

ANNUAL REPORT 2018



UNIVERSITY OF
CAPE TOWN



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

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 2018

The term of appointment of the members of Council is for a period of four years. The details of the membership of Council are recorded below.

DETAILS OF THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN AS AT 22 JUNE 2019

EXECUTIVE OFFICERS OF THE COUNCIL

Professor M Phakeng (Vice-Chancellor)

Professor L Feris (Deputy Vice-Chancellor)

Professor S Harrison (Deputy Vice-Chancellor)

Associate Professor L Lange (Deputy Vice-Chancellor)



REGISTRAR

Mr R N Pillay (Secretary to Council)

EXECUTIVE DIRECTOR: FINANCE

Mr A Francis (attends by invitation)

CHIEF OPERATING OFFICER

Dr R Morar (attends by invitation)

MEMBERS OF COUNCIL

Ministerial Appointees (3)

1. Mr SM Pityana (*Chair*)
2. Ms S Barsel
3. Ms R Omar

Members elected by convocation (4)

4. Mr N Arendse SC
5. Ms DJ Budlender (*Deputy Chair*)
6. Dr S Manjra
7. Professor S Zinn

Academic and professional administrative & support staff (PASS) elected members (2)

8. Mr E Balarin (*PASS*)
9. Professor E Ramugondo (*Academic*)

Members elected by Senate (3)

10. Professor M Madiba
11. Professor T Moultrie
12. Mr JA Rousseau

Members elected by donors (2)

13. Mr E Davids
14. Ms D Yach

Nominee of Cape Town City Council (1)

15. Cllr M Kleinschmidt

Nominee of the Premier of the Western Cape (1)

16. Dr M Cardo

Appointed by the Appointments Committee of Council (7)

17. Mr M Campbell
18. Mr A Jakoet
19. Ms L Mbele-Roberts
20. Ms N Mohamed
21. Ms T Mokgabudi
22. Ms B Ngonyama
23. Mr B Zwane

Appointed by the Students Representative Council (2)

24. Ms A Lobelo
25. Ms G Moyo

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 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 nor 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.

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. Much of the work of Senate is done by the Faculty Boards (UCT has six faculties, a centre for higher education development and a business school) 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.

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, or to Cape Town to attend a meeting however, s/he may be reimbursed for the travel expenses incurred.

ETHICS IN DECISION-MAKING AND IN UNIVERSITY WORK

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

Care is taken to ensure that:

- the University complies with the governance prescripts contained in the Act and the Institutional Statute;
- the mandates of committees are clear, written, consistent with the legislation and fully adhered to;

- full and accurate records are kept of the proceedings of Council, Senate, the Institutional Forum and their applicable committees;
- where decisions are made under delegated authority the written authority limits are not exceeded.

In order to ensure that there is neither an actual nor a perceived conflict of interest, and that decisions are made independently 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.

The Ombud's Office represents a further step to ensure fairness in all institutional dealings with staff, students and third parties, and to promote probity.

In addition, a whistle-blower hotline which has been in operation since 2015 has been managed externally through Whistle-blowers Inc. since the start of January 2018. Allegations of fraud, corruption, or unethical conduct may be reported confidentially and anonymously.

Corporate governance and ethics in decision-making are further reinforced by the University's statement of values¹, updated in December 2016, and the Fraud and Corruption Prevention Policy².

STAKEHOLDERS

UCT is a diverse community, 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 Executive with government agencies, via the faculties and research units with research partners, via the Development and Alumni Department 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, Deputy Vice-Chancellors and Chief Operating Officer) are held to account in achieving the University's 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, clients, and suppliers are treated in an appropriate manner.
- The University complies with 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.

¹ https://www.uct.ac.za/downloads/uct.ac.za/about/policies/UCT_Statement_of_Values.pdf

² http://www.staff.uct.ac.za/sites/default/files/image_tool/images/431/finance/operations/policies/gen005.pdf

OBJECTIVES FOR THE COUNCIL FOR 2018

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 pre-determined objectives. A key part of this is the Annual Performance Plan. Having regard to this, and its responsibilities under the Act and the Statute, the Council (at its meeting of 8 December 2017) set the following high-level objectives for 2018.

To meet the targets in the Annual Performance Plan, in particular.

Objective	Comments
To receive and authorise the annual performance plan for 2018.	Council (December 2017) authorised the annual performance plan for submission to DHET
To achieve the approved enrolment targets for 2018, as well as the graduate output and throughput targets, in line with the Senate and Council growth strategy for UCT up to 2020. UCT's enrolment planning compact with the Ministry and the Department of Higher Education & Training required that we achieve a headcount enrolment of 28 911 students in 2018. This total includes 17 345 undergraduate students, 3 532 postgraduates below the master's level, 5 033 master's students and 1 633 doctoral enrolments. The headcount enrolment is projected to translate into 21 605 full-time equivalent enrolments.	See pages 25 to 29
To ensure that the 2018 Capacity Development Grant (encompassing teaching and research development), earmarked foundation programme grants, infrastructure and efficiency grants, and the earmarked clinical training grants are utilised for the purposes for which they have been awarded. Earmarked grants are funds that may be used only for specific purposes designated by the Minister, and the accountability for the use thereof is through the submission of progress reports and financial statements which are provided on an annual basis by the universities. The University enters into an agreement with the Department of Higher Education and Training about programmes and activities that will be funded and the funds that will be made available.	See pages 29 to 35
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.	See pages 35 to 40 for Senate reports
To hold the Vice-Chancellor accountable for his / her objectives and for effective administration.	See pages 16 to 40 for the Vice-Chancellor's self-assessment in the later section of this report
Council set additional goals for 2018. These include the following: <ul style="list-style-type: none"> To recruit and appoint senior staff in respect of vacant posts. To receive reports from the Senate on teaching and learning; research; and social responsiveness and engaged scholarship. The Senate reported to Council on Teaching and Learning, Research and Innovation, and Social Responsiveness and Engaged Scholarship during 2018. These are elaborated on in the relevant sections of this report. Refer also to the section on the work of the committees of Council. To receive a report from the Joint Council-Institutional Forum Committee on private security on campus. To review the code of conduct as applicable to members of the Council. To conduct, through a Council Commission, a review of committees of Council, having regard to the composition and terms of reference of the committees. In addition, to review the composition of Council, having regard to the request of the Minister of Higher Education & Training that the number of ministerial representatives increase from the current three to five. To appoint the Institutional Reconciliation and Transformation Commission (IRTC) that will deal with those issues that were raised through protest action in 2016, and to consider the recommendations of the IRTC and monitor recommendations. 	Refer to the section on additional Council goals below. Refer also to pages 12 to 15 for key committees of Council

Additional Council goals

Council made the following senior staff appointments in 2018

Vice-Chancellor

Professor Mamokgethi Phakeng, with effect from 01 July 2018.

Deputy Vice-Chancellor

Teaching and Learning: Associate Professor Lis Lange, with effect from 01 February 2018.

Executive Director Properties and Services

Mr Mughtar Parker, with effect from 01 July 2018.

Chief Operating Officer

Dr Reno Morar, with effect from 1 October 2018.

Dean of Commerce

Associate Professor Linda Ronnie, with effect from 22 October 2018.

Executive Director Information and Communication Technology Services

Mr Richard van Huyssteen, with effect from 1 November 2018.

Interim Appointments

Where substantive vacancies remained, Council appointed senior staff members in an acting capacity and on an interim basis. This included interim appointments for the posts of Deputy Vice-Chancellor of Operations (Professor Anton le Roex); Deputy Vice-Chancellor of Research and Internationalisation (Professor Michael Kyobe); Dean of Humanities (Professor David Wardle); Dean of Science (Professor Susan Bourne); Dean of Health Sciences (Professor Carolyn Williamson); Dean of the Centre for Higher Education Development (Associate Professor Alan Cliff); Director of the Graduate School of Business (Associate Professor Kosheek Sewchurran).

The Joint Council-Institutional Forum Committee on private security on campus

Council established this joint committee of Council and the Institutional Forum, its purpose being to propose to Council a policy for the deployment of private security on campus. The issue of private security had become a key consideration given the disruptive protests on campus as from 2015. It was, however, subsequently agreed that this joint committee be suspended and that the issue of private security be a matter referred to the IRTC which Council had set up in response to the events on campus during the protests of 2016. The report of the IRTC was released in March 2019.

Code of Conduct for members of Council

A review of the code of conduct for members of Council was undertaken and concluded, and an updated code was adopted by Council at its meeting of June 2018. The revisions related specifically to a protocol to guide the conduct of Council members in and outside of Council and in respect of a protocol on the use of social media.

Council Commission to review the composition of Council and the committees of Council

The review by the Council Commission made progress during 2018 and in-principle recommendations were made regarding the number of ministerial representatives on Council, the number of Senate members and the number of student members. The Commission required more time to conduct its work, which is scheduled for completion during 2019.

Institutional Reconciliation and Transformation Commission

Institutional Reconciliation and Transformation Commission

Council, in 2017, established the IRTC to inter alia look into what is referred to as the 'Shackville protests' of February 2016; to invite constituencies to make submissions on institutional culture and practices, including decolonisation and any that entail unjust discrimination, domination or violence; to make recommendations on institutional culture, transformation, decolonisation, discrimination, identity, disability, labour relations and any other matters that the university community has raised over the years. The establishment of the IRTC signalled a historic landmark for the university, one that emerged out of an inclusive, consensus-building process. Council appointed a team of external commissioners comprising Dr Yvette Abrahams, Dr Malose Langa, Former Minister Mosibudi Mangena, Ms Yasmin Sooka and Justice Zak Jacob. The report concluding the IRTC process was released in March 2019.

THE COMMITTEES OF COUNCIL

Attendance at the regular Council meetings: 1 January 2018 to 31 December 2018

	17 March	23 June	13 October	8 December	% Attendance
N Arendse	P	P	P	P	100
S Barsel	P	Ap	P	P	75
E Balarin	P	P	Ap	P	75
DJ Budlender	P	P	P	P	100
M Cardo	P	P	P	P	100
E Davids	P	P	P	Ap	75
B Jakoet	P	P	Ap	P	75
L Feris	P	P	P	P	100
M Kleinschmidt	P	P	Ap	P	75
K Khakhau	P	Ap	P	P	75
M Kyobe	N/A	N/A	P	P	100
L Lange	P	P	P	P	100
A le Roex	P	P	N/A	N/A	100
A Lobelo	N/A	N/A	N/A	P	100
M Madiba	N/A	N/A	Ap	P	50
S Manjra	Ap	P	P	P	75
B Makalima-Ngewana	A/P	N/A	N/A	N/A	0
B Mayosi	P	Ap	N/A	N/A	50
N Mayosi	Ap	N/A	N/A	N/A	0
N Mkwane	P	P	Ap	P	75
T Mokgabudi	P	P	Ap	Ap	50
T Moultrie	P	P	P	P	100
B Ngonyama	P	P	P	P	100
R Omar	P	P	P	Ap	75
SM Pityana	P	P	Ap	P	75
M Phakeng	P	P	P	P	100
MR Price	P	P	N/A	N/A	100
H Raubenheimer	P	N/A	N/A	N/A	100
E Ramugondo	P	P	P	Ap	75
J Rousseau	P	P	P	P	100
D Yach	P	P	P	P	100
S Zinn	P	P	P	P	100
B Zwane	P	P	P	P	100

P = Present

Ap = Apology

N/A = Not a member

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 additional 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 2018 and each member's attendance record.

	2 Feb	13 Apr	11 May	27 July	2 Nov	% Attendance
N Arendse	Ap	Ap	P	P	P	60
DJ Budlender	P	P	P	P	P	100
S Manjra	P	P	Ap	P	P	80
K Khakhau	P	P	Ab	Ab	N/A	50
B Mayosi	P	Ap	P	N/A	N/A	66
A Lobelo	N/A	N/A	N/A	N/A	P	100
B Ngonyama	P	P	P	P	Ap	80
M Phakeng	N/A	N/A	N/A	P	P	100
SM Pityana	P	Ap	P	P	P	80
MR Price	P	P	P	N/A	N/A	100
J Rousseau	N/A	N/A	N/A	N/A	P	100

P = Present Ap = Apology Ab = Absent N/A = Not a member

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. The Appointments Committee met once in 2018.

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 on four occasions in 2018. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the University Audit Committee. 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 reasonableness 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 the adequacy and effectiveness of internal control.

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 committee consists of four members of Council (one of whom must be the Chair), the Vice-Chancellor, the Chief Operating Officer, the Executive Director: Finance, three members nominated by Senate and two members nominated by the Students Representative 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 four times during 2018. In addition, there were a joint meeting with the Audit Committee, and a joint meeting with the University Strategy Forum.

THE COUNCIL REMUNERATION COMMITTEE

The Council Remuneration Committee (RemCom) is a standing committee of Council and consists of external Council members, the Chair and Deputy Chair of Council, the Chairs of the University Audit, Human Resources and Finance 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 in respect of executive and senior staff salaries. RemCom met thrice during 2018.

