preparation (continued)**

### **2.3. Segment information and accumulated funds (continued)**

#### **2.3.1. Endowed funds income**

Income from specific endowments, comprising investment income and realised profits arising from the sale of investments, is recognised in the Consolidated Income Statement as designated for specific purposes in the period in which it accrues.

It is the University's policy to utilise only a portion of this income and to re-invest the un-utilised portion in the underlying endowed funds in order to preserve the real value of the capital base.

#### **2.3.2. Segment information and accumulated funds**

Funds made available to operations, whether Council controlled or designated, which cannot be utilised due to a specific event not having occurred, are also capitalised. The utilisation of these funds for operational purposes and the capitalisation of all un-utilised funds, are effected by transfer within the Statement of Changes in Fund Balances.

#### **2.3.3. Revaluation reserve**

The revaluation reserve records fair value changes on available-for-sale investments.

#### **2.3.4. Specifically funded activities restricted (Education and General)**

The specifically funded activities restricted consist mainly of research activity. Decision making rights over income earned and related expenses rest with researchers. Council retains an oversight role with regard to ensuring that expenditure is in accordance with the mandate received from funders and University policies.

#### **2.3.5. Unrestricted Council controlled funds**

The Council controlled segment predominantly represents the teaching component of the University. Decision making rights relating to income earned in this segment rest with Council.

#### **2.3.6. Student and Staff Housing restricted**

The Student and Staff Housing segment relates to the provision of accommodation to both students and staff. The availability of this accommodation is a strategic initiative aimed at ensuring that students adopt the University as their preferred place of study and that the University is able to attract and retain appropriate staff.

## **2.4. Transfers between funds**

Transfers between funds are reflected in two areas

### **2.4.1. Operational transfers**

The transfer of funds is required for operational purposes between the three main operational segments namely, 'Specifically Funded Activities Restricted (Education and General)', 'Unrestricted Council Controlled Funds' and 'Student and Staff Housing Restricted'. These transfers are reflected in the Consolidated Income Statement.

## 2. Basis of preparation (continued)

### 2.4. Transfers between funds (continued)

#### 2.4.2. Endowment related transfers

These transfers relate primarily to transfers to or from the endowment as a result of its investment activities. These, together with the distributions made and investments received, are reflected in the Consolidated Income Statement. The transfers are also reflected in the Statement of Changes in Fund Balances.

## 3. Significant accounting judgements and estimates

The preparation of the University's consolidated annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at reporting date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the University's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effects on the amounts recognised in the financial statements.

### 3.1. Judgement

#### 3.1.1. Investments

##### *Judgements over Fair Value*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. Management determines the classification of its financial assets at initial recognition. When the fair value of investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques such as director's valuations based on recent equity transactions. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

##### *Judgements over Control*

In assessing the control over investments, the purpose and design of the investments were considered, as well as the identification of the activities of the investee that significantly affect the returns of the investee, management identified how decisions about these activities are made and concluded on whether UCT has the rights to direct these activities. In addition consideration was given to whether or not UCT is exposed, or has rights, to the variability associated with the returns of the investee and lastly management considered whether or not UCT has the ability to use its own power of the investee to affect its own returns. The University has determined that it has control over the University of Cape Town Foundation, a structured entity (trust) as the University appoints the trustees; and the UCT Lung Institute (Pty) Ltd, a wholly owned subsidiary. The University is the sole beneficiary as is exposed to the variable returns of the entities. The university therefore consolidates both entities.

### 3. Significant accounting judgements and estimates (continued)

#### 3.1. Judgement (continued)

##### 3.1.2. Impairment

The University assesses whether there are any indicators of impairment for all assets at each reporting date.

The University classifies certain assets as available-for-sale and recognises movements in their fair value in other comprehensive income.

When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the Consolidated Income Statement. An investment is considered to be impaired if either the fair value at year end is more than 30% below cost or the fair value has been below cost for a period of twelve months.

At 31 December 2015 an impairment loss of R114 million (2014: R43.1 million) had been recognised for available-for-sale assets. The carrying value of available-for-sale assets at 31 December 2015 was R4,489 million (2014: R4,122 million). Refer Note 6.

#### 3.2. Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

##### 3.2.2. Depreciation

At the end of each financial year management reviews property, plant and equipment to assess whether the estimated useful lives and estimated residual values applied to each asset are appropriate.

The useful lives of assets are estimated by reviewing the degree to which assets are fully depreciated but still remain on the assets register and are in use. The University for the most part uses its asset until future rewards no longer accrue.

Typically assets are assessed as having no residual value when calculating the depreciable amount because assets are of little value at the time they are sold or decommissioned.

##### 3.2.3. Gratuity provision academic staff

The University pays a gratuity on retirement, retrenchment or death in special circumstances. In order to estimate the probability of incurring this liability, management make assumptions in respect of the number of University staff that will reach retirement. In addition, to calculate the fair value of the liability the University needs to make assumptions regarding both expected future salary increases and a suitable discount rate. More details on these assumptions are provided in Note 12. The carrying value of the gratuity provision for academic staff at 31 December 2015 was R64.5 million (2014: R71.0 million).

### 3. Significant accounting judgements and estimates (continued)

#### 3.2. Estimation uncertainty (continued)

##### 3.2.4. Post-retirement medical aid benefits obligation

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued based on the projected unit credit method. For the purpose of the valuation at 31 December, key assumptions were made in respect of the discount rate, expected inflation on medical aid contributions, expected age of retirements and mortality rates. More details on these assumptions are provided in Note 12.

The carrying value of the post-retirement medical aid obligation at 31 December 2015 was R418.7 million (2014: R401.8 million).

##### 3.2.5. Student fees receivables

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. The estimate of current balances that may be handed over is based on outstanding balances at 31 December of the preceding year as a percentage of the total expected fees. The provision is therefore based on past write-off experience as well as the current year's performance. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2015 was R87.7 million (2014: R58.6 million), refer Note 9.

### 4. Summary of significant accounting policies

#### 4.1. Foreign currency translation

The consolidated annual financial statements are presented in South African Rands, which is the University's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the exchange currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange currency rate ruling at the reporting date. All differences are taken to surplus or deficit in the year in which they arise.

Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss shall be recognised directly in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised directly in surplus or deficit, any exchange component of that gain or loss shall be recognised directly in surplus or deficit.

## 4. Summary of significant accounting policies (continued)

### 4.2. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

#### 4.2.1. State appropriations - subsidies and grants

State subsidies and grants for general purposes are recognised as income in the financial year to which they relate.

Subsidies and grants for specific research purposes are recognised as income in the financial year in which they accrue to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately in the Consolidated Income Statement.

Subsidies and grants relating to specific expenses are not offset against the expense but are included in the disclosure of 'State appropriations - subsidies and grants' (refer Note 14).

Where the grant relates to an asset, it is recognised as deferred revenue and released to income in equal annual amounts over the expected useful life of the relevant asset.

#### 4.2.2. Designated income from contracts, grants and donations

Revenue received for designated specific purposes arises from contracts, grants and donations. Such revenue is recognised in the Consolidated Income Statement in the financial period in which it accrues to the University in accordance with the relevant agreement.

Capital inflows for endowment purposes are included in the Consolidated Income Statement in the period in which they are received.

#### 4.2.3. Tuition and residence fees

Tuition and residence fees charged are applicable to one academic and financial year and are recognised in that year.

#### 4.2.4. Interest income

Revenue is recognised as interest accrues, using the effective interest method which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### 4.2.5. Dividends

Dividends are recognised when the right to receive payment is established.

#### 4.2.6. Rendering of services

Revenue, involving the rendering of services, is recognised to the extent that the service has been provided and it is probable and can be reliably measured. Revenue includes rentals earned, short course fees and club subscriptions. Where the contract outcome cannot be

## 4. Summary of significant accounting policies (continued)

### 4.2. Revenue recognition (continued)

#### 4.2.6. Rendering of services (continued)

measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered.

### 4.3. Retirement benefits

#### 4.3.1. Defined contribution retirement plan

Employer contributions to the University of Cape Town Retirement Fund are recognised in the Consolidated Income Statement in the year in which they are made.

#### 4.3.2. Medical aid benefits

Employer contributions to a medical aid fund are recognised as an expense in the period during which the employees render services to the University.

#### 4.3.3. Post-retirement medical aid benefits – defined benefit plan

The University has an obligation to provide certain post-retirement medical aid benefits to its eligible employees and pensioners. The University is required to provide a defined amount of the medical aid contribution due. The plan is not funded.

The present value of the future medical aid subsidies for current service costs is actuarially determined annually in accordance with IAS 19 Employee Benefits.

The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions.

The liability is recognised at the reporting date. Any curtailment benefits or settlement amounts are recognised against income as incurred. Service costs comprising current service costs, past service costs and interest expense are recognised in surplus for the year when incurred. The defined benefit liability is the present value of the defined benefit obligation. Actuarial gains and losses are recognised in other comprehensive income in the year they arise.

### 4.4. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

### 4.5. Research costs

Research costs are expensed as incurred.

### 4.6. Library acquisitions

Library books and other library materials are written off in the year in which they are acquired.



## 4. Summary of significant accounting policies (continued)

### 4.7. Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an asset comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

Subsequently, property plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the University and the cost of the item can be measured reliably.

Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Donated assets are initially recorded at fair value at the date of donation.

Land is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment are depreciated on a straight-line basis estimated to write each asset down to its estimated residual value over the estimated useful lives of the assets which range as follows:

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
| Buildings                              | 75-200 years | 75-200 years |
| Leasehold improvements                 | Lease period | Lease period |
| Land improvements other than buildings | 30 years     | 30 years     |
| Motor vehicles                         | 15 years     | 15 years     |
| Furniture and equipment                | 5-50 years   | 5-50 years   |
| Computers and hardware                 | 5-10 years   | 5-10 years   |

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus in the period in which the asset is derecognised.

## 4. Summary of significant accounting policies (continued)

### 4.8. Impairment of non-financial assets

The University assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the University makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 4.9. Financial assets and liabilities

Financial assets and financial liabilities are initially recognised in the Consolidated Statement of Financial Position when the University becomes party to the contractual provisions of the instrument. The trade date method of accounting has been adopted for 'regular way' purchase or sale of financial assets. The trade date is the date that the University commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

Financial assets and liabilities are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition the measurement of financial assets and liabilities depends upon the class of instrument as follows:

Financial assets in the scope of IAS 39 are classified as either available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through surplus or deficit and loans and receivables, as appropriate. The University determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

## 4. Summary of significant accounting policies (continued)

### 4.9. Financial assets and liabilities (continued)

#### 4.9.1. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that have been either designated as available-for-sale or are not classified in any of the other categories (loans and receivables, held-to-maturity investments and financial assets at fair value through surplus or deficit). Such assets comprise investments in listed equity shares, quoted interest bearing corporate and government bonds, quoted unit trusts, unlisted equity investments and money market deposits.

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in the revaluation reserve (through other comprehensive income) until the investment is de-recognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in funds is included in the net surplus for the period.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date.

#### 4.9.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets comprise student fees receivable, accounts receivable in terms of contracts, student loans and loans to employees. These assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents are initially measured at fair value. They are subsequently measured at amortised cost. For the purpose of the Statement of Cash Flows cash and cash equivalents consist of cash on hand and balances at banks, net of outstanding bank overdrafts, and short-term deposits.

#### 4.9.3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are accounted for as held for trading instruments. The Foundation makes limited use of derivative financial instruments such as futures and option contracts to hedge its risks associated with equity exposures.

A derivative is a financial instrument whose value changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into. Subsequent to initial recognition, derivatives are re-measured at fair value.

Fair values are obtained from quoted market prices and dealer price quotations in active markets gains and losses on realisation or re-measurement are recognised in profit or loss. All

## 4. Summary of significant accounting policies (continued)

### 4.9.3. Financial assets at fair value through profit or loss (continued)

derivative instruments of the University are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### 4.9.4. Financial Liabilities

Financial liabilities comprise accounts payable and accrued liabilities, liabilities and deposits.

Accounts payable and accrued liabilities are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

Deposits provided by prospective and current students are treated as current liabilities until the revenue falls due. Deposits are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

## 4.10. De-recognition of financial assets and liabilities

### 4.10.1. Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the University's consolidated statement of financial position) when:

The rights to receive cash flows from the asset have expired;

The University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The University has transferred substantially all the risks and rewards of the asset, or

(b) The University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the University has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the University continues to recognise the transferred asset to the extent of the University's continuing involvement. In that case, the University also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the University has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the University could be required to repay.

## 4. Summary of significant accounting policies (continued)

### 4.10. De-recognition of financial assets and liabilities (continued)

#### 4.10.2. Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is currently a legally enforceable right to set off the recognised amounts; and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 4.11. Impairment of financial assets

The University assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

#### 4.11.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly, or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Consolidated Income Statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the University will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

## 4. Summary of significant accounting policies (continued)

### 4.11. Impairment of financial assets (continued)

#### 4.11.1. Assets carried at amortised cost

In relation to student fee receivables, a provision for collective impairment is made each year based on management's estimate of the amount of total current year student fee debt that it expects to hand over to external debt collectors, and the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over in current and prior years. Impaired debts are derecognised when they are assessed as uncollectible.

#### 4.11.2 Available-for-sale financial assets

In the case of financial instruments classified as available-for-sale (AFS), objective evidence would include a significant or prolonged decline in the fair value of the investment below cost.

'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment is recognised and measured as the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised. Reversals of impairments in respect of equity instruments classified as available-for-sale are not recognised in profit; but are recognised directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss is reversed through the income statement.

### 4.12. Investment in associates

The University's investment in its associate company is accounted for using the equity method of accounting. An associate is an entity over which the University has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or jointly control these policies. If the University holds, directly or indirectly, 20% or more of the voting power of the investee, it is assumed that the University has significant influence unless it can be clearly demonstrated that this is not the case.

Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the University's share of the surplus or deficit of the associate after the date of acquisition. The University's share of the surplus or deficit is recognised in the surplus for the year.

If the University's share of losses of an associate equals or exceeds its interest in the associate, the University discontinues recognising its share of further losses.

## 4. Summary of significant accounting policies (continued)

### 4.12. Investment in associates (continued)

After the University's interest is reduced to zero, additional losses are provided for, and a liability recognised only to the extent that the University has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses, the University determines whether it is necessary to recognise any additional impairment loss with respect to the University's net investment in the associate.

Where there has been a change recognised directly in the equity of the associate, the University recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Funds. Unrealised gains and losses resulting from transactions between the University and the associates are eliminated to the extent of the interest in the associate. The reporting dates of the associates and the University are identical and the associate's accounting policies conform to those used by the University for like transactions and events in similar circumstances.

### 4.13. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the replacement cost of inventories. Cost is determined in accordance with the weighted average cost method.

Inventories are made up of consumables.

### 4.14. Provisions

Provisions are recognised when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the University expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### 4.15. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of; whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependent on a specified asset;  
or
- (d) There is a substantial change to the asset.

## **4. Summary of significant accounting policies (continued)**

### **4.15. Leases (continued)**

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

#### **4.15.1. University as a lessee**

Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

#### **4.15.2. University as a lessor**

Leases where the University does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



## 5. Property, Plant and Equipment

### Year ended 31 December 2015

(All amounts in R'000)

|   | Land,<br>Buildings and<br>Land<br>Improvements | Furniture<br>and<br>Equipment | Computers<br>and<br>Hardware | Motor<br>Vehicles | Assets<br>under<br>Construction | TOTAL     |
|---|--|-------------------------------|------------------------------|-------------------|---------------------------------|-----------|
| <b>Carrying amount<br/>01 January 2015</b>  | 1,759,121                                      | 459,511                       | 50,152                       | 19,855            | 153,768                         | 2,442,407 |
| <b>Cost</b>                                 |  |                               |                              |                   |                                 |           |
| Cost 1 January 2015                         | 1,942,784                                      | 674,270                       | 125,268                      | 32,236            | 153,768                         | 2,928,326 |
| Additions                                   | 102,880  | 97,846                        | 20,756                       | 6,841             | 72,605                          | 300,928   |
| Transfers                                   | 126,262  | -                             | -                            | -                 | (126,262)                       | -         |
| Disposals                                   | (701)  | (6,939)                       | (4,546)                      | (1,427)           | (213)                           | (13,826)  |
| Cost 31 December 2015                       | 2,171,225                                      | 765,177                       | 141,478                      | 37,650            | 99,898                          | 3,215,428 |
| <b>Accumulated depreciation</b>             |  |                               |                              |                   |                                 |           |
| Balance 1 January 2015                      | 183,663  | 214,759                       | 75,116                       | 12,381            | -                               | 485,919   |
| Disposals                                   | (424)  | (4,257)                       | (4,371)                      | (778)             | -                               | (9,830)   |
| Depreciation charge                         | 26,901   | 38,026                        | 15,423                       | 2,357             | -                               | 82,707    |
| Balance 31 December 2015                    | 210,140  | 248,528                       | 86,168                       | 13,960            | -                               | 558,796   |
| <b>Carrying amount<br/>31 December 2015</b> | 1,961,085                                      | 516,649                       | 55,310                       | 23,690            | 99,898                          | 2,656,632 |

### Year ended 31 December 2014

(All amounts in R'000)

|   | Land,<br>Buildings and<br>Land<br>Improvements | Furniture<br>and<br>Equipment | Computers<br>and<br>Hardware | Motor<br>Vehicles | Assets<br>under<br>Construction | TOTAL     |
|---|--|-------------------------------|------------------------------|-------------------|---------------------------------|-----------|
| <b>Carrying amount<br/>01 January 2014</b>  | 1,529,825                                      | 388,308                       | 36,736                       | 17,949            | 239,261                         | 2,212,079 |
| <b>Cost</b>                                 |  |                               |                              |                   |                                 |           |
| Cost 1 January 2014                         | 1,691,561                                      | 578,710                       | 101,452                      | 28,832            | 239,261                         | 2,639,816 |
| Additions                                   | 66,556   | 108,590                       | 27,087                       | 4,414             | 100,320                         | 306,967   |
| Transfers                                   | 185,740  | -                             | -                            | -                 | (185,740)                       | -         |
| Disposals                                   | (1,073)  | (13,030)                      | (3,271)                      | (1,010)           | (73)                            | (18,457)  |
| Cost 31 December 2014                       | 1,942,784                                      | 674,270                       | 125,268                      | 32,236            | 153,768                         | 2,928,326 |
| <b>Accumulated depreciation</b>             |  |                               |                              |                   |                                 |           |
| Balance 1 January 2014                      | 161,736  | 190,402                       | 64,716                       | 10,883            | -                               | 427,737   |
| Disposals                                   | (577)  | (8,962)                       | (3,063)                      | (631)             | -                               | (13,233)  |
| Depreciation charge                         | 22,504   | 33,319                        | 13,463                       | 2,129             | -                               | 71,415    |
| Balance 31 December 2014                    | 183,663  | 214,759                       | 75,116                       | 12,381            | -                               | 485,919   |
| <b>Carrying amount<br/>31 December 2014</b> | 1,759,121                                      | 459,511                       | 50,152                       | 19,855            | 153,768                         | 2,442,407 |