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 on student concerns. USAC met four times in 2018.

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 previously 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 2018. 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. The UICTC met five times in 2018.

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 eight times during 2018.

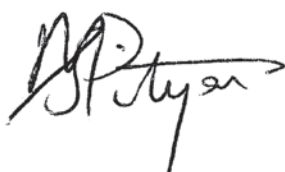
THE UNIVERSITY STRATEGY FORUM

The University Strategy Forum (USF) 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 2018.

CONCLUSION

In conclusion I wish to pay tribute to all the members of Council, especially the members of EXCO (Deputy Chair Debbie Budlender, Babalwa Ngonyama, Shuaib Manjra, Norman Arendse, the late Bongani Mayosi, Karabo Khakhau (SRC President), the previous Vice-Chancellor, Max Price whose term ended on 30 June 2018, and the current Vice-Chancellor, Mamokgethi Phakeng whose term commenced on 01 July 2018).

To the members of the Council who serve without financial reward and in particular, the chairpersons and members of Council committees, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.



Mr Siphon M Pityana

Chair: Council

22 June 2019





REPORT ON UCT OPERATIONS DURING 2018

INTRODUCTION

The report on UCT operations consists of four sections. The first section deals with a reflection on executive objectives for 2018, including those specifically derived from UCT's Strategic Plan 2016-2020, but also more broadly in relation to the physical plant and other operational areas. The second section deals with a quantitative analysis of our student body in relation to our enrolment plan and our academic staffing capacity. This analysis also covers overall student enrolment and demographic profiles, student academic performance and student housing provision. All universities receive several earmarked grants for specific purposes from the Department of Higher Education and Training, and the third section in this chapter provides an update on the progress in utilising these grants. The last section of this report deals with the reports of Senate to Council.



SECTION ONE: REPORT ON 2018 EXECUTIVE OBJECTIVES: ISSUES SPECIFIC TO THE STRATEGIC PLANNING FRAMEWORK

The Strategic Planning Framework (SPF) 2016-2020 details five broad strategic goals that seek to give effect to improvements in the areas of research, teaching and learning, internationalisation and social responsiveness, while infusing all of these with the transformation ideals. The five strategic goals are:

- **Goal 1** (Inclusivity):
To forge a new inclusive identity that reflects a more representative profile of students and staff, and the cultures, values, heritage and epistemologies of the diversity of UCT's staff and students.
- **Goal 2** (Internationalisation):
To promote UCT as a vibrant and supportive intellectual environment that attracts and connects people from all over the world and advances the status and distinctiveness of scholarship in Africa.
- **Goal 3** (Research):
To advance UCT as a research-intensive university that makes a distinctive contribution to knowledge, locally and globally.
- **Goal 4** (Teaching and Learning):
To renew and innovate in teaching and learning – improving student success rates, broadening academic perspectives, stimulating social consciousness and cultivating critical citizens.
- **Goal 5** (Engaged Scholarship):
To enhance the scope, quality and impact of engaged scholarship with an emphasis on addressing development and social justice.

The Strategic Goals consist of values-driven objectives relating to fairness, redress and inclusion, etc.; and outcomes-driven objectives, relating to improvement in student performance, changes in the staff equity profiles, extent of curriculum change, where progress is sought. During 2018 UCT focused on streamlining its strategic objectives and developing appropriate performance indicators to monitor progress. The current approach has reduced the number of areas to be monitored without compromising the high-level goals of the SPF. While as a statement of values, all that is documented in the SPF is of importance, we have identified considerable slippage between actions needed to achieve an objective, and the objectives themselves. Taking this into account we have tried to re-align areas of performance into revised objectives in relation to the high-level goals to make implementation and monitoring simpler.


UCT's SPF, 2016-2020 was developed against the backdrop of widespread social action on campuses throughout the country. The focus of this social action has been the inequalities, prejudices and structural disadvantages that continue to characterise South African society and their manifestation at universities. In this plan, UCT has attempted to infuse the urgency for change and transformation in all its areas of performance and organisation while asserting its mission as a research-intensive university. In practical terms, this has two important consequences. First, the core functions of teaching and learning, and research reinforced and support each other through integrated planning. Second, all transformative goals identified in the strategic plan need to find concrete expression in the core functions of the university as well as in the support services that make the functioning of the university possible.

With Council's adoption in October 2018 of UCT's approach to evaluating and monitoring the SPF, we have moved to a new stage in the measurement of our performance. This will be more evident in 2019. With these clarifications, as in our 2017 Annual Report, we use UCT's five strategic goals to structure this section of the current Report.

1 **GOAL 1: TO FORGE A NEW INCLUSIVE IDENTITY THAT REFLECTS A MORE REPRESENTATIVE PROFILE OF STUDENTS AND STAFF, AND THE CULTURES, VALUES, HERITAGE AND EPISTEMOLOGIES OF THE DIVERSITY OF UCT'S STAFF AND STUDENTS.**


During 2018 UCT focused specifically on the following objectives measured:

Through changes in the staff profile:

 **Objective 1.11: Attain our institutional employment equity targets to place UCT on a clear trajectory towards a more representative profile of academic staff at all levels and of institutional leadership.**

 **Objective 1.12: Recruit and retain African South African academics and professional support staff.**

Through changes in the profile of students and graduates:

 **Objective 1.9: Have a student and graduate profile (at undergraduate and postgraduate levels) which is more diverse and representative of the population with greater proportions of black, socio-economically disadvantaged and disabled students..**

And through investment in staff development:

 **Objective 1.4: Invest in growing the pipeline of black, women and disabled academics and managers.**

STAFF PROFILE

Employment Equity (EE) was a key focus area in 2018. The 2017 report outlined concerns with the 2015-2020 EE Plan and in 2018 the institution embarked on the process of developing a new three-year EE Plan (2019-2021), which was adopted by Council in December 2017. The process was driven through the Employment Equity Forum and the plan is the result of an extensive consultation process. The new EE strategy aims to attract, engage, grow and retain the appropriate range of skills to foster an institutional culture of inclusivity, respect and excellence. The new plan deals with four main areas: (i) communication, advocacy and awareness; (ii) recruitment and selection; (iii) development, promotion, retention; and (iv) measurement. Specific EE strategies include: space creation; succession planning; retention; policy development; and affirmative action measures.

STAFF DEVELOPMENT

UCT's Employment Equity (EE) Fund is a ring-fenced pool of money allocated by the VC and DVC Transformation to Deans and Executive Directors for Transformation. Its purpose is to enable the acquisition of talent for which there is no current budgetary provision. Salary costs are carried for up to three years and recipient departments commit to creating permanent posts by the end of the period. The EE Fund is prioritised for the funding of succession planning and especially to support changing the demographic of the professoriate. Its use is subject to rigorous review: people employed must be South Africans from the designated groups and match the Fund's orientation towards seniority and academic positions, e.g. be appointable at the associate professor level.

Since 2011 the EE Fund has facilitated the onboarding and/or absorption of thirty employees, of whom fifteen remain active. Four posts were funded in 2018 at a cost of R2,797,274. Ten new applications were approved for commencement in 2019 with a financial commitment of R16,828,531 to fund the salary costs of those incumbents over the next 3 years.

Academic Staff Development

UCT provides development support for academic staff in a number of ways: the New Generation of Academics Programme (nGAP), the Next Generation Professoriate (NGP), the New Academic Practitioners' Programme (NAPP), and through the work of the Research Office.

The nGAP is a Department of Higher Education and Training (DHET) initiative to accelerate demographic transformation by providing bridging funding for universities to hire young black South African scholars. In 2018 UCT appointed five new lecturers to join the 12 other nGAP scholars hired since the Programme's inception in 2015. The nGAP cohort receives varied structured support – leadership training, writing skills development and individual mentoring from senior academics. The Programme's impact has been expanded through the inclusion of other young black academics as associates.

The Next Generation Professoriate Programme (NGP) aims to contribute to transformation by supporting the promotion of mid-career black and female UCT academics. It also seeks to change institutional culture by promoting collaborative and collegial relations, fostering new academic networks and building confidence based on concrete career progression. The NGP began to fulfil its promise in 2018, with the promotion of 7 of its 43 members to associate professorships.

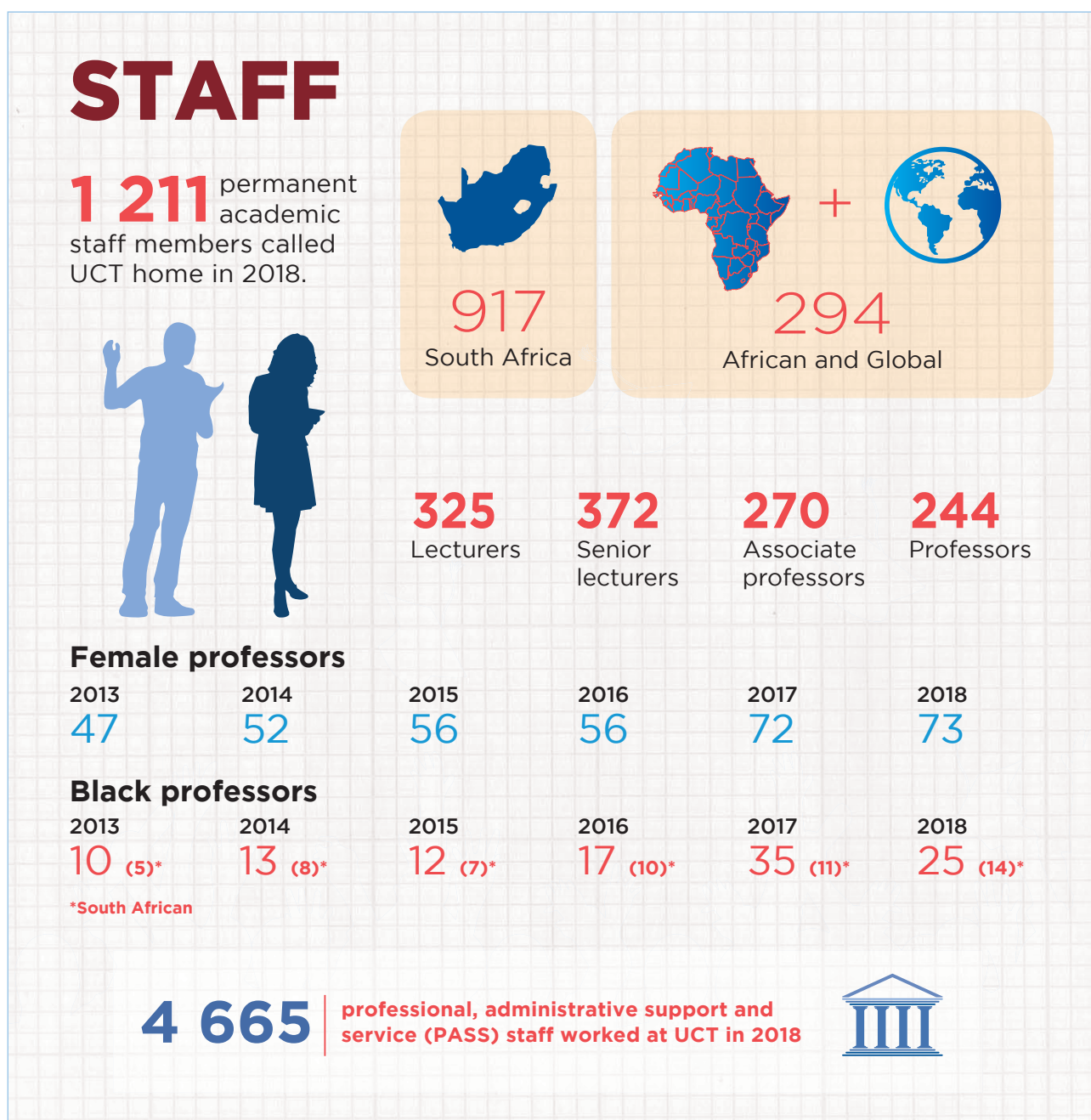
The New Academic Practitioners Programme is a 6-month holistic programme of professional development offered twice yearly to cohorts of 20 new full-time lecturers, drawn from the full range of demographics. NAPP has, since 2017, expanded into a regional programme and offers a unique opportunity for people who are new to academia to connect across disciplinary and institutional boundaries and to enter debates on important issues in higher education.

The UCT Research Office provides extensive support for academic staff development, including engaged scholarship. To affirm the dignity, contributions and experiences of all, the Research Office in 2018 implemented a deliberate strategy to increase the visibility of researchers, prioritising those from groups historically marginalised within the University community, especially emerging researchers. This resulted in an increased number of stories about a more diverse range of researchers, published on a number of different platforms.