## 5. Property, Plant and Equipment (continued)

A register of land and buildings is available for inspection at the business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the approval of the Minister of Higher Education and Training. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act. The University's buildings and land improvements have an insured value of R14.6 billion (2014: R11.5 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R70.4 million (2014: R72.7 million).

|  | 2015<br>R'000    | 2014<br>R'000    |
|--|------------------|------------------|
| <b>6. Investments</b>  |                  |                  |
| Investments comprise the following categories:                     |                  |                  |
| <b>AVAILABLE FOR SALE INVESTMENTS</b>                              |                  |                  |
| <b>Listed investments</b>  |                  |                  |
| Local equities   | 1,568,775        | 1,514,573        |
| Collective investment schemes                                      | 55,737           | 52,969           |
| Local mutual funds   | 44,115           | 33,539           |
| Local capital markets  | 673,358          | 679,995          |
| International investments  | 1,558,620        | 1,232,513        |
| Mutual funds   | 1,099,991        | 838,789          |
| Collective investment schemes                                      | 458,629          | 393,724          |
| <b>Unlisted investments</b>  |                  |                  |
| Money market deposits — local                                      | 581,016          | 600,581          |
| Money market deposits — international                              | 89               | 569              |
| Straight Access Technologies Holdings (Pty) Ltd (16%)              | 7,500            | 7,500            |
| <b>Total available for sale investments</b>                        | 4,489,210        | 4,122,239        |
| <b>FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS</b> |                  |                  |
| <b>Listed investments</b>  |                  |                  |
| Local equity-linked derivatives                                    | 7,593            | 3,809            |
| <b>TOTAL INVESTMENTS</b>   | <b>4,496,803</b> | <b>4,126,048</b> |

No investments have been pledged as security during the current year.

### Fair value hierarchy

As at 31 December 2015, the University held the above financial instruments measured at fair value. The University uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## 6. Investments (continued)

### Assets measured at fair value

| Year ended 31 December 2015                       | Total<br>R'000   | Level 1<br>R'000 | Level 2<br>R'000 | Level 3<br>R'000 |
|---|------------------|------------------|------------------|------------------|
| <b>Investments</b>                                |                  |                  |                  |                  |
| Local equity shares                               | 1,568,775        | 1,568,775        | -                | -                |
| Collective investment schemes                     | 55,737           | 55,737           | -                | -                |
| Local mutual funds                                | 44,115           | 44,115           | -                | -                |
| Local capital market interest bearing investments | 673,358          | 673,358          | -                | -                |
| Local equity-linked derivatives                   | 7,593            | -                | 7,593            | -                |
| International mutual funds                        | 1,099,991        | 1,099,991        | -                | -                |
| International collective investment schemes       | 458,629          | 458,629          | -                | -                |
| Money market deposits - local                     | 581,016          | -                | 581,016          | -                |
| Money market deposits - international             | 89               | 89               | -                | -                |
| Local unlisted entities                           | 7,500            | -                | -                | 7,500            |
| <b>Total</b>                                      | <b>4,496,803</b> | <b>3,900,694</b> | <b>588,609</b>   | <b>7,500</b>     |

As at 31 December 2014, the University held the following financial instruments measured at fair value:

### Assets measured at fair value

| Year ended 31 December 2014                       | Total<br>R'000   | Level 1<br>R'000 | Level 2<br>R'000 | Level 3<br>R'000 |
|---|------------------|------------------|------------------|------------------|
| <b>Investments</b>                                |                  |                  |                  |                  |
| Local equity shares                               | 1,514,573        | 1,514,573        | -                | -                |
| Collective investment schemes                     | 52,969           | 52,969           | -                | -                |
| Local mutual funds                                | 33,539           | 33,539           | -                | -                |
| Local capital market interest bearing investments | 679,995          | 672,995          | 7,000            | -                |
| Local equity-linked derivatives                   | 3,809            | -                | 3,809            | -                |
| International mutual funds                        | 838,789          | 838,789          | -                | -                |
| International collective investment schemes       | 393,724          | 393,724          | -                | -                |
| Money market deposits - local                     | 600,581          | -                | 600,581          | -                |
| Money market deposits - international             | 569              | -                | 569              | -                |
| Local unlisted entities                           | 7,500            | -                | -                | 7,500            |
| <b>Total</b>                                      | <b>4,126,048</b> | <b>3,506,589</b> | <b>611,959</b>   | <b>7,500</b>     |

During the reporting period ended 31 December 2015 (2014: nil), there were no transfers between levels. Derivative instruments are entered into with reputable financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices. The portfolio managers make limited use of futures and option contracts for hedging purposes to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

Level 2 investments consist of money market instruments, and equity linked derivatives. Investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counterparty credit risk.

The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The University enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques, which employ the use of market observable inputs. As at 31 December 2015, the marked-to-market

## 6. Investments (continued)

value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

Level 3 unlisted equity investments were valued based on previous recent market transactions adjusted where necessary for significant changes to the business subsequent to the date of these transactions. As no reasonable change in these adjustments would give rise to a material impact on OCI, no sensitivities to these inputs have been presented.

The fair values of the unquoted ordinary shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

## 7. Investments in associates

The University has the following interest in associates

| Name of Associate            | % of interest | Nature of activities  | Principal place of business |
|------------------------------|---------------|---|-----------------------------|
| UCT Medical Centre (Pty) Ltd | 26            | The University has an interest in UCT Medical Centre (Pty) Ltd, which is a private hospital.  | Cape Town – South Africa    |
| PST Sensors (Pty) Ltd        | 45            | PST Sensors (Pty) Ltd, is positioned as a technology solutions provider and works with its partners and customers to produce printed silicon electronics. | Cape Town – South Africa    |

There have been no changes in percentage holding from the prior year.

The University does not account for its share of the losses of the associates if its share of the losses exceeds its interest in the associate. The reversal of the write down of the UCT Medical Centre (Pty) Ltd will commence once the 26% proportional share of the deficit of R11.9 million (2014:R16.3 million) has been eliminated by profits earned.

### UCT Medical Centre (Pty) Ltd

|   | 2015<br>R'000  | 2014<br>R'000  |
|---|----------------|----------------|
| UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%) | 2,411          | 2,411          |
| Less: accumulated losses  | <u>(2,411)</u> | <u>(2,411)</u> |
| <b>Carrying value</b>   | <u>-</u>       | <u>-</u>       |

## 7. Investments in associates (continued)

### UCT Medical Centre (Pty) Ltd (continued)

Summarised financial information is set out below. The financial information is based on the associate's management accounts as the financial statements of the associate are not yet available at the date of preparation of these financial statements.

Associate's statements of financial position:

|                            | 2015<br>R'000   | 2014<br>R'000   |
|----------------------------|-----------------|-----------------|
| Non-current assets         | 44,432          | 33,429          |
| Current assets             | 23,339          | 21,680          |
| Non-current liabilities    | (80,746)        | (85,148)        |
| Current liabilities        | (11,772)        | (11,774)        |
| <b>Net liabilities</b>     | <b>(24,747)</b> | <b>(41,813)</b> |
| <b>Equity</b>              | <b>(24,747)</b> | <b>(41,813)</b> |
| Accumulate losses          | (45,907)        | (62,841)        |
| Non-distributable reserves | 21,160          | 21,028          |

The following amounts represent the University's share of assets and liabilities, and the share of profits of the associates.

|  |          |          |
|--|----------|----------|
| University share of accumulated losses | (11,936) | (16,339) |
| University share of net liabilities    | (6,434)  | (10,871) |

|                                     | 2015<br>R'000 | 2014<br>R'000 |
|-------------------------------------|---------------|---------------|
| Associate's revenue and losses:     |               |               |
| Revenue                             | 106,476       | 88,004        |
| Cost of sales                       | (36,194)      | (31,814)      |
| Administrative expenses             | (55,653)      | (51,657)      |
| Net finance costs                   | (4,007)       | (2,954)       |
| Profit before tax                   | 10,622        | 1,579         |
| Income tax expense                  | (123)         | 13,939        |
| Profit for the year                 | 10,499        | 15,518        |
| University's share of profits (26%) | 2,730         | 4,035         |

### PST Sensors (Pty) Ltd

The University's share of net liabilities is R782,212 (2014: R163,000) and the share of profit/(losses) of the associate is (R644,860) (2014: (R30,000)).

## 8. Non-current receivables and prepayments

|  |              |              |
|--|--------------|--------------|
| The University of Cape Town Ukukhula Trust | <u>4,670</u> | <u>4,468</u> |
|--|--------------|--------------|

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 6.38% (2014: 6.12%).

## 9. Accounts receivable and prepayments

|                                      | <b>2015</b>    | <b>2014</b>    |
|--------------------------------------|----------------|----------------|
|                                      | <b>R'000</b>   | <b>R'000</b>   |
| Research receivables                 | 85,031         | 87,912         |
| Other trade receivables              | 48,125         | 42,854         |
| Trade receivables total              | <u>133,156</u> | <u>130,766</u> |
| Property deposits and guarantees     | 505            | 506            |
| Prepayments                          | 1,925          | 20,187         |
| Research funding accrual             | 94,069         | 51,071         |
| Sundry receivables                   | 47,598         | 31,880         |
| Accounts receivables and prepayments | <u>277,253</u> | <u>234,410</u> |
| Student fees receivables             | <u>87,717</u>  | <u>58,667</u>  |
|                                      | <u>364,970</u> | <u>293,077</u> |

Accounts receivables are non-interest bearing and are generally settled on 30 day terms. The trade receivables total is net of the impairment provision.

Sundry receivables consist of amounts due from UCT societies and organisations, which operate through UCT, but do not form part of UCT's activities. UCT facilitates their transactions on their behalf.