PASS Staff Development

The Staff Learning Centre piloted two Adult Basic Education (ABET) programmes in 2017: the one-year General Education and Training Certificate (GETC) and the two-year matric programme, the Amended Senior Certificate. Twenty-two members of staff started the Amended Senior Certificate in 2018 and will continue in 2019.

The table below show the demographic profiles of UCT's academic staff and professional, administrative and support staff during 2018.



2 GOAL 2: TO PROMOTE UCT AS A VIBRANT AND SUPPORTIVE INTELLECTUAL ENVIRONMENT THAT ATTRACTS AND CONNECTS PEOPLE FROM ALL OVER THE WORLD AND ADVANCES THE STATUS AND DISTINCTIVENESS OF SCHOLARSHIP IN AFRICA.

During 2018 UCT measured its performance in the area of internationalisation through:

- Trends in numbers and countries of origin of international students.
- Trends in the demographic profiles of students and graduates.
- Trends in research collaborations (This item is analysed under strategic goal 3).



Objective 2.8: Recruit a more geographically diverse spread of international students in full degree, block release, and Semester Study Abroad programmes and increase their numbers.

For UCT to maintain its profile as a world-class university, its student profile must have a sufficiently high proportion of international enrolments. This must be achieved without decreasing UCT's contribution to the expansion of access to higher education of South African students. In relation to UCT's role as preferred destination for African postgraduate students, we have maintained our place in the higher education system. However, student protests during 2015 and 2017 and the water crisis in Cape Town during 2017 and 2018 took their toll in the form of a decreasing number of undergraduate students joining the Semester Study Abroad programmes.



Objective 2.9: Have a student and graduate profile (at undergraduate and postgraduate levels) which is more diverse and representative of the population with greater proportions of black, socio-economically disadvantaged and disabled students.

UCT changed its admission policy in 2016 to provide access to students who come from disadvantaged backgrounds. It is still too early to do a full analysis of the impact that the new admission policy has had in growing the number of socio-economically disadvantaged students at UCT. However, it is noteworthy that the overall proportion of South African Black students (30%) is close to our DHET enrolment planning target of 39%. In relation to the access of black South African's to UCT, we have also improved getting closer to our 61% target.

3 GOAL 3 (RESEARCH): TO ADVANCE UCT AS A RESEARCH-INTENSIVE UNIVERSITY THAT MAKES A DISTINCTIVE CONTRIBUTION TO KNOWLEDGE, LOCALLY AND GLOBALLY.

During 2018 UCT focused on the following objectives:



Objective 3.1: Recruit and retain scholars who are leaders in their fields and who will contribute positively to the research strategy of the University.



Objective 3.7: Protect the space, funding and incentives for basic research including 'blue-skies research' in domains where "real world" applications are not immediately apparent.

Objectives 3.1 and 3.7 are closely related since to a very large extent the retention of researchers depends on the quality and quantity of the support they receive for their work. We have dealt with the aspect of recruitment under Goal 1. One important aspect of the support to researchers is the encouragement of blue-skies research.

UCT uses the number of UCT academics holding a National Research Foundation (NRF) rating as a proxy for the number of researchers involved in blue-skies research. Taking this into account, during 2018 UCT used two mechanisms to support these researchers. First, the research block grant allocation to faculties, which represents approximately R11 million across six faculties. Secondly, given the change in the NRF funding policy, UCT invested R14 million into rated researchers who were affected by the new NRF approach to funding.



Objective 3.5: Provide seed funding for strategically selected new collaborations that include a global south partner, and three or four-way international partnerships, to advance the quality, impact and profile of our research, and to access global research resources.

Productive international research collaboration that the University can strengthen with executive-level agreements, mobility funds and three-way PhD bursary packages, remains a preferred instrument for collaboration. This model not only strengthens internationalisation, increases the visibility and impact of UCT's research, and provides co-supervision resources for joint degrees, it also enhances the student experience and helps to leverage third party research funding through collaborative bids.

An attractive form of the partnership is to embed postgraduate students or postdoctoral fellows in collaborative projects so that they become part of an international community of scholars, over and above the gain of their research training.

In line with objective 3.5 and to further strengthen UCT's research collaboration, particularly within Africa, internal funds were allocated to enable the following two collaborative instruments:

■ **African Research Universities Alliance (ARUA) Centres of Excellence (CoE's)**

UCT was successful in its bid to host two ARUA Centres of Excellence (CoE), namely the *African Centre of Excellence in Inequality Research (ACEIR)* and *Climate and Development*. In recognition of this achievement and as an institutional contribution, UCT has committed R1 million to each of the CoE's per annum for five years, from 2018 – 2022. In addition to this, each CoE received a once-off amount of R300,000 in 2018.

■ **ARUA-UCT Collaborative Research Projects**

R2,750,000 of internal funds are ring-fenced annually to invest in a call for proposals to foster international research collaboration with ARUA member institutions in particular, with preference given to those that include a third partner institution from one of the other networks of which UCT is a member. These networks are: (i) the International Alliance of Research Universities (IARU) or (ii) the Worldwide Universities Network (WUN) or (iii) a non-South African member of the BRICS Network University (BNU). The most recent call was issued in November 2018 with the closing date being 15 January 2019 and takes the form of up to fifteen (15) grants of R50,000 each for the UCT principal investigator (PI). These grants may also include the award of a three-year UCT Mobility Doctoral Package to a student whose research is embedded in the collaboration.



Objective 3.6: Challenge our academics to develop new thinking about the problems that should most urgently be addressed by us as an African university, and feed this thinking not only into published research and innovative products and solutions, but also into the curriculum.



Objective 3.11: Establish an environment that supports and motivates staff and students to engage in interdisciplinary collaboration, and support or establish new interdisciplinary research institutes.

UCT has established several research institutes that focus on local problems from an inter/transdisciplinary perspective. Below we provide two examples of research work that illustrate how UCT approaches the realisation of objectives 3.6 and 3.11 of its strategy. These are the Future Water Institute and the Institute for Democracy, Citizenship and Public Policy in Africa.

■ **Future Water Institute**

Four university faculties and 6 departments are currently represented within the core management and decision-making team, while 6 faculties and 11 departments are involved in Future Water projects and activities.

Future Water has developed and expanded several new interdisciplinary and cross-faculty collaborative projects: Water Hub; Cape Rivers; Wastewater Biorefineries; Sustainable Sanitation; Mineral Water; Water Sensitive Design; New Taps; and Understanding Responses to Water Scarcity – the South African Local Government Association project. Finally, Re-focusing UCT for Water Scarcity was focused on the management of the water crisis at the University itself.

■ **Institute for Democracy, Citizenship and Public Policy in Africa (IDCPP Africa)**

The Institute is dedicated to the critical re-examination of democracy in Africa and the development of Africa-centric theory through systematic empirical research and a critical engagement with scholarship on other parts of the world.

The Institute's research focuses on three broad interdisciplinary topics, namely effective and predictable political (including judicial) institutions, with a focus on constitutional design, legislatures, courts, rights, political parties, sub-national government and bureaucracy; active and critical citizenry, requiring research into public opinion, political activism and the media; and effects of public policies on social and economic dimensions of citizenship as well as its political and civil dimensions, social welfare and the regulation of everyday life.



Objective 3.13: Encourage innovation, translational research and research uptake.

UCT hosts a number of research institutes and centres whose research has a direct impact in improving people's lives and encouraging innovation. Below we provide three examples of the work done in this area.

■ Institute of Infectious Disease and Molecular Medicine (IDM)

The IDM is a trans-faculty postgraduate research institute, physically and administratively located in the Faculty of Health Sciences. Research within the IDM focuses on infectious diseases, with particular emphasis on tuberculosis (TB), HIV/AIDS, HIV-associated TB, viral, helminthic and parasitic diseases; non-communicable diseases, including prevalent cancers; genetic medicine; and molecular medicine, including diagnostic, biomarker and drug discovery and development.

Member groups and affiliated academic departments and divisions have continued to lead major outreach programmes which included visits to the IDM by large numbers of school learners. These programmes include the Desmond Tutu HIV Centre's Zimele Project, in partnership with the Western Cape Department of Health and the Global Fund with 20,000 participants, and the Women of Worth Project, an incentive and care research project with 10,000 young adult women, both being run in the Mitchell's Plain/Klipfontein health sub-district; and several public engagement projects funded by the Wellcome Trust.

■ The DST/NRF Centre of Excellence in Catalysis, c*change

This Centre of Excellence is hosted by the Catalysis Institute at the Department of Chemical Engineering. A total of 17 projects were funded during 2017, of which 10 were multi-institutional and/or interdisciplinary projects. Several projects from c*change's research activities are now transferred into c*STAR Project mode. The concept of a c*STAR Project is to utilise the c*change network and resource capacity to demonstrate proof-of-concept projects with a view to facilitate c*change and/or its members in attracting outside interest or funding for technology development projects. Current c*STAR Projects include work on the biocatalytic production of Natural Aroma Products, and a follow-up initiative to provide teaching aids for schools' chemistry curricula. This new schools initiative will provide educative curriculum materials to schools, focusing on using practical work as a teaching strategy to promote conceptual understanding of key topics in chemistry, and builds on the Chemical Industries Resource Pack previously distributed nationally by c*change.

■ DST/NRF Centre of Excellence for Biomedical TB Research: UCT Node

The research programme of the UCT node of the DST/NRF Centre of Excellence for Biomedical TB Research (CBTBR) comprises three highly integrated themes that focus on mycobacterial metabolism and physiology of relevance to drug resistance, persistence and drug discovery; the biology of tuberculosis (TB) drug discovery, with emphasis on the identification and validation of new drug targets through elucidation of drug mechanisms of action; and the capture, identification, and genomic and physiological characterization of tubercle bacilli released by TB patients.

The most significant development over the past year was the rapid progress on integrating new technological capabilities in the form of high-throughput genomic technologies coupled advanced imaging by time-lapse fluorescence microscopy, confocal microscopy and super-resolution microscopy into the UCT node's research program, which are impacting significantly on the depth and quality of scientific investigation underway in the Centre of Excellence (CoE). Adding a new dimension to the research programme at the UCT node – and bridging the CBTBR with the CoE for Human Development – is an anthropological exploration of a youth-based TB community engagement project in Khayelitsha.

■ DST Hydrogen Catalysis Competence Centre, HySA/catalysis

The DST's National Hydrogen and Fuel Cell Technologies Flagship Project (HySA), was derived from the National Hydrogen and Fuel Cell Technologies Research, Development and Innovation Strategy. The National Flagship Project established three Competence Centres in 2007 to develop hydrogen & fuel cell catalysts and catalytic device technologies with a view to enhance national wealth creation via value addition to South Africa's strategic reserves of Platinum Group Metals.

The Hydrogen Catalysis Competence Centre (HySA Catalysis) is co-hosted by UCT and Mintek. Enabling deliverables of HySA Catalysis are the establishment of research, development and innovation facilities for fuel cell and fuel processor technologies via an extended hub and spoke network comprising national science councils, universities and private enterprise, and the development of a significant human capital base.



Objective 3.10: Build the capacity for staff across all disciplines to conduct research requiring analysis of high volumes of complex data.

There are a number of initiatives at UCT aiming to harness our capacity to deal with high volumes of complex data. UCT's Inter-University Institute for Data Intensive Astronomy (IDIA) is a partnership of four South African universities, University of Cape Town, the University of the Western Cape, North West University and the University of Pretoria, with SAP as the first industry Associate Partner. Given its strategic profile in South Africa's science and technology development we have chosen to focus on data-intensive research in relation to Astronomy.

Under the leadership of the joint Square Kilometre Array (SKA) Research Chair, IDIA's immediate goal is to build, within the partnership, the capacity and expertise in data-intensive research around big data to enable global leadership by researchers at partner universities in the SKA. In the near term this means capacity to lead MeerKAT large survey science and projects, and large projects on other SKA pathfinder telescopes.

IDIA has leveraged external resources to adapt its big data solutions and technologies science domains beyond astronomy and to prototype key elements of national cyberinfrastructure in support of the South African strategic plan for data intensive infrastructure.



Objective 3.12: Provide support to researchers to attract funding from international sources.

UCT subscribes to Research Professional Africa (RPA), an e-platform that allows access to the latest global coverage of research funding programmes as well as Science and Technology news. An advantage of this site is that it includes only the national and international funding opportunities that South African/African researchers are eligible to apply for. Training and workshops on using the platform optimally are held on request. The outcome of a three-year pilot project of appointing in-house specialist support to write international grants proposals has been the creation of such a post in the Research Office as part of the UCT budget for 2019.

The monetary value of UCT's foreign contracts with different regions of the world has been increasing steadily and since 2017, UCT's foreign research funding is outstripping local funding. In 2018, foreign income represented 76% of all research income excluding grants from the NRF and the Medical Research Council (MRC).

4 GOAL 4: TO RENEW AND INNOVATE IN TEACHING AND LEARNING - IMPROVING STUDENT SUCCESS RATES AND WELL-BEING, BROADENING ACADEMIC PERSPECTIVES, STIMULATING SOCIAL CONSCIOUSNESS AND CULTIVATING CRITICAL CITIZENS.