### Trade receivables

As at 31 December, the age analysis of trade receivables is as follows:

| Amounts in R'000 | Up to 30 days | 30 - 60 days | 60 - 90 days | 90 -180 days | 180 days plus | Total   |
|------------------|---------------|--------------|--------------|--------------|---------------|---------|
| <b>2015</b>      | 67,930        | 19,468       | 15,754       | 19,331       | 10,673        | 133,156 |
| <b>2014</b>      | 69,001        | 22,064       | 15,246       | 12,965       | 11,490        | 130,766 |

Debtors past 60 days are considered past due but not impaired. See note 18.5 on credit risk of trade receivables, which explains how the University manages and measures credit quality of trade receivables.

As at 31 December, trade receivables at a nominal value of R6.5 million (2014: R4.6 million) were impaired and fully provided for.

Movements in the provision for impairment of trade receivables were as follows:

|                            | <b>Individually<br/>impaired<br/>R'000</b> | <b>Collectively<br/>impaired<br/>R'000</b> | <b>Total<br/>R'000</b> |
|----------------------------|--|--|------------------------|
| <b>At 31 December 2013</b> | 4,027                                      | 212  | 4,239                  |
| Charge for the year        | 4,343                                      | 20   | 4,363                  |
| Used                       | (2,486)                                    | -  | (2,486)                |
| Unused amounts reversed    | <u>(1,542)</u>                             | <u>-</u>                                   | <u>(1,542)</u>         |
| <b>At 31 December 2014</b> | 4,342                                      | 232  | 4,574                  |
| Charge for the year        | 4,212                                      | 1 299                                      | 5,511                  |
| Used                       | (82)                                       | -  | (82)                   |
| Unused amounts reversed    | <u>(3 504)</u>                             | <u>-</u>                                   | <u>(3 504)</u>         |
| <b>At 31 December 2015</b> | <u>4,968</u>                               | <u>1 531</u>                               | <u>6,499</u>           |

## 9. Accounts receivable and prepayments (continued)

### Student fees receivable

The student fees receivable is net of impairment provision. The rate of interest charged to students was a fixed rate of 1% (2014:1%) per month. This rate of interest is charged on prior year unpaid student fees and on current year outstanding student fees that are not paid by 30 June of the current year.

As at 31 December, the age analysis of student fees receivables, all of which are due, is as follows:

| All amounts in R'000 | 2015 Fees | 2014 Fees | 2013 Fees | 2012 Fees | Total  |
|----------------------|-----------|-----------|-----------|-----------|--------|
| 2015                 | 78,016    | 6,265     | 2,460     | 976       | 87,717 |
| All amounts in R'000 | 2014 Fees | 2013 Fees | 2012 Fees | 2011 Fees | Total  |
| 2014                 | 50,261    | 5,686     | 1,918     | 802       | 58,667 |

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2016 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

As at 31 December, student receivables with a nominal value of R40.1 million (2014: R36.1 million) were impaired and fully provided for.

Movements in the provision for impairment of student fees receivables were as follows:

|                               | 2015<br>R'000                | 2014<br>R'000 |
|-------------------------------|------------------------------|---------------|
|                               | <b>Collectively impaired</b> |               |
| <b>Balance at 1 January</b>   | 36,076                       | 29,156        |
| Charge for the year           | 10,499                       | 12,580        |
| Unused provision released     | -                            | -             |
| Used                          | (5,495)                      | (5,660)       |
| <b>Balance at 31 December</b> | <u>41,080</u>                | <u>36,076</u> |

## 10. Cash at bank and cash equivalents

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Cash at bank and in hand         | 49,597           | 33,605           |
| Short-term bank deposits - Local | <u>1,605,957</u> | <u>1,330,481</u> |
|                                  | <u>1,655,554</u> | <u>1,364,086</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hours' notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

At 31 December 2015, the University had no available undrawn borrowing facilities (2014: Nil).

The weighted average effective interest rate on local short-term bank deposits was 6.75% (2014: 6.12%).

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are as stated above.

## 11. Deferred revenue

### 11.1 Government grants

|                                  | <b>2015</b><br><b>R'000</b> | <b>2014</b><br><b>R'000</b> |
|----------------------------------|-----------------------------|-----------------------------|
| <b>At 1 January</b>              | 479,795                     | 366,928                     |
| Received during the year         | 10,875                      | 116,211                     |
| Released to the income statement | <u>(3,485)</u>              | <u>(3,344)</u>              |
|                                  | 487,185                     | 479,795                     |
| Current portion                  | <u>(5,849)</u>              | <u>(3,307)</u>              |
| <b>At 31 December</b>            | <u><u>481,336</u></u>       | <u><u>476,488</u></u>       |

This represents capital grants for infrastructure received from the Department of Higher Education and Training (DHET). These grants must be spent in accordance with the provisions of the projects as approved by the DHET.

### 11.2 Project Income

|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| <b>Project income</b>               |                      |                      |
| At 1 January                        | 12,295               | 8,872                |
| Received during the year            | 15,854               | 12,295               |
| Released to surplus for the year    | <u>(12,295)</u>      | <u>(8,872)</u>       |
|                                     | 15,854               | 12,295               |
| Current portion of government grant | <u>5,849</u>         | <u>3,307</u>         |
| <b>At 31 December</b>               | <u><u>21,703</u></u> | <u><u>15,602</u></u> |

The deferred project income relates to the deferment of project income mainly within the UCT Lung Institute (Pty) Limited.

## 12. Provisions – employee benefits

|  |                        |                        |
|--|------------------------|------------------------|
| Gratuity provision for academic staff                                  | 64,572                 | 71,000                 |
| Leave provision for administrative and support staff                   | 88,677                 | 79,540                 |
| Post-retirement medical aid benefit obligation                         | <u>418,700</u>         | <u>401,800</u>         |
| <b>Total provisions – employee benefits</b>                            | <u><u>571,949</u></u>  | <u><u>552,340</u></u>  |
| Current portion – gratuity provision academic staff                    | (7,000)                | (2,500)                |
| Current portion – leave provision for administration and support staff | (40,879)               | (22,998)               |
| Current portion – post-retirement medical aid obligation               | <u>(16,600)</u>        | <u>(16,100)</u>        |
| <b>Total current provisions – employee benefits</b>                    | <u><u>(64,479)</u></u> | <u><u>(41,598)</u></u> |
| <b>Total non-current provisions – employee benefits</b>                | <u><u>507,470</u></u>  | <u><u>510,742</u></u>  |



## 12. Provisions – employee benefits (continued)

### 12.1. Gratuity provision academic staff

This relates to the policy to pay a gratuity on death, retrenchment or retirement where a member of the academic staff has not taken study and research leave. Study and research leave may be granted to allow academic staff uninterrupted research work, usually away from Cape Town, and is not regarded as a vacation.

In estimating the liability, management has used the following assumptions in calculating the liability, which are consistent with the prior year:

- Academics 55 years old - Assume all will stay to retirement;
- Academics 45 years old to 55 years old - Assume 70% will stay to retirement; and
- Academics younger than 45 years old - Assume 40% will stay to retirement.

In addition, in order to fair value the liability, management has assumed that future salary increases will be 6.5 % per annum (2014: 6.5%) and the discount rate that has been applied is 10.8% (2014: 10.0%).

A one percentage point change in the assumed rate of increase in future salaries and discount rate would have the following effect on the obligation

|                                       | 2015    |         | 2014    |         |
|---------------------------------------|---------|---------|---------|---------|
|                                       | R'000   | R'000   | R'000   | R'000   |
|                                       | +1%     | -1%     | +1%     | -1%     |
| Change in liability- salary inflation | 5,252   | (4,537) | 8,100   | (7,000) |
| Change in liability- discount rate    | (4,537) | 5,253   | (8,700) | 6,000   |

### 12.2. Leave provision for administrative and support staff

An accrual is made for the estimated liability for annual leave as a result of services rendered by professional, administrative and support staff up to reporting date.

### 12.3 Post-retirement medical aid benefit obligation

The University's obligations towards post-retirement medical aid benefits, determined in terms of IAS 19 Employee Benefits, are set out below.

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 10.8% (2014: 9.0%); expected inflation on medical aid contributions of 9.8% (2014: 8.5%). Post retirement mortality is based on PA (90) ultimate mortality tables rated down three years (2014: 3 years).

It is assumed, in both the current and prior year, that 2.5% of members present will retire at each age from 55 to 59 and ages 61 and 62; and 15% of members will retire at age 60; and 10% of members at ages 63 and 64 will retire; with all the remaining members retiring at age 65. The expected average remaining working lives of the employees participating in the scheme is 19 years (2014: 19 years).

## 12. Provisions – employee benefits (continued)

### 12.3 Post-retirement medical aid benefit obligation (continued)

|  | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
|  | <b>R'000</b>   | <b>R'000</b>   |
| Defined benefit obligation   | <u>418,700</u> | <u>401,800</u> |
| The net expense recognised in the Income Statement is as follows:                    | 56,400         | 49,000         |
| - Interest on obligation   | 37,300         | 33,000         |
| - Current service cost   | 19,100         | 16,000         |
| Actuarial (gains)/losses in other comprehensive income                               | (25,800)       | 28,800         |
| Actuarial loss due to demographic factors  | 4,600          | 3,700          |
| Actuarial (gain)/loss on financial factors   | (30,400)       | 25,100         |
| Reconciliation of the change in the present value of the defined benefit obligation: |                |                |
| Defined benefit obligation at start of year  | 401,800        | 333,600        |
| Interest on obligation   | 37,300         | 33,000         |
| Current service cost   | 19,100         | 16,000         |
| Actuarial (gains)/losses   | (25,800)       | 28,800         |
| Benefits paid by the University in respect of funding obligations                    | (13,700)       | (9,600)        |
| Defined benefit obligation at end of year  | <u>418,700</u> | <u>401,800</u> |

It is estimated that the benefits payable in respect of funding obligations for the year ending 31 December 2016 will be R16.6 million (2015: R12.6 million).