During 2018 UCT focused on the following objectives:



Objective 4.2: Improve the curriculum and pedagogy in courses that impede student success for black students in particular.

This project started in 2015 and focused on courses with a minimum enrolment of 120 students and a failure rate of 25% and above, that were impeding graduation. Research conducted under the auspices of the Teaching and Learning Committee of Senate suggested that it was necessary to contextualise the nature of issues that contribute to low completion rates. It proposed a complex approach to responding to statistical information on 'high risk' courses and highlighted the need to consider fully the factors that may be at play in these courses before assuming that students are underprepared, or that teaching in such courses needs to be improved, or that addressing each course individually would automatically lead to an improvement in throughput and graduation rates. When these gateway courses are seen in context, including the typical curriculum combinations in which they are taken, it is apparent that there are 'high risk combinations' in addition to 'high risk courses'. Multiple factors contribute to a gateway course or combination of courses becoming high risk, and all of these need due consideration when students are given individual curriculum advice at registration. Thus, student advice has been singled out as an area for concerted development in order to improve student performance.

Work in this area has continued in selected courses, some of which have been entirely revised. It is expected that the impact of the interventions designed through research will be felt more clearly in 2019/2020.



Objective 4.11: Improve the curriculum and pedagogy in courses that impede student success for black students in particular.

The disparity in the achievement of black and white students has been a source of concern for UCT for quite some time and up until 2015 faculties had made some progress in reducing the achievement gap. The 2015 Teaching and Learning Report indicated an overall undergraduate success rate of 88.4%, up from 87.6% in 2014. In 2015 the difference in success rates between white and black students at the 1000-level between White and Black students (at the lower extreme) was 11 percentage points.

Unfortunately, three years of social protest have taken their toll on the overall student performance and, in particular, in the achievement gap between white and black students. In 2017 the overall course success rates of South African Black students dropped to 79% from 81% in 2016. More worrying, the achievement gap between white and black students has increased to 15%.

UCT is looking at student performance in a comprehensive way in order to design interventions that tackle curriculum, pedagogy and course workload, as well as the psycho-social issues that affect the performance on black students. We expect these interventions to bear fruit in students' performance within the next two years.

5

GOAL 5: TO ENHANCE THE SCOPE, QUALITY AND IMPACT OF ENGAGED SCHOLARSHIP WITH AN EMPHASIS ON ADDRESSING DEVELOPMENT AND SOCIAL JUSTICE.



Objective 5.7: Improve the visibility of engaged scholarship at UCT.

UCT's Engaged Scholarship (ES) Programme, run from the Research Office, continues to provide an alternative research framework to the dominant Western paradigms prevailing in universities. Scientific knowledge, according to Western paradigms, occurs in the university and other suitable environments and is distinguished from extra-university knowledge or colloquial or 'indigenous' knowledge. At present, universities in developing countries are generally adopt this traditional model which tends to seal them off from the impoverished socio-economic context in which they are located. Engaged scholarship, however, moves from the understanding that knowledge production cannot be justified as a mere epistemological or 'production of new knowledge' exercise. It has to respond to three main requirements: first, to be relevant to social and cultural and economic needs; second, to include diverse knowledge producers (communities, non-scientific or non-academic actors); and third, to embrace the diverse spaces where knowledge is produced. In practice, engaged scholarship perceives research as a collaborative process that equitably involves all partners in the research process and recognises the unique strength that each brings. The value of ES in the current context of decoloniality and transformation is that it challenges the attitudes of researchers, which determine how, by and for whom research is conceptualised and conducted and the corresponding location of power in the research process. It is this orientation to research that speaks to the theme of transformation and decolonisation.

In terms of demographics, the Programme has attracted mainly young and female researchers across faculties.

The Knowledge Co-op, as is the case with all engaged scholarship at UCT, straddles two of UCT's strategic agendas, i.e. Social Responsiveness and Research. The Knowledge Co-op is located in the Research Office and develops collaborative research partnerships for engaged scholarship between community partners (mainly non-profits and local government) and UCT researchers. This allows students and/or academics to conduct research in or for surrounding communities while providing community groups with an opportunity to address questions arising from their work.

SECTION TWO: PERFORMANCE AGAINST TARGETS IN THE ANNUAL PERFORMANCE PLAN

The data and numbers reported in this section are all based on HEMIS submission 2.

Student numbers³

The actual enrolment in 2018 was 28,701 students, including 945 occasional students, 16,748 undergraduate full degree students, 3,194 postgraduates below the master's level, 5,688 master's students and 2,126 doctoral enrolments. The actual 2018 headcount enrolment falls short of the 2018 headcount enrolment target of 28,911 by 210 students.

Despite being within 0.75% of the overall target, the variances within the various qualification types against 2018 targets are quite marked but understandable given (1) the fact that the original targets reflect enrolment targets agreed in 2012 as part of the 2013 to 2019 Department of Higher Education and Training Enrolment Planning process and (2) an acceleration of senior postgraduate enrolment growth beyond expected levels. Therefore, while there are negative variances in student enrolment at the undergraduate level (16,748 compared to a target of 17,345), amongst occasional students (945 compared to a target of 1,369) and at postgraduate below Masters level (3,194 compared to a target of 3,532), positive variances are noted at the Masters level (5,688 actual against a 5,033 target) and Doctoral level (2,126 against a target of 1,633).

UCT's enrolment planning submission to the DHET referred to above reflects a target of 657 distance students in 2018 whilst there were only 127 actual non-contact enrolments. The target (set in 2016) assumed that we would have the infrastructure in place to accommodate these enrolments; unfortunately, this did not come to fruition. The aspect of infrastructure that we are lacking is the learning platform or method of educational delivery that allows for the online interaction of people (lecturers, students and others involved in the teaching and learning space), tools and resources required for successful online delivery. The as yet unresolved debate within UCT is whether to continue to develop a full life-cycle of online services in-house or whether to rely on outside providers of the platform while maintaining management and control over the content.

We enrolled 3,693 first-time entering undergraduates in 2018 against a target of 3,973.

In terms of discipline, the 2018 enrolment was projected to be made up of 41% in Science, Engineering and Technology (SET), 26% in Business/Management, 3% in Education and 31% in the broad Humanities. The actual proportions for 2018 were as follows: 46% in SET, 23% in Business/Management, 2% in Education and 29% in the broad Humanities.

Demographic statistics

The targeted racial profile of the 2018 South African enrolment was 38.5% African, 13.7% coloured, 8.6% Indian and 39.2% white. The actual demographic profile of the 2018 South African enrolment was as follows: 30% African, 16% coloured, 7% Indian, 27% white and 20% undisclosed. The continuing pattern of a 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 2018 enrolment is shown below.

Headcount Enrolment 2013 to 2018 (showing percentage growth on base)

Population Group	2013	2014	2015	2016	2017	2018	% change
SA African	6,256	6,247	6,353	6,771	7,108	7,188	14.9%
SA Coloured	3,608	3,620	6,322	3,830	3,814	3,755	4.1%
SA Indian	1,731	1,819	1,848	1,934	1,881	1,707	-1.4%
SA White	8,483	8,141	8,155	7,982	7,171	6,319	-25.5%
International	4,290	4,686	5,030	5,384	4,914	4,941	15.2%
Undisclosed	1,962	1,820	2,801	3,321	3,815	4,791	144.2%
Total	26,330	26,333	30,509	29,222	28,703	28,701	9.0%

³ The targets derive from the approved enrolment and efficiency targets for 2014/2015-2019/2020 as set out in the Minister's letter of 23 September 2014, with the changes requested by the Minister and approved by the Council; on 6 December 2014. Further Council approved (August 2016) changes were submitted for the DHET Mid Term Enrolment Planning process 2017 – 2019, and were provisionally approved by DHET on 8 December 2016 via e-mail.

A disproportionate but desirable increase in South African African enrolments (14.9% against an overall increase of 9.0%) is apparent. Over the 2013 to 2018 period white enrolments decreased by 25.5%, while international enrolments increased by only 15.2%; the marked decline in international enrolments in 2017 and 2018, in comparison with 2016, was due to a substantial decrease in enrolments in the Semester Study Abroad (SSA) programme in 2017 and 2018 due to the protest-related disruptions in prior years. There has been a marked increase in students with undisclosed race in the past six years (from 1,962 in 2013 to 4,791 in 2018).

Headcount enrolments 2013 to 2018 by race (showing percentage of total)

Population Group	2013	2014	2015	2016	2017	2018
SA African	6,256	6,247	6,353	6,771	7,100	7,188
% of total incl. International	24.50%	24.50%	24.90%	26.50%	27.00%	25.04%
% of total excl. International	29.00%	28.90%	27.90%	28.40%	29.90%	30.25%
SA Coloured	3,608	3,620	3,622	3,830	3,810	3,755
% of total incl. International	13.70%	13.70%	13.00%	13.10%	13.30%	13.08%
% of total excl. International	16.70%	16.70%	15.90%	16.10%	16.00%	15.80%
SA Indian	1,731	1,819	1,848	1,934	1,880	1,707
% of total incl. International	6.60%	6.90%	6.60%	6.60%	6.60%	5.95%
% of total excl. International	8.00%	8.40%	8.10%	8.10%	7.90%	7.18%
SA White	8,483	8,141	8,155	7,982	7,168	6,319
% of total incl. International	32.20%	30.90%	29.30%	27.30%	25.00%	22.02%
% of total excl. International	39.30%	37.60%	35.80%	33.50%	30.20%	26.60%
International	4,753	4,686	5,030	5,384	4,899	4,941
% of total incl. International	18.10%	17.80%	18.10%	18.40%	17.10%	17.22%
Undisclosed	1,499	1,820	2,801	3,321	3,824	4,791
% of total incl. International	5.70%	6.90%	10.10%	11.40%	13.30%	16.69%
% of total excl. International	6.90%	8.40%	12.30%	13.90%	16.10%	20.16%
Total	26,330	26,333	27,809	29,222	28,681	28,701

This is the % of total, including international students

This is the % of total, excluding international students

Residence Applications and Available Spaces by Tier

Residence Tier	Student	Capacity	Applications
First	New	2,250	1,812
	Returning	1,563	1,652
	Total	3,813	3,464
Second	New	2,235	144
	Returning		2,095
	Total	2,235	2,239
Third	New	683	458
	Returning		209
	Total	683	667
Grand Total	New	6,731	2,414
	Returning		3,956
	Total	6,731	6,370

Student Housing

The total student housing capacity for 2018 was 6,731 beds, and it was expected that 100% occupancy would be achieved. By 30 June 2018 (after which occupation declined as a result of student drop-out during the year), 6,370 beds were occupied giving an occupancy rate of 94.6%.

Student success rates

Please note that specific four-year objectives linked to the Teaching Development Grants are discussed on page 29.

We expected in the region of 7,747 graduates in 2018. This target included a projected 3,947 undergraduate completions, 2,194 completions below the master's level, 1,367 master's graduates and 244 doctoral graduates. To date, we have recorded 7,305 graduates, made up of 3,615 undergraduate completions, 2,176 postgraduates below the master's level, 1,320 master's graduates and 194 doctoral completions. Among the graduates to date, 4,429 were in the human sciences and 2,876 were in the natural sciences. The 2018 graduate total included 655 research master's graduates in all disciplines (against a target of 608).

Graduates in the scarce skills areas included 489 engineering graduates (against a target of 484), 212 Life and Physical Sciences graduates (against a target of 302), 459 Animal and Human Health Graduates (against a target of 462) and 117 Teacher Education graduates (against a target of 153).

The undergraduate course success in 2018 was 85.2% (against a target of 85.6%), and was slightly lower than that of 2017 (86%). The 2018 undergraduate course success rates among South African students are shown below:

	SA African	SA Coloured	SA Indian	SA White	SA Undisclosed	International
UG course success rates in 2018	76.62%	85.36%	86.02%	93.14%	87.47%	87.47%

The undergraduate course success rates in 2018 thus varied between 78.6% (for SA African students) and 89.7 % (for SA white students and those with undisclosed race). The success rates at the lower end of the spectrum were nevertheless reasonably close to the target of 85.6%.

Course success rates in the scarce skills areas were as follows: 83.7% in Engineering (against a target of 85.7%), 83.5% in the Life and Physical Sciences (against a target of 83.9%), 96.3% in Animal and Human Health (against a target of 96.8%) and 99.2% in Teacher Education (against a target of 95.0%).

Just less than 3.2% of all undergraduate students were refused readmission on academic grounds at the end of 2018 (post the appeals process). This proportion is slightly lower than that in 2017 (4.5%).