A one percentage point change in the assumed rate of increase in medical aid inflation would have the following effect on the defined benefit obligation:

|               | <b>2015</b>  |              | <b>2014</b>  |              |
|---------------|--------------|--------------|--------------|--------------|
|               | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |
|               | +1%          | -1%          | +1%          | -1%          |
| Liability     | 67,100       | (54,100)     | 67,600       | (54,300)     |
| Service cost  | 4,000        | (3,900)      | 5,000        | (3,700)      |
| Interest cost | 7,800        | (6,300)      | 6,500        | (5,200)      |

A 50 basis point change in the discount rate would have the following effect on the defined benefit obligation:

|           | <b>2015</b>  |              | <b>2014</b>  |              |
|-----------|--------------|--------------|--------------|--------------|
|           | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> | <b>R'000</b> |
|           | +0.5%        | -0.5%        | +0.5%        | -0.5%        |
| Liability | (28,900)     | 32,600       | (29,200)     | 32,900       |

The estimated liability for the current and previous four periods is as follows:

|                             | <b>Post-employment medical benefits</b> |             |             |             |             |
|-----------------------------|---|-------------|-------------|-------------|-------------|
|                             | <b>2015</b>                             | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| <b>All amounts in R'000</b> |   |             |             |             |             |
| Defined benefit obligation  | 418,700                                 | 401,800     | 333,600     | 302,700     | 221,500     |

## 12. Provisions – employee benefits (continued)

### 12.3 Post-retirement medical aid benefit obligation (continued)

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

|                           | <b>2015</b><br><b>R'000</b> | <b>2014</b><br><b>R'000</b> |
|---------------------------|-----------------------------|-----------------------------|
| Within the next 12 months | 16,600                      | 16,100                      |
| Beyond 12 months          | <u>402,100</u>              | <u>385,700</u>              |
| Total liability           | <u><u>418,700</u></u>       | <u><u>401,800</u></u>       |

## 13. Accounts payable and accrued liabilities

|  | <b>2015</b><br><b>R'000</b> | <b>2014</b><br><b>R'000</b> |
|--|-----------------------------|-----------------------------|
| Trade payables                             | 99,922                      | 77,621                      |
| VAT  | -                           | 33,697                      |
| Accrued expenses                           | 39,254                      | 45,939                      |
| National Research Foundation grant deposit | 98,600                      | 98,600                      |
| Payroll                                    | 62,664                      | 45,430                      |
| Other payables                             | <u>60,904</u>               | <u>17,949</u>               |
|  | <u><u>361,344</u></u>       | <u><u>319,236</u></u>       |
| Financial liabilities                      | 356,968                     | 279,343                     |
| Non-financial liabilities                  | <u>4,376</u>                | <u>39,893</u>               |
|  | <u><u>361,344</u></u>       | <u><u>319,236</u></u>       |

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. The National Research Foundation grant deposit is based on the expenditure claim rate against grants awarded to grant holders at the University and is given to bridge the financing of NRF funded research projects. Regular expenditure claims ensure the preservation of the capital of the grant deposit and the interest earned from such investment support the administration and management of NRF- RISA research funding at the University.

## 14. State appropriations-subsidies and grants

|                             | <b>2015</b><br><b>R'000</b> | <b>2014</b><br><b>R'000</b> |
|-----------------------------|-----------------------------|-----------------------------|
| Subsidy for general purpose | 1,074,924                   | 1,044,332                   |
| State grants and contracts  | 535,864                     | 479,826                     |
| State infrastructure grant  | <u>3,485</u>                | <u>3,344</u>                |
|                             | <u><u>1,614,273</u></u>     | <u><u>1,527,502</u></u>     |

There are no unfulfilled conditions or other contingencies attaching to the subsidies and grants that have been recognised above.

**15. Interest and dividends**

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
|   | <b>R'000</b>   | <b>R'000</b>   |
| Bank interest                                     | 114,547        | 89,081         |
| Interest income on accounts and other receivables | 38,432         | 35,825         |
| Interest on available-for-sale investments        | 103,022        | 85,652         |
| Total interest                                    | <u>256,001</u> | <u>210,558</u> |
| Dividends   | 49,969         | 46,308         |
|   | <u>305,970</u> | <u>256,866</u> |

**16. Personnel costs**

| <b>All amounts in R'000</b>          | <b>2015</b>                   |                  |                  |
|--------------------------------------|-------------------------------|------------------|------------------|
|                                      | <b>Academic Professionals</b> | <b>Other</b>     | <b>Total</b>     |
| Wages and salaries                   | 1,014,916                     | 1,122,505        | 2,137,421        |
| Termination benefits                 | 2,493                         | -                | 2,493            |
| Pension and provident fund costs     | 150,144                       | 157,973          | 308,117          |
| Post-retirement medical aid benefits | 27,484                        | 28,916           | 56,400           |
|                                      | <u>1,195,037</u>              | <u>1,309,394</u> | <u>2,504,431</u> |

| <b>All amounts in R'000</b>          | <b>2014</b>                   |                  |                  |
|--------------------------------------|-------------------------------|------------------|------------------|
|                                      | <b>Academic Professionals</b> | <b>Other</b>     | <b>Total</b>     |
| Wages and salaries                   | 915,192                       | 980,084          | 1,895,276        |
| Termination benefits                 | 14,468                        | 15,049           | 29,517           |
| Pension and provident fund costs     | 123,147                       | 128,095          | 251,242          |
| Post-retirement medical aid benefits | 24,017                        | 24,983           | 49,000           |
|                                      | <u>1,076,824</u>              | <u>1,148,211</u> | <u>2,225,035</u> |

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| <b>Average number of persons employed during the year</b> | <b>Number</b> | <b>Number</b> |
| Full time   | 4,876         | 4,750         |
| Part time   | 994           | 1,379         |
| Students  | 956           | 1,552         |
| Total   | <u>6,826</u>  | <u>7,681</u>  |

These numbers do not include people employed on the joint staff by the Provincial Government of the Western Cape or the National Health Laboratory Services.

## 17. Other operating expenses

|  | 2015<br>R'000 | 2014<br>R'000 |
|--|---------------|---------------|
| The following items are included in the operating surplus: |               |               |
| <b>Other operating expenses:</b>                           |               |               |
| Library acquisitions                                       | 68,874        | 58,707        |
| Repairs and maintenance                                    | 141,160       | 128,026       |
| Software costs   | 23,223        | 32,614        |
| Auditors' remuneration                                     | 5,733         | 5,726         |
| Current year - annual financial statements                 | 3,694         | 2,980         |
| - prior year under provision                               | 228           | 114           |
| - other audit services                                     | 1,811         | 2,632         |
| Lease expenses   | 37,067        | 34,655        |

## 18. Financial risk management objectives and policies

The University's principal financial instruments comprise available-for-sale financial assets, fair value through profit and loss financial assets, accounts receivables, student fees and loans receivable; cash and short-term deposits, accounts payable and accrued liabilities.

The University manages a substantial portfolio of financial assets with a long term view to growing the portfolio in order to provide financial stability and support for new initiatives and strategic choices.

The University may enter into derivative transactions. The University's portfolio managers make limited use of futures and option contracts for hedging purposes only to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

The University has various other financial assets and liabilities such as accounts and student fee receivables and accounts payables, which arise directly from its operations.

Forward exchange contracts may be entered into to mitigate risks relating to transactional currency exposures.

It is, and has been throughout the year under review, the University's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the University's financial instruments are market, credit and liquidity risk.

The Council, through its finance and investment committees, reviews and agrees policies for managing each of these risks which are summarised below.

### 18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price, currency and interest rate risk.

The University's exposure to market risk relates primarily to its available-for-sale financial assets. These financial assets are invested in terms of a considered strategy adopted by the University Council and the Board of Trustees of the UCT Foundation, advised by the Joint Investment Committee. The strategy takes into account the risk profile of the individual endowed funds and allocates investment to appropriate asset classes. Portfolios are then allocated to selected portfolio

## 18. Financial risk management objectives and policies (continued)

### 18.1 Market risk (continued)

managers who operate under defined mandates. The investment decisions made and performances of these managers are closely monitored by the Joint Investment Committee.

The Joint Investment Committee comprises trustees of the Foundation, members of the University's Council and external members with specific expertise relating to investments. The Joint Investment Committee meets quarterly and receives reports from investment managers on a cyclical basis.

In addition, the Joint Investment Committee has employed the services of an actuarial firm, Willis Towers Watson (Pty) Limited, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

Internal checks are performed regarding the income received and the purchase and sale of investments as reflected on the portfolio statements.