Examination of the longitudinal performance of the 2014 first-time entering undergraduate (FU) cohorts, excluding Health Sciences entrants, shows the following:

- 73% of the 2014 FU cohort (the same as within the equivalent 2013 FU cohort) had completed an undergraduate qualification within five years of registering at UCT.
- 9% of the 2014 cohort (in comparison with 10% of the equivalent 2013 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 among the 2014 FU cohort was 8% (in comparison with 9% within the 2013 cohort).
- 8% of the 2014 FU cohort was still busy with undergraduate studies at the end of 2018. This proportion has stabilised at between 6% and 8% within recent FU cohorts.

STUDENTS

28 701

students (including 945 occasional students) were enrolled in 2018



3 693
first year students

6 370

students lived in student residences

22 331

students lived off campus

Where do our students come from?

18 969

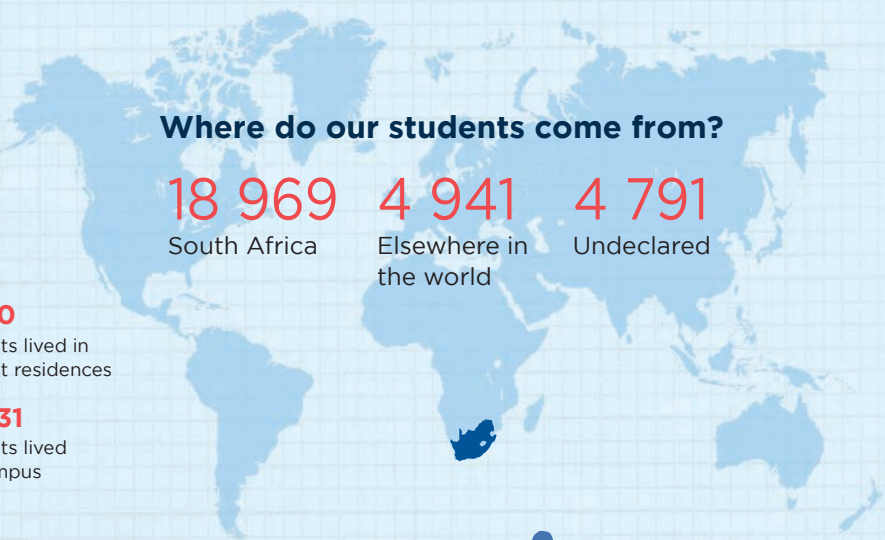
South Africa

4 941

Elsewhere in the world

4 791

Undeclared



Percentage of students interms of discipline



23%

Business



29%

Broad Humanities



2%

Education



46%

Science Engineering and Technology



16 748

Undergraduate



11 008

Postgraduate



5 688

Master's



2 126

PhDs



3 194

Postgraduate below Master's level



7 305

GRADUATES



3 615

Undergraduates



2 176

Postgraduates below Master's level



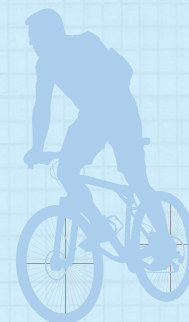
1 320

Master's



194

Doctoral



Research Outputs

The table below includes an early estimate of the 2018 publication count, and the weighted research outputs generated by research master's and doctoral graduates:

Output Category	Research Outputs for 2018
Publication Units	1,571
Research Master's Graduates	655
Doctoral Graduates	194
Total Unweighted Research Outputs	2,420

The 2018 ratio of weighted research outputs per permanent instruction/research staff member was thus approximately 2.31, against a target of 2.5.

Academic staffing

UCT's 2018 HEMIS staffing submission shows that a total of 1,211 (against a target of 1,140) permanent instruction/research or academic staff were employed in the six faculties and in CHED. This is slightly higher than the 2017 total of 1,208. The 2018 academic staffing headcount translated into 1,607 instruction/research staff FTEs (against a target of 1,621).

The proportion of permanent, full-time academic staff qualified at the doctoral level in 2018 was 64%. A further 28% of these academic staff held master's degrees. The Research sections of this report suggest that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

SECTION THREE: REPORT ON EARMARKED GRANTS

All 26 public universities in the country receive state funds in the form of block grants or earmarked grants. Block grants are intended for operational costs, including operational maintenance of assets related to university teaching, learning and research activities. Block grants are council-controlled funds, which can be used at the discretion of council and university management. Earmarked grants are funds meant to be used for a specific purpose and are not council controlled. Earmarked grants require a range of inputs, such as project proposals from universities and annual progress reports to the Department of Higher Education and Training (DHET). Earmarked grants are used by the DHET to steer the sector towards the targets agreed upon within the enrolment planning exercise and to ensure national priorities are addressed by universities. To report on the use of earmarked grants, universities are expected to submit progress reports which include a detailed narrative report supported by financial statements.

REPORT ON THE INSTITUTION'S UTILISATION OF THE UNIVERSITY CAPACITY DEVELOPMENT GRANT (UCDG)

The University Capacity Development Programme (UCDP), which is resourced by the UCDG replaces the Teaching Development (TDG) and Research Development (RDG) grants, which were phased out in 2017. The UCDP commenced with a three-year cycle that will run from 2018 to 2020.

During 2018, The UCDP introduced three sub-programmes in student and staff development and curriculum transformation to enable student success, academic and professional staff development, and the review and renewal of curricula to enable responsiveness to transformation imperatives in higher education. Included in UCT's collaborative activities, is funding for wrap around support of students on the Ikusasa Student Financial Aid Programme (ISFAP).

At a sector level, seventy percent (70%) of the UCDG allocation for each year of the three-year UCDP is allocated to universities, using a share allocation model. Thirty percent (30%) of the UCDG yearly allocation is used to enable the implementation of national collaborative projects.

1.1. Institutional Plan:

The Institutional Plan for UCT's share of the UCDG, approved at the end of December 2017, consists of 16 projects and management of projects located in CHED, and an allocation for monitoring and evaluation of projects. The total 2018 allocation was R12,477,130. Total expenditure was R11,799,922. The net underspend for the 2018 period amounted to R677,208. As the DHET no longer permits reporting on overspend, the underspend amounted to R1, 007,665.

Table 1: Summary of 2018 spends for the Institutional Grant

Project/Activity title	2018 Budget Allocation	2018 Expenditure	Proportion Spent
1. Access, Equity and Success – enabling access to the curriculum for deaf students	R300,000	R300,245	100%
2. Transformation of Mathematics Teaching & Learning at UCT	R543,500	R269,974	50%
3. Undergraduate student success	R1,571,868	R1,433,709	91%
4. Open access textbooks publication for Undergraduate Student Success	R112,730	R0	0%
5. Improving undergraduate student success through Learning Analytics	R99,078	R99,078	100%
6. Multilingualism for staff and students	R641,753	R667,680	104%
7. Writing and academic literacies for UG & PG students	R1,199,838	R1,158,543	97%
8. Student Mentoring programmes	R502,314	R516,966	103%
9. First year experience	R801,285	R799,828	100%
10. Postgraduate student development	R353,248	R531,476	150%
11. Developing Teaching Capacity	R1,438,441	R1,356,448	94%
12. Decolonising Pedagogy in the Humanities	R1,125,007	R1,120,842	100%
13. Cross-disciplinary programmes to develop research and supervision capacity	R2,584,910	R2,398,155	93%
14. Curriculum Review	R199,150	R201,793	101%
15. Integrated Commerce core first year case study	R226,008	R211,603	94%
16. Development of Institutional Online Training Resources	R195,000	R150,582	77%
Management of the Grant	R583,000	R583,000	100%
Total	R12,477,130	R11,799,922	95%



1.2. Collaborative Projects:

- a) The Institution managed the following national collaborative UCDP projects in 2018:
- i) Master Classes for Engineering Educators under the Engineering Education Existing Staff Capacity Enhancement programme (EESCEP) of the UCDP. This project commenced on the 1st of April 2017 and will end on 31st March 2019. The Institution has been given permission to utilise the underspend after 31 March 2019.
 - ii) Student Support Wrap Around Pilot Project for the support of students on the ISFAP programme. The Institution was allocated Teaching Development Grants funds for the support of ISFAP students in 2017 and these activities were revised in 2018 under the UCDP.
- b) The following national collaborative projects were approved for commencement in 2018 with funds being allocated in February and March 2018.
- i) New academics transitions into Higher Education (NATHEP). This project will run from January 2018 until December 2020.
 - ii) Diagnostic Mathematics Information for Student Retention and Success (DMISRS). This project will run from January 2018 until December 2020.
 - iii) University Staff Doctoral Programme (USDP) – Climate Risk, Resilience, and Sustainable Development.
 - iv) University Staff Doctoral Programme (USDP) – Engineering Education. Both USDP projects run for a period of five years from 2018 to 2022.

2018 spend for the national collaborative projects is summarised in Table 2.

Table 2: Summary of 2018 spends for the National Collaborative Grants and Student Wrap Around Support Pilot Project

Project/Activity title	2018 Budget Allocation	2018 Expenditure
Master Classes for Engineering Educators	R1,067,880	R771,669
Student Support Wrap Around Pilot Project*	R5,245,353	R2,696,898
New academics transitions into Higher Education	R1,807,640	R996,136
Diagnostic Mathematics Information for Student Retention and Success	R1,700,604	R210,673
University Staff Doctoral Programme (USDP) - Climate Risk, Resilience, and Sustainable Development	R373,983	R325,103
University Staff Doctoral Programme (USDP) – Engineering Education	R242,646	R97,569

*Note that approval of this project was only advised on 17 August 2018. Funds were only disbursed to the Institution on 23 October 2018, which impacted the spend of this project.

CLINICAL TRAINING GRANT

The Clinical Training Grant (CTG) was introduced in 2008 as an earmarked allocation within the DHET budget. The grant is allocated to higher education institutions providing eligible health sciences programmes with a clinical training component. The use of the grant is restricted to costs incurred by higher education institutions in relation to the provision of clinical training, including the partnership agreements, operating costs, infrastructure costs and the appointment of staff, including clinical and support staff required for clinical training.

The CTG has been a valuable resource in ensuring that UCT is able to provide a high standard of clinical training and in ensuring that graduates are fit for purpose. The budget provided by the DHET was R45,8 million. The CTG Grant runs in a 12-month cycle from April to March. UCT's aim is to continue to provide quality clinical teaching and training support to the Health Sciences programmes to maintain high pass rates. The biggest programme that the CTG will support is the MBChB programme, specifically students in years 3, 4, 5 and 6 of this programme. The other programmes that the CTG will support in 2019 are the 3rd and 4th year students in the Allied Health programmes (Physiotherapy, Occupational Therapy, Speech Language Pathology and Audiology), Dietetics and the MMed programmes. The review of the CTG, led by a team from UCT, has been completed and a report, with recommendations, dated May 2017 was provided to the DHET.

These recommendations are being considered by the DHET. Part of the challenges facing universities over the last few years relates to failure to spend all the budget allocated timeously due to several factors, including late release of funds by the DHET, resignations of key personnel and lengthy recruitment process at universities which delay expenditure on the grant. The DHET has informed universities that it will be implementing a process to address under-spending of the CTG, like that implemented in relation to the TDG where funds are either withheld or directed to other universities if the reasons for under spending are not accepted by the Department.

NATIONAL STUDENT FINANCIAL AID SCHEME

In December 2017, the then President announced an increase in the National Student Financial Aid Scheme (NSFAS) financial eligibility criteria for first-time entering students (FTENS) effective from 2018. The gross income cut-off for 2018 first-time entering students was increased from R122,000 to R350,000 gross family income per annum. The financial eligibility for students who were in the higher education system before 2018 remained unchanged (at R122,000). UCT undertakes to underwrite financial aid to all financially and academically eligible undergraduate students. Academic eligibility for financial aid is determined in line with NSFAS conditions, which require that students must pass at least 50% of their courses and are funded for no longer than N+2 years (normal duration of their programme plus an additional two years). UCT has over the years extended this criterion to N+3 where the student is in their final year of study and will graduate if they pass all their courses. In addition, in 2018 support was offered to 2016 first-time entering students who had lost their 2017 NSFAS funding by not meeting the 50% pass requirements set by NSFAS.

Sources of Undergraduate Financial Aid Funding

Source of funding	Undergrad	Percentage
UCT Council	R160,995,357	19%
UCT Designated	R86,458,962	10%
NSFAS	R311,278,192	37%
Corporates	R288,990,486	34%
Total	R847,722,997	100%

The above table reflects the different sources of funding for undergraduate financial aid in 2018. The two biggest contributors of undergraduate funding are NSFAS and corporates.

The total number of undergraduate students assisted by funding in 2018 was 7,650 which is made up of 3,839 NSFAS, 1,004 GAP (also known as missing middle students) funded students and 2,807 students funded by corporates and other donors. It should be noted that these numbers do not include the once-off allocation from the VC's robing ceremony in December 2018. In addition, during the first quarter of 2019, the Minister announced that a sum of R967 million would be made available to address historic debt of students. Given how UCT has underwritten financial aid, we would not expect this to have a significant impact on students with debt at UCT.