### 18.2 Price risk

The following table demonstrates the sensitivity of the University's financial assets that are subject to price risk to a reasonable possible change in market values, with all other variables held constant.

| All amounts in R millions                   | Impact of these variances on other comprehensive income |      |      |        |         |         |
|---|---|------|------|--------|---------|---------|
|   | +10%  | +5%  | +1%  | -5%    | -10%    | -20%    |
| <b>Market variance</b>                      |   |      |      |        |         |         |
| <b>At 31 December 2015</b>                  |   |      |      |        |         |         |
| Local equities                              | 156.9   | 78.5 | 15.7 | (78.5) | (156.9) | (313.8) |
| Collective investment schemes               | 5.6   | 2.8  | 0.6  | (2.8)  | (5.6)   | (11.2)  |
| Local mutual funds                          | 4.4   | 2.2  | 0.4  | (2.2)  | (4.4)   | (8.8)   |
| Local capital markets                       | 67.3  | 33.7 | 6.7  | (33.7) | (67.3)  | (134.6) |
| Local unlisted equity investments           | 0.8   | 0.4  | 0.1  | (0.4)  | (0.8)   | (1.6)   |
| International mutual funds                  | 110.0   | 55.0 | 11.0 | (55.0) | (110.0) | (220.0) |
| International collective investment schemes | 45.9  | 23.0 | 4.6  | (23.0) | (45.9)  | (91.8)  |

| All amounts in R millions  | Impact of these variances on profit or loss |       |       |     |      |      |
|----------------------------|---|-------|-------|-----|------|------|
|                            | +10%  | +5%   | +1%   | -5% | -10% | -20% |
| <b>Market variance</b>     |   |       |       |     |      |      |
| <b>At 31 December 2015</b> |   |       |       |     |      |      |
| Equity-linked derivatives  | (9.6)                                       | (4.8) | (1.0) | 4.8 | 9.6  | 19.3 |

| All amounts in R millions                   | Impact of these variances on other comprehensive income |      |      |        |         |         |
|---|---|------|------|--------|---------|---------|
|   | +10%  | +5%  | +1%  | -5%    | -10%    | -20%    |
| <b>Market variance</b>                      |   |      |      |        |         |         |
| <b>At 31 December 2014</b>                  |   |      |      |        |         |         |
| Local equities                              | 151.5   | 75.8 | 15.2 | (75.8) | (151.5) | (303.0) |
| Collective investment schemes               | 5.3   | 2.6  | 0.5  | (2.6)  | (5.3)   | (10.6)  |
| Local mutual funds                          | 3.4   | 1.7  | 0.3  | (1.7)  | (3.4)   | (6.8)   |
| Local capital markets                       | 68.0  | 34.0 | 6.8  | (34.0) | (68.0)  | (136.0) |
| Local unlisted equity investments           | 0.8   | 0.4  | 0.1  | (0.4)  | (0.8)   | (1.5)   |
| International mutual funds                  | 83.9  | 41.9 | 8.4  | (41.9) | (83.9)  | (167.8) |
| International collective investment schemes | 39.4  | 19.7 | 3.9  | (19.7) | (39.4)  | (78.7)  |

| All amounts in R millions  | Impact of these variances on profit or loss |       |       |     |      |      |
|----------------------------|---|-------|-------|-----|------|------|
|                            | +10%  | +5%   | +1%   | -5% | -10% | -20% |
| <b>Market variance</b>     |   |       |       |     |      |      |
| <b>At 31 December 2014</b> |   |       |       |     |      |      |
| Equity-linked derivatives  | (15.8)                                      | (7.9) | (1.6) | 7.9 | 15.8 | 31.6 |

## 18. Financial risk management objectives and policies (continued)

### 18.3 Interest rate risk

The University has a number of receivables (i.e. student fees and loans to employees) that are exposed to interest rate risk. For the 2015 year students were charged interest at a fixed rate of 1.0% per month (2014: 1.0%). Interest charged on loans to employees is linked to the prime interest rate. The amounts owed by staff are negligible.

The University holds a substantial amount of interest bearing investments and interest earning bank deposits. Interest risks relating to the University's investments are managed and monitored by the Joint Investment Committee in the same manner as outlined above.

The following tables demonstrate the sensitivity of the University's financial assets that are subject to interest rate risk to a reasonable possible change in interest rates, with all other variables held constant.

| All amounts in R millions<br>Interest rate changes in basis points (BP) | Impact of interest changes on funds employed |         |        |        |         |         |
|---|--|---------|--------|--------|---------|---------|
|   | -200 BP                                      | -100 BP | -50 BP | +50 BP | +100 BP | +200 BP |
| <b>Holdings at 31 December 2015</b>                                     |  |         |        |        |         |         |
| Interest bearing collective investment schemes and bonds                | 97.0   | 48.5    | 24.3   | (24.3) | (48.5)  | (97.0)  |
| <b>Holdings at 31 December 2014</b>                                     |  |         |        |        |         |         |
| Interest bearing collective investment schemes and bonds                | 124.2  | 58.9    | 28.7   | (27.3) | (53.5)  | (102.1) |
| All amounts in R millions<br>Interest rate changes in basis points (BP) | Impact of interest changes on net surplus    |         |        |        |         |         |
|   | +200 BP                                      | +100 BP | +50 BP | -50 BP | -100 BP | -200 BP |
| <b>Holdings at 31 December 2015</b>                                     |  |         |        |        |         |         |
| Money market and call deposits  | 9.6  | 4.8     | 2.4    | (2.4)  | (4.8)   | (9.6)   |
| Cash and cash equivalents   | 2.0  | 1.0     | 0.5    | (0.5)  | (1.0)   | (2.0)   |
| <b>Holdings at 31 December 2014</b>                                     |  |         |        |        |         |         |
| Money market and call deposits  | 12.0   | 6.0     | 3.0    | (3.0)  | (6.0)   | (12.0)  |
| Cash and cash equivalents   | 27.3   | 13.6    | 6.8    | (6.8)  | (13.6)  | (27.3)  |

### 18.4 Foreign currency risk

The University reflects no exposure to foreign currency risk in respect of available-for-sale financial assets because the risk is embedded in its international financial asset holdings, which are exposed to market price risk. The University is exposed to foreign currency risk through certain accounts receivable and payable amounts denominated in foreign currencies. All of the above holdings are in major international currencies.

The University is also exposed to foreign exchange risk to the extent that it does not take forward cover for foreign currency transactions in the course of operations. The University does not have a policy that requires such cover to be taken.

At year end the University had R42.1 million (2014: R39.1 million) of trade receivables and had R0.8 million (2014: R0.24 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

## 18. Financial risk management objectives and policies (continued)

### 18.5 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

#### Trade receivables

The University trades only with recognised, creditworthy third parties. It is the University's policy that all customers who wish to trade on credit terms are subject to random credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the University's exposure to bad debts is not significant, and there is no significant concentration of credit risk at year end. At year end the maximum exposure is R139.7 million (2014: R135.3 million), and it is the amount before the recognition of the provision for impairment. Refer note 9 for further details.

#### Student fees receivable

The University has stringent policies with respect to not allowing students with outstanding fee balances to either graduate or to register for the new academic year. The outstanding fees balance at year end is widely spread amongst numerous students indicating no particular concentration of credit risk. The maximum credit risk exposure for student fee receivables is equal to the carrying amount of the student fee receivable at year end. At year end the maximum exposure to student fees is R87.7 million (2014: R58.7 million), after the current year impairment provision. Refer note 9 for further details.

#### Other financial assets

With respect to credit risk arising from the other financial assets of the University, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the University's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The University places cash and cash deposits only with major financial institutions with good credit ratings.

### 18.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The timing and nature of the University's cash inflows and outflows are such that liquidity problems are unlikely to arise. Furthermore, the University has access to funds through either its holding of short-term bank deposits or the un-endowed investments portfolio in the event that any unforeseen events occur. The cash flow position is monitored by management on a weekly basis by means of a cash flow statement.

The table below summarises the maturity profile of the University's financial liabilities at 31 December based on contractual undiscounted payments.

| All amounts in R'000       | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total   |
|----------------------------|-----------|--------------------|----------------|--------------|---------|
| <b>At 31 December 2015</b> |           |                    |                |              |         |
| Trade and other payables   | -         | 356,968            | -              | -            | 356,968 |
| <b>At 31 December 2014</b> |           |                    |                |              |         |
| Trade and other payables   | -         | 279,343            | -              | -            | 279,343 |



## 18. Financial risk management objectives and policies (continued)

### 18.7 Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the University's financial instruments.

|   | Fair Value    |               | Carrying Value |               |
|---|---------------|---------------|----------------|---------------|
|   | 2015<br>R'000 | 2014<br>R'000 | 2015<br>R'000  | 2014<br>R'000 |
| <b>Financial Assets</b>                                     |               |               |                |               |
| Cash  | 1,655,553     | 1,364,086     | 1,655,553      | 1,364,086     |
| Available-for-sale investments                              | 4,489,210     | 4,122,239     | 4,489,210      | 4,122,239     |
| Financial instruments at fair value through profit and loss | 7,593         | 3,809         | 7,593          | 3,809         |
| Account receivables   | 274,763       | 213,718       | 274,762        | 213,718       |
| Student fees receivable                                     | 87,717        | 58,667        | 87,717         | 58,667        |
| <b>Financial liabilities</b>                                |               |               |                |               |
| Accounts payable and accrued liabilities                    | 356,968       | 279,343       | 356,968        | 279,343       |
| Student deposits  | 72,849        | 56,236        | 72,849         | 56,236        |

The management assessed that carrying amounts of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Market values have been used to determine the fair value of listed available-for-sale and financial instruments at fair value through profit and loss financial assets. Fair value of the unquoted ordinary shares has been estimated using recent equity transactions. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

### 18.8 Capital management

The capital of the University comprises both restricted funds designated for specific purposes and unrestricted funds, being funds that can be employed by Council at its discretion.

The University has a healthy relationship of reserves to assets, however it must be remembered that much of the asset base is held in designated investments and in property which has restricted alienability.

The University's policy is to apply conservative financing. Internal loans are used for managerial purposes at a rate appropriate to the inherent risk. Debt is avoided but, where utilised, the policy is to settle in as short a period as possible, not exceeding 10 years, except in exceptional circumstances.

In any event, the operations need to generate a sufficient surplus to meet both the interest on the debt and the capital repayments. This policy is consistent with that adopted in previous years.

## 19. Commitments

### 19.1 Capital commitments

Capital commitments at the reporting date but not recognised in the financial statements are as follows:

| All amounts in R'000      | Contracted     | Approved but<br>not contracted<br>for | Total          |
|---------------------------|----------------|---------------------------------------|----------------|
| New large lecture theatre | 12,558         | -                                     | 12,558         |
| Little Theatre            | 325            | -                                     | 325            |
| Palm Court – extra floor  | 8,793          | -                                     | 8,793          |
| Classroom Facilities      | 26,273         | 57,298                                | 83,571         |
| Other                     | 6,970          | 68,360                                | 75,330         |
| <b>Total 2015</b>         | <u>54,919</u>  | <u>125,658</u>                        | <u>180,577</u> |
| <b>Total 2014</b>         | <u>131,504</u> | <u>125,683</u>                        | <u>257,187</u> |

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 18.8 above, utilising current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the use of the R 481.3 million (2014: R476.5 million) of Government grants reflected as deferred revenue in note 11.

### 19.2 Operating lease commitments - University as lessee

The totals of future minimum lease payments under non-cancellable operating leases are as follows:

| All amounts in R'000   | Within 1 year | 2 to 5 years | Total         |
|------------------------|---------------|--------------|---------------|
| <b>Year ended 2015</b> |               |              |               |
| Photo copying machines | 1,648         | 629          | 2,277         |
| Jammie Shuttle         | 15,980        | -            | 15,980        |
| Rental of properties   | 20,061        | -            | 20,061        |
|                        | <u>37,689</u> | <u>629</u>   | <u>38,318</u> |
| <b>Year ended 2014</b> |               |              |               |
| Photo copying machines | 2,647         | 2,277        | 4,924         |
| Jammie Shuttle         | 14,442        | -            | 14,442        |
| Rental of properties   | 18,911        | -            | 18,911        |
|                        | <u>36,000</u> | <u>2,277</u> | <u>38,277</u> |

### 19.3 Operating lease commitments - University as lessor

The University has entered into non-cancellable commercial property leases. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

| All amounts in R'000   | Within 1 year | 2 to 5 years | Later than 5<br>years | Total        |
|------------------------|---------------|--------------|-----------------------|--------------|
| <b>Year ended 2015</b> |               |              |                       |              |
| Rental of premises     | <u>5,454</u>  | <u>2,908</u> | <u>-</u>              | <u>8,362</u> |
| <b>Year ended 2014</b> |               |              |                       |              |

|                    |       |       |   |       |
|--------------------|-------|-------|---|-------|
| Rental of premises | 3,991 | 2,294 | - | 6,285 |
|--------------------|-------|-------|---|-------|

## 20. Cash generated from operations

|   | Note | 2015<br>R'000  | 2014<br>R'000  |
|---|------|----------------|----------------|
| Reconciliation of net surplus to cash generated from operations:                |      |                |                |
| <b>SURPLUS FOR THE YEAR</b>   |      | 658,770        | 675,946        |
| <b>Adjustments for:</b>   |      |                |                |
| Depreciation  | 5    | 82,707         | 71,415         |
| Non-cash donations  |      | (1 920)        | (1,771)        |
| Release of deferred revenue   | 11   | (3,485)        | (3,344)        |
| Movement in employee benefits   |      | 45,409         | 58,796         |
| Loss on sale of property, plant and equipment                                   |      | 3,053          | 5,028          |
| Investment income – interest  | 15   | (256,001)      | (210,558)      |
| Investment income – dividends   | 15   | (49,969)       | (46,308)       |
| Finance costs   | 10   | (10)           | -              |
| Profit on sale of investments   |      | (219,570)      | (290,656)      |
| Fair value movement on fair value through profit and loss financial instruments |      | (18,144)       | 2,160          |
| Impairment of available-for-sale investments                                    |      | 114,820        | 43,158         |
| <b>Changes in working capital</b>   |      |                |                |
| Accounts receivable, prepayments and loans                                      |      | (71,893)       | 4,234          |
| Inventories   |      | (340)          | 42             |
| Accounts payable, accrued liabilities and deposits                              |      | 64,821         | 49,778         |
| <b>Cash generated from operations</b>   |      | <b>348,248</b> | <b>357,920</b> |

## 21. Remuneration of key management

The following disclosure, as required by the Minister of Higher Education and Training, relates to compensation paid to members of the University's executive management team. Remuneration is based on the annualised cost of employment to the University and comprises total cost to the University.

| EXECUTIVE MANAGEMENT TEAM DURING 2015 |   |                           |                                |                   |                          |
|---------------------------------------|---|---------------------------|--------------------------------|-------------------|--------------------------|
| Name                                  | Job Title   | Annualised salary for job | Amount paid or accrued for job | Performance bonus | Total for other services |
| Dr M R Price                          | Vice-Chancellor   | *2,558,380                | *2,558,380                     |                   | 730,179                  |
| Professor D P Visser                  | Deputy Vice-Chancellor                                      | 1,917,734                 | 1,917,734                      | 50,000            | -                        |
| Professor S Klopper                   | Deputy Vice-Chancellor                                      | 1,917,734                 | 1,917,734                      | 50,000            | -                        |
| Professor C A Soudien                 | Deputy Vice-Chancellor                                      | 1,917,734                 | 1 278 489                      | -                 | 1,500                    |
| Professor F W Petersen                | Deputy Vice-Chancellor (1 January 2015 – 31 August 2015)    | 1,917,734                 | 1,917,734                      | 196,568           | -                        |
| Associate Professor S Shay            | Dean: Centre for Higher Education Development               | 1,390,985                 | 1,390,985                      | -                 | -                        |
| Dr M A Sienaert                       | Executive Director - Research Office                        | 1,503,769                 | 1,503,769                      | 155,791           | 3,000                    |
| Professor D Ross                      | Dean: Commerce (1 January 2015 – 10 May 2015)               | 1,616,548                 | 575,148                        |                   | -                        |
| Professor S Buhlungu                  | Dean: Humanities  | 1,619,849                 | 1,619,849                      |                   | -                        |
| Professor P J Schwikkard              | Dean: Law   | 1,503,767                 | 1,503,767                      | -                 | -                        |
| Professor W R J Baets                 | Director: Graduate School of Business                       | 1,827,708                 | 1,827,708                      | 94,675            | 426,982                  |
| Professor E O Uliana                  | Executive Director: Finance                                 | 2,046,457                 | 2,046,457                      | -                 | 232, 234                 |
| Ms G Kruger                           | Executive Director: Communication and Marketing             | 1,503,766                 | 1,503,766                      | 31, 158           | 3,000                    |
| Dr R Ally                             | Executive Director: Development & Alumni Affairs            | 1,503,766                 | 1,503,766                      | 38,948            | -                        |
| Mr I B Janse van Rensburg             | Executive Director: Information & Communication Technology  | 1,503,766                 | 1,503,766                      | 116,843           | 4,800                    |
| Mr H T Amoore                         | Registrar   | 1,504,162                 | 1,504,162                      | -                 | -                        |
| Mr A Theys                            | Executive Director: Property & Services                     | 1,503,766                 | 1,503,766                      | 233,686           | -                        |
| Dr M B M Khan                         | Executive Director: Student Affairs                         | 1,503,766                 | 1,503,769                      | 124,633           | 1,000                    |
| Ms G M E Thomas                       | Executive Director: Libraries                               | 1,503,766                 | 1,503,766                      | -                 | -                        |
| Ms M Hoosain                          | Executive Director: Human Resources                         | 1,503,766                 | 1,503,766                      | 77,896            | -                        |
| Professor W De Villiers               | Dean of Health Sciences (1 January 2015 – 31 March 2015)    | 2,296,212                 | 574,053                        | -                 | -                        |
| Professor A P Le Roex                 | Dean: Science   | 1,616,548                 | 1,616,548                      | 209,343           | -                        |
| Professor A E Lewis                   | Dean: Engineering (1 June 2015 – 31 December 2015)          | 1,559,970                 | 909,982                        | -                 | 142,739                  |
| Professor P Andrews                   | Dean: Law (Designate) (20 November 2015 – 31 December 2015) | 1,200,000                 | 132,302                        | -                 | -                        |

**21. Remuneration of key management (continued)**

| <b>EXECUTIVE MANAGEMENT TEAM DURING 2015</b> |  |                                  |                                       |                          |                                 |
|--|--|----------------------------------|---------------------------------------|--------------------------|---------------------------------|
| <b>Name</b>                                  | <b>Job Title</b>   | <b>Annualised salary for job</b> | <b>Amount paid or accrued for job</b> | <b>Performance bonus</b> | <b>Total for other services</b> |
| Professor A Mall                             | Acting Deputy Vice-Chancellor (1 August 2015 – 31 December 2015) | 1,015,629                        | 403,178                               | -                        | 200,000                         |
| Professor G Hussey                           | Acting Dean: Health Sciences (1 January 2015 – 31 December 2015) | 1,715,602                        | 1,715,602                             | -                        | 368,892                         |
| Professor B J Downing                        | Acting Dean: Engineering (1 January 2015 – 30 June 2015)         | 1,503,767                        | 751,878                               | -                        | -                               |
| Associate Professor M Wormald                | Acting Dean: Commerce  | 1,660,752                        | 1,473,251                             | -                        | 442,036                         |
| Mr A Francis                                 | Executive Director: Finance (Designate)                          | 1,853,514                        | 1,853,514                             | 98,892                   | 12,000-                         |
| Mr R Pillay                                  | Registrar (Designate)  | 1,167,572                        | 1,167,572                             | 58,378                   | 4,800-                          |