NEW GENERATION OF ACADEMICS PROGRAMME

The nGAP (New Generation of Academics Programme) was created in terms of Staffing South Africa's Universities Framework (SSAUF), which was approved In January 2015 by the then Minister of Higher Education, Dr Blade Nzimande. The most important features of the programme are that successful applicants (black South African and female) are appointed into permanent posts firmly factored into long-term staffing plans right from the outset, and that appointments are governed by contracts that clearly spell out the expectations, obligations, roles and responsibilities of the employing university and of the newly appointed academics. The number of posts that are made available, and the intervals between successive cohorts, are determined by the ability of the DHET to source funding for successive cohorts. At the end of 2018, a total of 17 posts over four rounds had been awarded to UCT.

The DHET does not carry the full costs of employment of nGAP appointments. It contributes a substantial amount for salaries in the first three years; thereafter this contribution decreases until, in the seventh year, the university that carries all costs. The balance between the DHET contribution and the cost of employment (CoE) is covered by the respective employing Faculties.



In addition to the salary contribution, amounts are awarded (over the entire six-year period) to support conference attendance, degree costs (registration and tuition), research infrastructure, mentoring and participation in SSAUF activities. nGAP has required institutions to develop long-term staffing plans, considering equity, enrolment and strategic size and shape plans (including growth), anticipated retirements of staff, and the usual attrition rates over and above retirements.

A UCT nGAP steering committee oversees submissions by UCT Faculties and provides developmental support to Departments and Faculties that wish to participate. nGAP at UCT is managed out of the Office of the Vice Chancellor and involves close liaison between HR, Finance and the Faculties. Thus far 2 out of 5 Phase 1 nGAP lecturers have completed their doctorates. One Phase 2 NGAP lecturer is awaiting the results of his doctoral submission and yet another intends to submit early in 2019. Completing a doctorate is a key goal of nGAP. Each nGAP lecturer has a mentor and the entire nGAP cohort is invited to participate in writing retreats, quarterly meetings and other support activities.

INFRASTRUCTURE AND EFFICIENCY GRANT

The main aim of infrastructure and output efficiencies funding is to increase the capacity of the university system to cope with the growth in student numbers. Infrastructure funding is mainly for new buildings but may also be used for the refurbishment of existing plant to be modernised and fit for purpose. Priority is given to projects that give effect to national goals and priorities set by the DHET. The allocation of infrastructure funding to universities by the DHET is normally in cycles covering three years. However, where the DHET has identified a strategic need, once-off funding has been made to universities. As a result, the Department in the past made once-off allocations to some universities address the deferred maintenance backlog and student housing. At any given stage, there are several multiple infrastructure projects with construction happening over several years. Following the appointment of a new Executive Director: Properties and Services there has been renewed focus on ensuring that all existing and new projects are completed within the approved timelines and in line with the budget approved. The Infrastructure and Efficiency Grant (IEG) has been allocated over five distinct cycles:

- Phase One: 2007/08 to 2009/10;
- Phase Two: 2010/11 to 2011/12;

- Phase Three: 2012/13 to 2014/15;
- Phase Four: 2015/16 to 2017/18; and
- Phase Five: 2018/19 to 2020/21.

UCT has completed all projects relating to phase one and phase two, and most of the phase three and four projects. Phase five projects were only confirmed by the University Council in October 2018 and will be the focus of the infrastructure development at UCT over the coming years. Projects in phase three include the Teacher Education project, which is the construction of a new Teacher Education building on the middle campus to accommodate an enlarged cluster at an estimated cost of R65 million. Another project from phase three which has been included in the phase five projects is the Avenue House Student Residence. The phase four projects, which included a grant for backlog maintenance have been mostly completed.

The Infrastructure Funding for 2018/19 to 2020/21: Fifth Cycle

Summary of the budget for phase five projects

Project Description	UCT Contribution	DHET Allocation	Total Project Estimate
Refurbishment and extending the Chris Hani Building: New Science Learning Centre	R40,000,000	R90,000,000	R130,000,000
Avenue House student residence	R100,000,000	R92,000,000	R192,000,000
Replacement of network, upgrade of storage and digital preservation facilities	R30,000,000	R78,000,000	R108,000,000
Water sustainability project	R10,000,000	R70,000,000	R80,000,000
TOTAL	R180,000,000	R330,000,000	R510,000,000

Refurbishment and Extending the Chris Hani Building: New Science Learning Centre

Funds were requested to repurpose the Chris Hani Building – previously called the New Science Lecture Theatre – which was built in the 1960s, and currently hosts a single large lecture. The steeply raked design of the lecture theatre is not conducive to modern teaching approaches and is space inefficient. Funds were requested to repurpose the building to accommodate a modern large lecture theatre, flat floor study space, a general Student Centre where key student support services will be provided, and a Science Student Learning Centre, linked to a new Science Faculty Administrative Suite. The relocation of the Science Faculty administrative suite from its current location will release valuable academic space elsewhere on campus. The Science Learning Centre will be central to improved throughput and graduation numbers of students in Science. A function was held in April 2018 with the Hani family formally renaming the current Chris Hani Building/Lecture Theatre with a three-dimensional display illustrating the planned repurposing.

Avenue House Student Residence

As part of its Student Residence strategic goal, the University is committed to housing at least 1/3 of its students in residences. To date the University houses around 6,600 students and is investigating opportunities to provide a further 3,400 beds. Funds were requested for Phase 1 development of Avenue House for a Tier 1, 498 bed, three-story Student Residence comprising of 142 single rooms, 173 double rooms, 2 warden's flats and 8 universal access rooms, a 536-seater dining hall and associated external works and site services.

Replacement of network, upgrade of storage and digital preservation facilities

The University of Cape Town has several ICT-related projects in urgent need of funding. These range from complete network renewal and associated cyber infrastructure, to increasing capacity and ability to address international requirements relating to data storage and digital preservation of primary content to support research, teaching and learning.

Water sustainability project

Given the dire water situation in the Western Cape, there is an urgent need for UCT (a major water user catering for almost 30,000 students) to establish a resilient and sustainable approach to deal with long-term water scarcity in a region that is likely to become more drought prone. In addition to the moral and environmental obligation, the costs of water and water services in the city are rising annually and are likely to treble within the next five years. Funding was requested to implement a systematic upgrade of student residences to allow recycling of water by treating and re-using grey water that is 'fit for purpose' for a range of activities such as to service sanitation systems and for the irrigation of sports fields and gardens. This will reduce water demand and associated monetary and environmental costs. UCT residences collectively use some 23 million litres of water per month, much of which produces grey water from laundries, kitchens and body washing. The proposed upgrades, installed in 20 large residences, will include the installation of new grey water reticulation systems, digital water monitoring devices on supply lines, and installation a Hydro Chemical Activation (HCA) water treatment system to treat grey water to SANS241 standards. The HCA systems will be located at each residence or cluster of residences, as necessary in terms of water volumes produced.

SECTION FOUR: SENATE REPORTS TO COUNCIL

There are three annual Senate Reports to Council, namely the Teaching and Learning Report, the Report on Research and the Social Responsiveness Report. The 2017 Research Report and the 2017 Teaching and Learning Report both served at Council in October 2018, while the 2017 – 2018 Social Responsiveness Report was adopted by Council at its December 2018 meeting.

THE 2017 REPORT ON RESEARCH TO SENATE AND COUNCIL

The 2017 Research Report affirms that UCT's research is well on track for the University to be an inclusive, engaged and research-intensive African University. The Report interrogates the degree to which this has been achieved, within UCT's definition of world-class university, employing a framework of excellence which foregrounds productivity, transformation, sustainability and impact.

The Report tracks UCT's performance in relation to a range of Key Performance Indicators, namely Research Funding (i.e. research income received or due during 2017), Research Productivity (publication counts and research Masters and doctoral graduates) and an NRF Evaluation and Rating.

The Report reflects on UCT's recognition of the value of focusing its research efforts and resources in order to take the quality and impact of specific areas of investigation to the next level, as well as to address local and societal need. In this regard, there are brief annual reports detailing such focussed national instruments hosted at UCT: the DST/NRF Centres of Excellence and Competence Centres, and the South African Research Chairs Initiative. The document also reports on internally employed instruments for achieving such focus, including the establishment of five new University Institutes, the activities of the University Research Committee's (URC's) accredited research groupings and the Vice-Chancellor's four Strategic Initiatives, namely the Safety and Violence Initiative, the Poverty and Inequality Initiative, the African Climate and Development Initiative and the Schools Improvement Initiative. The purpose of the five new University Institutes is to build on the success of the earlier signature theme model, where seed funding enabled the transition into fully accredited and self-sustainable interdisciplinary research entities. In addition, UCT has taken a leading role in big data research as triggered by South Africa's successful bid to host the Square Kilometre Array (SKA) project.

A section on UCT's Framework for Research Development describes the range of initiatives aimed at providing support to researchers at all stages of their research careers, from research opportunities for the postgraduate students and postdoctoral fellows, all the way through to support for post-retirement associates. There was a record number of 368 (187 SA and 181 International) postdoctoral registrations in 2017 (with awards totalling over R80 million). UCT's flagship capacity-building Emerging Researcher Programme (ERP) has had a total of 800 participants since its inception in 2003, with 49 new participants in 2017. In 2017, the ERP was also able to support 63 Research Development grants to the value of R2,008,807, most of which (81%) were given to South Africans and black South Africans receiving 59% of these grants.

The Report also focuses on the contributions of the Libraries and ICTS to supporting research at UCT. The University is continuously looking into efficient and flexible support systems and processes to enhance the quality of research support. In this regard, the roll-out of the Electronic Research Administration (eRA) Programme continued during 2017 with the delivery of a number of components including the successful submission of the 2016 PubCount report to the Department of Higher Education and Training using the new system. The UCT Libraries are a strategic partner in supporting university research initiatives and played a key role in providing collections (print, online and digital), professional services and instruction in the use of scholarly resources for the postgraduate and research community. UCT eResearch provides an enabling environment for data-intensive science, in support of research through advanced internet communication technology. A key focus area of eResearch in 2017 was the consolidation of a growing suite of services, giving rise to the publication of a Research Data Services website within a fully integrated research portal on the UCT Research Support Hub. The portal provides researchers with a one-stop shop from which they can access high performance computing and online research tools, research data storage, management and visualization services, and related cloud-based services.

In terms of Global Partnerships and Networks, formalised university research networks are a growing trend and have clear leveraging value if used strategically. UCT is continually approached to join such networks and is highly selective before becoming involved. The 2017 Research Report discusses the activities of the four main networks in which UCT is active, namely the African Research Universities Alliance (ARUA), the International Alliance of Research Universities (IARU), the Worldwide Universities Network (WUN) and the Australia-Africa Universities Network (AAUN).

The Report details UCT's participation in a number of International Scholars Programmes. Among these, the Universities Science, Humanities, Law and Engineering Partnerships in Africa (USHEPIA) Programme, one of UCT's flagship collaboration initiatives in Africa, graduated 2 Master's and 56 PhDs between 1996 and 2017, while the MasterCard Foundation Scholars Programme welcomed a third cohort of 37 scholars in February 2017 and graduated 2 Master's students in 2017. UCT has an institutional agreement with the Organisation for Women in Science for the Developing World (OWSD) to offer postgraduate fellowships to female students from sub-Saharan Africa and Least Developed Countries who wish to pursue postgraduate training leading to a PhD at centres of excellence in the South (developing countries) outside their own country. UCT is currently host to 19 students under OWSD.



The 2017 Research Report highlights the importance of increasing the visibility of UCT's research as part of the new research strategy, with a particular focus on internationalisation. This gave rise to repurposed capacity in the Research Office to produce a hub of research-focused communication and marketing expertise. Highlights of endeavours of this re-purposed capacity include the launch of UCT Research & Innovation website and new corporate UCT news site, the amalgamation of a research newsletter into UCT News and the revamping of the Postgraduate Prospectus into a highly visual, accessible guide. UCT's research is also made visible through participation at key national and international awards. Examples include the Department of Science and Technology's Women in Science Awards, the National Research Foundation's Special Recognition Awards, the National Science and Technology Forum (NSTF) Awards, the Harry Oppenheimer Memorial Award, and ad hoc awards administered through organisations such as ASSAf. Recipients of these and other research awards are profiled in the annual research report.

In terms of key metrics of Intellectual Property (IP) and Technology Transfer, the Report notes that in 2017 the total income from IP commercialisation was R 3,78m, and that a total of 4 new UCT spin-off companies were formed, the most ever in a year. The four companies are CURIT Biotech South Africa, Cape Catalytix, Nisonic and Abalobi NPC. A total of 41 invention disclosures were received and a significant number of IP Rights were licensed to UCT spin-off companies.