| <b>EXECUTIVE MANAGEMENT TEAM DURING 2014</b> |  |                                  |                                       |                          |                                 |
|--|--|----------------------------------|---------------------------------------|--------------------------|---------------------------------|
| <b>Name</b>                                  | <b>Job Title</b>   | <b>Annualised salary for job</b> | <b>Amount paid or accrued for job</b> | <b>Performance bonus</b> | <b>Total for other services</b> |
| Dr M R Price                                 | Vice-Chancellor  | *2,395,487                       | *3,090,343                            | 200,000                  | -                               |
| Professor D P Visser                         | Deputy Vice-Chancellor   | 1,796,631                        | 1,796,631                             | 95,000                   | -                               |
| Professor S Klopper                          | Deputy Vice-Chancellor   | 1,796,631                        | 1,796,631                             | 192,000                  | -                               |
| Professor R T Nhlapo                         | Deputy Vice-Chancellor   | 1,796,631                        | 1,540,663                             | -                        | -                               |
| Professor C A Soudien                        | Deputy Vice-Chancellor   | 1,796,631                        | 1,796,631                             | -                        | -                               |
| Professor F W Petersen                       | Dean: Engineering and the Built Environment (1 January 2014-30 September 2014) | 1,795,632                        | 1,339,555                             | -                        | -                               |
| Professor F W Petersen                       | Deputy Vice-Chancellor (01 October 2014 – 31 December 2014)                    | 1,786,074                        | 448,908                               | -                        | 714,430                         |
| Associate Professor S Shay                   | Dean: Centre for Higher Education Development                                  | 1,302,420                        | 1,302,420                             | -                        | -                               |
| Dr M A Sienaert                              | Executive Director - Research Office   | 1,408,023                        | 1,408,023                             | 150,000                  | -                               |
| Professor D Ross                             | Dean: Commerce   | 1,513,622                        | 1,513,622                             | 65,000                   | -                               |
| Professor S Buhlungu                         | Dean: Humanities   | 1,408,022                        | 1,408,022                             | 48,000                   | 82,158                          |
| Professor P J Schwikkard                     | Dean: Law  | 1,408,022                        | 1,408,022                             | -                        | -                               |
| Professor W R J Baets                        | Director: Graduate School of Business  | 1,711,337                        | 1,711,337                             | 65,000                   | 147,900                         |
| Professor E O Uliana                         | Executive Director: Finance  | 1,916,158                        | 1,916,158                             | -                        | 224,317                         |
| Ms G Kruger                                  | Executive Director: Communication and Marketing                                | 1,408,021                        | 1,408,021                             | 61,000                   | -                               |
| Dr R Ally                                    | Executive Director: Development & Alumni Affairs                               | 1,407,900                        | 1,407,900                             | 46,000                   | 89,265                          |
| Mr I B Janse van Rensburg                    | Executive Director: Information & Communication Technology                     | 1,408,022                        | 1,408,022                             | 150,000                  | -                               |
| Mr H T Amoore                                | Registrar  | 1,408,391                        | 1,408,391                             | 115,000                  | -                               |
| Mr A Theys                                   | Executive Director: Property & Services  | 1,267,218                        | 1,267,218                             | -                        | -                               |

**21. Remuneration of key management (continued)**

| <b>EXECUTIVE MANAGEMENT TEAM DURING 2014</b> |  |                                  |                                       |                          |                                 |
|--|--|----------------------------------|---------------------------------------|--------------------------|---------------------------------|
| <b>Name</b>                                  | <b>Job Title</b>   | <b>Annualised salary for job</b> | <b>Amount paid or accrued for job</b> | <b>Performance bonus</b> | <b>Total for other services</b> |
| Dr M B M Khan                                | Executive Director: Student Affairs  | 1,408,021                        | 1,408,021                             | 30,000                   | -                               |
| Ms G M E Thomas                              | Executive Director: Libraries  | 1,408,021                        | 1,408,021                             | -                        | -                               |
| Ms M Hoosain                                 | Executive Director: Human Resources  | 1,408,021                        | 1,408,021                             | 75,000                   | -                               |
| Professor W De Villiers                      | Dean of Health Sciences  | 2,256,659                        | 2,256,659                             | -                        | -                               |
| Professor A P Le Roex                        | Dean: Science  | 1,513,622                        | 1,513,622                             | 161,000                  | -                               |
| Professor B Downing                          | Acting Dean: Engineering and the Built Environment (1 October 2014 - 31 December 2014) | 1,408,022                        | 352,005                               | -                        | -                               |

\* This includes R458,474 (2014: R423,151) being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his package as Vice-Chancellor.

Disclosure, as required by the Minister, is made up of the following lump sum payments in excess of R249,999.

| <b>Purpose/reason for payment</b> | <b>Name</b>           | <b>Position held</b>        | <b>Amount</b> |
|-----------------------------------|-----------------------|-----------------------------|---------------|
| <b>2015</b>                       |                       |                             |               |
| Leave encashment at retirement    | Professor E O Uliana  | Executive Director: Finance | 661,062       |
| Study and research leave          | Professor E O Uliana  | Executive Director: Finance | 783,409       |
| Leave encashment at retirement    | Mr H T Amoore         | Registrar                   | 659,416       |
| Leave encashment at retirement    | Professor C A Soudien | Deputy Vice-Chancellor      | 409,963       |
| Study and research leave          | Professor C A Soudien | Deputy Vice-Chancellor      | 503,405       |
| <b>2014</b>                       |                       |                             |               |
| Leave encashment at retirement    | Professor R T Nhlapo  | Deputy Vice-Chancellor      | 1,256,971     |

No remuneration is paid to members of Council for services as Council members, membership or attendance at meetings, nor is it the policy of the University to pay those whom it appoints as board members, trustees or directors of related or affiliated entities.

The following table represents the disclosure required in terms of IAS 24 in respect of key management:

| <b>Compensation of key management</b>               | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
|   | <b>R'000</b>  | <b>R'000</b>  |
| Short-term employee benefits                        | 36,365        | 32,909        |
| Post-employment benefit                             | 7,982         | 7,224         |
| Termination benefits                                | 3,067         | 1,257         |
| Total compensation paid to key management personnel | <u>47,414</u> | <u>41,390</u> |

The post-employment benefit reflected above for key management represents payments made to the University's retirement fund.

## 22. Retirement benefits

### University of Cape Town Retirement Fund

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R308.1 million (2014: R251.2 million). The expense is disclosed in Note 16.

The Fund was formed on 1 January 1996, after the majority of employees had elected to transfer from the Associated Institutions Pension Fund, a defined benefit plan underwritten by the State.

## 23. Lessee improvements

### 23.1 Groote Schuur Hospital

The Groote Schuur Hospital, located in the Cape Town suburb of Observatory, has been built on land owned by the University of Cape Town. The initial 99 year lease has 9 years to run with an option to renew of a further 99 years. Lease income on this property is nominal.

Given the absence of any usufructory rights for 109 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

### 23.2 Pinewood Village

In a similar manner, the Pinewood Village retirement complex, built in the Cape Town suburb of Pinelands, has been erected on ground owned by the University of Cape Town.

The initial lease of 99 years still has 74 years to run with a renewal option of a further 99 years. The original cost of the land is included under property, plant and equipment.

In terms of the lease, ownership of the buildings will revert to the University of Cape Town at the end of the lease. A modest annual income is received from Pinewood Village.

### 23.3 Valkenburg Property/Cape Courtyard Hotel

The Valkenburg property (a combination of freehold land and property over which the University has a long lease) was let to the Courtyard Hotel Group for a 25 year period which terminated on 16 April 2014.

The University Council took a decision in mid-2013 to hold this property for the long-term, but to seek either a tenant or a management company to run the hotel for a period of up to 15 years, from 2014. The Courtyard Hotel Group had no tenant rights at the end of the lease period. The cost of the land is included under property, plant and equipment, and ownership of the buildings (erected by the former lessee) vested in the University on 17 April 2014.

Following a Council decision in mid-2014, a 15 management agreement was concluded on 12 January 2015 into with Luxury Hotels International South Africa (Pty) Ltd.

## 24. Related party disclosures

The related party relationships of the University of Cape Town in terms of IAS 24 are as follows:

- Subsidiary entities (refer Note 2.2 – Basis of consolidation);
- Associate company (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 21); and
- National Government (refer Note 11).

The following related party transactions in respect of subsidiary and associate entities occurred during the year under review:

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
|   | <b>R'000</b> | <b>R'000</b> |
| <b>University of Cape Town Foundation</b>               |              |              |
| <i>Related Party Balances</i>                           |              |              |
| Intercompany loan                                       | 24,950,312   | 3,555,562    |
| <i>Related Party Transactions</i>                       |              |              |
| Grants  | 104,152      | 95,691       |
| Unutilised funds reinvested                             | 15,943       | 11,599       |
| Management fee received                                 | 2,735        | 2,568        |
| Endowed funds   | 87,240       | 68,894       |
| <b>University of Cape Town Lung Institute (Pty) Ltd</b> |              |              |
| <i>Related Party Balances</i>                           |              |              |
| Investment  | 8,960        | 24,129       |
| Trade payables  | 541          | 1,099        |
| <i>Related Party transactions</i>                       |              |              |
| Interest paid   | 1,035        | 1,195        |
| Service rendered  | 1,659        | 949          |
| Services received                                       | 1,579        | 3,895        |

### Council members

Due to the nature of the University's operations and the composition of its Council, the Council takes particular care to avoid conflicts of interest, and has an explicit policy requiring disclosure and reporting. Any transaction with third parties in which any council member has a direct or fiduciary interest is subject to this policy. The Register of Direct and Fiduciary interests is updated at least annually.

## 25. Events after the reporting period

In January 2016, Council approved a loan facility of R950 million with the Development Bank of Southern Africa (DBSA) to be utilised over a period of time to finance potential infrastructure projects which are self-sustaining.

At the date of signing of the Annual Financial Statements the facility remains unutilised.