In terms of Quality Assurance, the University Research Committee implemented a peer-review process in 2003 for all URC-accredited research groupings: each grouping is reviewed once every five years by a panel that includes at least two external experts who are internationally recognised leaders in the relevant field. The 2017 Research Report notes that four quality assurance reviews of accredited research groupings took place in 2017. These were the Lung Infection Immunity Unit, the Nansen Tutu Centre, the Centre for Transport Studies, and the Centre for Minerals Research.

A sub-section of the Report dealing with Ethics and Compliance in Research highlights the initiation of an electronic ethics administration system, updates to the system for the authorisation of researchers and a shift towards developing training programmes in the responsible conduct of research as key achievements during 2017.

SOCIAL RESPONSIVENESS REPORT 2017–2018

The substantive component of the Social Responsiveness (SR) Report comprises data collected from the faculties during 2017 and 2018 in respect SR activities across the institution. The data for this section was collected in two phases: a paper survey in the form of a Microsoft Word document in 2017 and an online survey in 2018. The Faculties of Commerce, Science and Humanities had the highest response rates, reporting 27, 22 and 22 initiatives respectively with Health Sciences, Engineering and the Built Environment and Law reporting 17, 13 and 12 initiatives respectively.

The Report acknowledges that while the data collected cannot be construed as representative of the university as a whole, it nevertheless reflects a diverse set of social responsiveness practices addressing a wide range of issues through engagement with non-academic partners.

Social responsiveness activities at UCT fall broadly into three categories: Teaching, Research and Service, and survey respondents were invited to categorise their activity in more than one of these areas since it is possible to be involved in work that falls into all three. Research was the most frequently selected area (a total of 43 selections across both surveys) followed by service (27) and teaching (19). The most frequently selected combination of areas was research and service. The most common thematic issues addressed by the SR initiatives reported were Development (25% of all initiatives), Education (22% of all initiatives), and Poverty and Inequality (addressed by 14% of the initiatives reported in each case).

Analysis of the initiatives documented shows that a wide range of external partners are involved in SR at UCT. These were most commonly Private Sector/Business, Industry (24% of initiatives); Civil Society including NGO's and CBO's (also 24% of the initiatives reported) and Public Sector/Government (23% of the initiatives). Outputs of the initiatives were grouped into three categories: Academic Products includes journal articles, conference-related materials such as posters and abstracts and competitive contacts (59% of all reported initiatives), Applied Products such as educational materials, training and technical assistance and policies (22% of all activities) and Community Products (19% of all activities) which are products created largely for civil society partners.

It is thus apparent that UCT scholars are engaging with a wide variety of SR activities, and that a focus on these themes positions UCT as one of the key institutions in South Africa to immerse itself in its local context. By drawing on its local context (knowledge from the South) UCT is able to bring new insights into the global debate about developmental challenges.

The analysis section of the Report provides a high-level examination of key themes emerging in the SR work of the faculties. In this way, the work begins to reflect key issues in the broader context that the university is addressing through its engaged scholars. Issues debated here include the integral nature of engagement to scholarship, the nature of relationship with external constituencies, using scholarly work to build capacity within communities, the complex issue of assessing the impact of engagement and developing indicators for measuring the impact of SR.

The Report also discusses the work of two institution-wide SR initiatives, namely the Knowledge Co-op, and the Schools Improvement Initiative, which won the 2018 SR Award.

A 'science shop' with a twist, the Knowledge Co-op has been developing partnerships for engaged scholarship since 2010. With the emphasis on respect and support, these partnerships are centred on collaboration between community partners (mainly non-profits and local government) and UCT researchers. This allows students and/or academics to conduct research in surrounding communities while providing community groups with an opportunity to address questions arising from their work. A total of 67 projects were facilitated by the Co-op during 2016-17; these projects, under the supervision of 34 academics involved 120 individual students as well as one undergraduate class of 38. The bulk of the projects (35) were research-based, with five Masters students being placed in non-profit organisations for internships. In addition, 24 community service projects (at second year or Honours level) offered more practical support to communities. In this regard, students – often in teams – were required to offer their expertise to community groups for course credits.

In its annual quality assurance process, the Co-op assesses stakeholders' satisfaction with their experience during the process, its outputs and the involvement of all partners. Analysis of the feedback received suggested that the opportunity for engaged research and learning significantly enhances students' university experience, while the support of the Knowledge Co-op acting as 'broker' between the partners greatly eases the process.

The Schools Improvement Initiative (SII), one of the Vice Chancellor's four Strategic Initiatives, was launched in 2012 in response to the perceived challenges in South African education. The intention of the Initiative is to extend the University of Cape Town's engagement in schooling with the explicit aim of making a positive impact on the quality of education in the classroom. Drawing on university-wide resources and expertise, the SII works in close collaboration with groupings inside and outside the university (in particular the Western Cape Education Department) and currently partners with three primary and two secondary schools in the local community of Khayelitsha.

The SII's activities over the past six years have contributed towards knowledge production in the form of three symposia, four peer-reviewed journal articles and presentations at three international and four local conferences. One PhD and three Masters students have undertaken their research in the SII partner schools. Furthermore, a three-year NRF Community Engagement Grant awarded in 2015 resulted in a multi-authored book showcasing the insights gained on community engagement and interdisciplinary collaboration in the SII.

A further key aspect of the Initiative is 100UP. This university access learner participation programme has had a significant impact on UCT enrolments from both Khayelitsha and the neighbouring community of Mitchells Plain.

A subsequent section of the Report focuses on UCT's collaborative work with the Cape Higher Education Consortium (CHEC) which includes partnerships with the Western Cape Government and a partnership with the City of Cape Town. Engagement with the Western Cape Government and the City of Cape Town has yielded much needed resources in the form of seed grants, some of which have resulted in much bigger projects with significant funding.

Finally, the Report looks at ways in which SR work is to be taken forward on campus, reflecting on some of the strategies and activities needed to take the work at the institution forward in a transformative and sustainable way. This section also reports on the Engaged Scholarship Task Team (ESTT), set up in 2017 to work on the issue of generating indicators to measure the social and economic impact of engaged scholarship (ES), both externally in the broader environment in which UCT is located but also internally in terms of the transformation of current research and teaching practice. The Report concludes with a discussion of the work of the SR Hub, a node of SR capacity on campus, and its contribution to increase the visibility and sustainability of social responsiveness on campus.



2017 TEACHING AND LEARNING REPORT

The Senate Teaching and Learning Committee, which oversees the compilation of the annual Teaching and Learning Report, is responsible for advancing and reflecting on teaching and learning at the institution. The Committee recognises that this Report must engage the broad UCT community, that is including academics not in Senate, PASS staff and students, about the state of teaching and learning at the University. It should provide information about UCT's performance in teaching and learning but should also guide how UCT thinks about teaching and learning.

The 2017 Teaching and Learning Report consists of seven sections including an introduction. A section entitled Assessing Performance, reflects on the profile and distribution of students and academic staff as well as the outcomes of teaching and learning in relation to graduations, success rates, and retention. The following section, Teaching and Learning Development, concentrates on assessment practices and engages specifically with the issue of deferred exams; it explores UCT's employment of online learning during the protests and its projected impact into the future. It also engages with the role of language development in changing postgraduate education. In the Staff Development section, the Report showcases and reflects on the needs of academics in the area of teaching and learning and the different options and services available to them. The section on Curriculum Change provides an update on the work of the Curriculum Change Working Group (CCWG) and introduces actual experiences of curriculum change in the faculties. The last two sections of the report deal with the Governance and Funding of teaching and learning at UCT. The section on Governance maps out the organisation of teaching and learning at the faculty level as well as within the committee system that underpins it at a central level. The final section on Funding focuses on the government-earmarked funding for teaching and learning.

The Report reflects on the fact that the 2015-2017 period in the South African public higher education system was characterised by intense student protest and mobilisation. The impact of the student mobilisation on UCT was extensive, affecting academics, students and PASS staff across the political spectrum, and giving rise to a variety of processes reviewing institutional practices and the undergraduate curriculum, many of which constitute important progress in a transformative trajectory. The protests also had significant negative effects such as a decline in student performance, the normalisation of the practice of deferring examinations, and a decrease in enrolments (and therefore in funding).

The 2017 Teaching and Learning Report articulates the following:

- At the undergraduate level UCT continues to attract some of the best school leavers in the country: in 2017 only 14% of the first time entering (FU) cohort were admitted with an NSC aggregate below 70%.

- In terms of the outcomes of teaching and learning, there has been an improvement in the quality of passes across faculties in recent years, although undergraduate course success rates have dropped. Of particular concern is the growing gap in course performance between black and white students.
- Among the indirect consequences of the protest was a greater use of online teaching to avoid the halt of the academic year, which afforded some academics a new experience with online teaching. UCT is in the early stages of implementation of an online education policy that seeks an appropriate balance of online and face to face education for the institution.
- Curriculum change and staff development cannot be separated. In a sense the one is dependent on the other as it is required that staff are capable of engaging students in learning and are sufficiently well equipped to develop appropriate assessment for each course. UCT's faculties have rethought curricula and interesting examples of curriculum renewal bear witness to the willingness of many academics to engage with their students and fields of knowledge.
- Language development and the introduction of multilingualism are of particular interest from the point of view of inclusivity and transformation. Much more must be done to elevate this work institutionally and for a larger number of staff to understand how academic literacy can and should be included in the curriculum.
- The increase in the numbers of students sitting for deferred exams (DEs) is probably the single most negative consequence of the three years of protest on undergraduate teaching and learning. However, DEs also constitute an opportunity to rethink curriculum, assessment, and student advising.
- At the governance level there are as many different ways of approaching teaching and learning at UCT. Examination of this section of the report suggest that UCT's committee system in this area might require some revision to make sure that committees are conduits for deeper thinking and more careful implementation of strategy.
- The implications of the Report for UCT's Teaching and Learning Strategy going forward include the need to address and reduce the performance gap between black and white students, the extension of UCT's rich experience and research in academic development beyond the first year of study, the review of both the content and the structure of the undergraduate curriculum and the need to improve the quality of teaching in response to the new generation's ways of learning.

M/Phakeng

Professor Mamokgethi Phakeng

Vice-Chancellor

22 June 2019





INSTITUTIONAL FORUM REPORT TO COUNCIL FOR 2018

NOVEMBER 2018

INTRODUCTION

The Institutional Forum (hereafter referred to as IF) at the University of Cape Town is required to report to the University Council annually. The purpose of the report is to provide Council with an account of the activities of the IF and to give a sense of the issues that arose in the IF and their significance for transformation of the university.

MEMBERSHIP

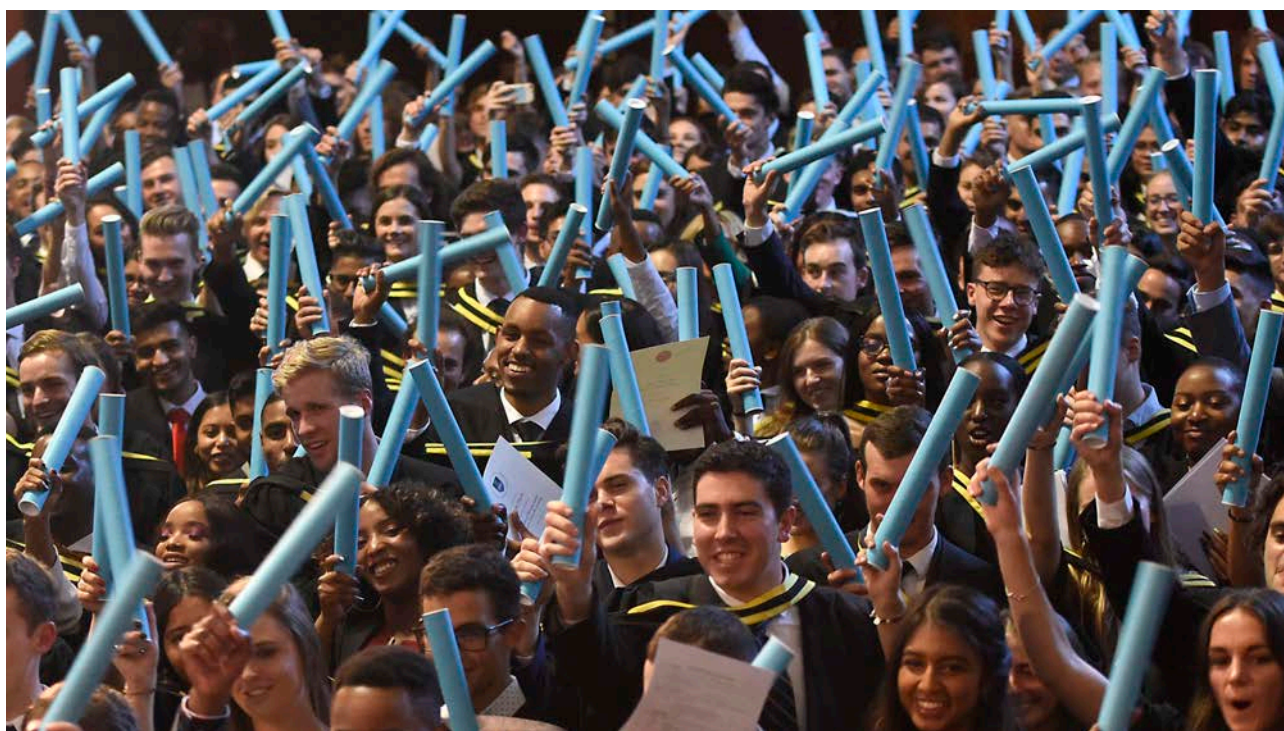
The Institutional Forum is established in terms of the Higher Education Act, 1997, and advises the Council on matters specified in the Act.

The Forum consists of:

- Members and alternate members elected or appointed by the Council, the Senate and the Vice-Chancellor
- Members and alternate members elected by the recognised staff bodies
- Members and alternate members elected by the Student Representative Council (SRC)

The terms of office for each member range from one to three years, or for such periods as the Vice-Chancellor decides.

The Institutional Forum also elects three co-chairpersons, one from the members elected or appointed by the Council, the Senate and the Vice-Chancellor, one from the members elected by recognised staff bodies, and one from the members elected by the SRC.



The 2018 IF composition is as follows:

Council (1 July 2016 to 30 June 2020)	Executive (1 July 2016 to 30 June 2020)
Ms Sheila Barsel Ms Dianna Yach Mr Ezra Davids Ms Tshidi Mokgabudi (Alt)	Professor Mamokgethi Phakeng Professor Loretta Feris (Co-Chair) Professor Anton Le Roex Professor Suellen Shay Professor Alison Lewis
Senate (1 July 2016 to 30 June 2020)	Employees Union
Professor Nicola Illing Professor Aubrey Mainza Mr Thando Tsotsobe	Mr Ashley Rustin (Co-Chair) Mr Samuel Chetty Ms Yasmin Fazel-Ellahi (Alt)
Academics Union	NEHAWU
Dr Maanda Mulaudzi Mr Tim Low Ms Shirifa Hellaby (Alt)	Mr Bettwell Bonkolo Ms Linda Shoba Mr Smartdryck Abrahams (Alt)
Full-time Medical Staff Association	NUSAS
Dr M Sonderup Vacant (Alt)	Ms Naziema Jappie Mr Shai Makgoba (Alt)
Students Representative Council	
Hannah Margetts (Co-Chair) Karabo Khakhau Tami Jackson Gift Qetu-Yates Nicole Bowkers	Tamir Shklaz Matthew Kensett Neo Mkwane Louise Gammage Bonolo Skee

INSTITUTIONAL FORUM MEETINGS: 2018

In 2018 the IF met twelve (12) times. These meetings consisted of two (2) Induction Workshops, 4 out of the 5 required meetings for the year and one (1) special meeting. In addition, five (5) IF EXCO meetings were held. The section below details notable outcomes from the IF meetings this year.

INSTITUTIONAL FORUM OVERVIEW: 2018

The focus for the IF during 2018 was to build stronger ties with the different university structures, including but not limited to Senate, Council and the SRC. Central themes that influenced the Institutional Forum's strategy in 2018 were the need to repurpose the role of the IF and to establish the IF as a proactive oversight body for transformation-related matters in the University. Led by the University Strategic Plan, the IF focused on contributing towards systematic change in three ways. The first was to complete the formation of a key structure, the Institutional Forum Executive Committee (IF EXCO) to improve the efficiency of the IF and to become more responsive to transformation matters as they arise at UCT.

The purpose of the IF EXCO is to expedite discussions and formulate a decision on potential advice to Council and/or the Executive. The second systemic change was to develop a subsidiary body, called the Transformation Forum, which is comprised of Transformation Chairs from across faculties, departments and residences. It was decided that the work of the Transformation Forum should be reported more regularly to the IF as there are deeper issues being grappled with at the Transformation Forum which the IF should be aware of. Third, the VC, Prof Phakeng, proposed that there be a structural realignment to bring the work of the Employment Equity Forum closer to the Institutional Forum. Thus, the governance of the IF has been strengthened structurally to have oversight of transformation, diversity and inclusion within the university.

The IF has approved senior appointments for the university and noted key concerns in the alignment of senior appointment processes and composition of selection committees for senior appointments. Council was advised to address these concerns together with the University Human Resources Committee.

UNIVERSITY EMPLOYMENT EQUITY FORUM (EEF)

This committee is a subcommittee of the IF and advises the Vice-Chancellor on employment equity and transformation matters related to employment equity. In September 2018 the status of the EEF was amended as a committee that primarily functions to advise the Vice-Chancellor to a committee that acts as a subcommittee to the IF and reports to the IF. The focus of the EEF in 2018 was to ensure that the university meets the Director General Review's recommendations to formulate a new university Employment Equity Plan by the agreed deadline. The exhaustive consultation process as per statutory requirements which was recently concluded, provided informative feedback on Affirmative Action measures. These measures should enable the university to determine realistic and stretch employment equity targets and produce progressive actions to be managed by senior members and stakeholders over this period. The development of an Employment Equity reporting tool predicts a more proactive and robust monitoring and manageable system for gauging whether the university is reaching its targets prior to reporting to Department of Labour. The recent Declaration by Employees should affect the disability numeric profile of the university positively from a targeting perspective and enable opportunities for future transformation initiatives.



Professor Loretta Feris

DVC Transformation and IF Co Chair

22 June 2019





REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS (INCORPORATING RISK MANAGEMENT)

INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS

The Council's key functions and responsibilities include risk management and internal controls. 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 an organisational structure and division of responsibilities, together 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 deployed 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 systems during 2018, although these systems are subject to regular review and adaptation to meet new demands. The development, maintenance and operation of all systems are under the control of competent staff.

The University applies 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 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. Management became aware of a problem in respect of the security of a portion of personal data as it relates to benchmarking testing and this has been attended to and resolved.

Internal control systems are in place and operating effectively, however, 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.

The University's independent auditors, EY, assess the key accounting systems on an annual basis and have found that, while controls are mostly 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 management and are being attended to. It is the role of Internal Audit to monitor internal control systems and to assist 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 Annual 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 includes at least three Council members (who should be financially literate), of whom at least two should be members of the Council other than the Executive Officers, staff or students.

The UAC is chaired by an external member of the Council and as such has direct access to all Council matters. The UAC reviewed and updated its terms of reference during 2017, to ensure that the document is dynamic and updated for King IV principles. A further review commenced in late 2018 and is ongoing.

The Council has stipulated that it requires a report from the UAC following every meeting of the UAC.

Attendance at UAC meetings during 2018 is presented in the table below:

Member	Designation	May	Jun	Sep	Nov	%
Dr M R Price ¹	Member (Vice-Chancellor)	P	P	N/a	N/a	100
Professor M Phakeng	Member (Vice-Chancellor)	N/a	N/a	P	P	100
Ms T Mokgabudi	Chair & The Council Member	P	P	P	Ap	75
Mr T Murray	Deputy Chair (independent)	P	P	P	P	100
Mr E Davids	The Council Member	Ap	P	Ap	Ap	25
Ms Z Khanyile	Member (independent)	P	P	P	P	100
Professor G Gray	Member (independent)	Ap	P	P	Ap	50

P – Present Ap – Apology N/a – not applicable as s/he was not a member of UAC at the time

¹ Term ended in June 2018

The key responsibilities of the UAC are listed in The Council's Report on Corporate Governance (page 13) of this report.

AREAS OF FOCUS OF THE AUDIT COMMITTEE

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

Internal Audit and the Internal Audit plan

Internal Audit contributes to the University's commitment to combined assurance, by providing independent assurance that the University's risk management, governance and internal control processes are operating effectively. The Director: Internal Audit has unrestricted access to the Chair of the Audit Committee.

The internal audit annual plan considers the key risks identified by management, the requirements of the UAC and management, as well as available resources. The UAC approves the internal audit plan on an annual basis. Internal Audit continues to deliver on the agreed audit plan and meet with stakeholders to understand their key risks and adapt the audit plan accordingly.

Going Concern

The UAC, having considered the Annual Financial Statements, has not identified any issues to indicate that the going concern assumptions applied by management were inappropriate.

Rotation of the independent auditors

The University's policy is that, in the ordinary course of events, external auditors 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 can terminate the appointment at any time during the initial three or subsequent five-year period.

Under the provisions of the Public Audit Act, the appointment of auditors is to be made in consultation with the Auditor General of South Africa (AGSA). EY was appointed as the University's external auditor in 2017, following a competitive tender process. The UAC was satisfied with the performance of EY and recommended their re-appointment for the 2018 audit. This recommendation was endorsed by the Council and ratified by the AGSA. UAC meetings are open to attendance from the AGSA representative and at times guidance is provided on aspects relating to the public audit prescripts.

Independent External and Internal Audits

The UAC reviewed the audit approach and key risk areas of the external audit. During the year the UAC 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.

RISK MANAGEMENT COMMITTEE

The University of Cape Town, like all public institutions of higher learning, operates in an increasingly complex, dynamic and unpredictable environment. This environment poses several risks that have the potential to disrupt the realisation of the University's strategic goals and priorities, and the smooth running of the University. Given this context, risk management has become a key priority at the University and the aim is to improve the risk culture of the University in a way that ensures effective risk management.

As part of the University's internal control and governance arrangements, the University is enhancing the risk management processes to manage risk appropriately, minimise adverse effects and maximise potential opportunities. More work is required to realise a fully integrated risk management programme, but the key building blocks are being defined, with several faculties and departments undertaking risk assessments, identification and mitigation.

The Risk Management Committee (RMC) is chaired by the Vice-Chancellor, and the committee members comprise of Executive Directors, Deans and the Registrar. In addition, the committee has two assessor members, one of whom is the Director of Internal Audit and the other a member of the UAC.

Attendance at RMC meetings during 2018 is presented in the following table:

Member	Designation	Mar	May	Aug	Oct	%
Dr M R Price ¹	Member (Vice-Chancellor)	P	P	N/a	N/a	100
Prof M Phakeng	Member (Vice-Chancellor)	N/a	N/a	P	P	100
Mr A Francis	Member (Deputy Chair)	P	P	P	P	100
Professor A Le Roex	Member	P	P	P	N/a	100
Professor I Woolard	Member	P	N/a	N/a	N/a	100
Professor P Andrews	Member	P	P	N/a	N/a	100
Professor Hugh Corder	Member	N/a	N/a	P	N/a	100
Mr R Pillay	Member	P	P	P	Ap	75
Dr M Khan	Member	Ap	P	P	P	75
Mr R September	Member (Acting Director)	P	P	N/a	N/a	100
Mr M Parker	Member	N/a	N/a	P	P	100
Ms G Kruger	Member	Ap	Ap	P	Ap	25
Mr T Murray	Independent member of UAC – assessor member	N/a	N/a	P	P	100
Ms B Hashim	Director Internal Audit – assessor member	N/a	N/a	P	P	100
Ms K Boshoff	Acting Director Internal Audit – assessor member	P	P	N/a	N/a	100

P – Present Ap – Apology N/a – not applicable as s/he was not a member of UAC at the time

¹ Term ended in June 2018

ASSESSING AND MANAGING RISKS BY THE UNIVERSITY

The Council is accountable for risk management while the Vice-Chancellor and management are responsible for identifying, monitoring and mitigating risks. During 2018 Enterprise Risk Management (ERM), being an integral component for change within all areas of business, was elevated to proactively assess the risk landscape relating to governance, management of resources and the reputation of the University. To improve the management of risks, the risk management tool BarnOwl was implemented in 2018, with the intention of going live in 2019. The tool supports best practice in risk management, compliance and audit frameworks, whilst offering a highly flexible and configurable parameter-driven system.

A synopsis of some of the risks identified and addressed by management during 2018 includes amongst others the following:

Non-compliance with Broad-Based Black Economic Empowerment (B-BBEE) Legislation

Government introduced new B-BBEE regulations at the beginning of 2017. The University's B-BBEE level was *Non-Compliant*, as the University did not meet the newly introduced sub-minimum criteria. To address this a task team, led by the Executive Director: Finance, was formed to create awareness through a campaign on the impact of the new codes, interactive training sessions with individual actions plans, and creating a framework for strategic interventions.

The task team focused on skills development with the focus areas being developing a learnership programme, improving data capture of skills expenditure, and crafting an intervention to address disability training. As a long-term solution, the task team's focus is on supplier and enterprise development (SED) by providing ongoing collection of B-BBEE supplier data, creation of B-BBEE specific dashboards for spend, monitoring and shifting spending patterns, establishing a Fund to invest internally in SED companies that arise from the UCT environment (e.g. disability business) and a suite of SED initiatives that Faculties/PASS departments can develop.

The task team's interventions resulted in the University achieving *Level 7* by the end of 2018, with further work planned to improve the B-BBEE score to *Level 4* in the next few years. In addition, through the Finance Executive's Forum of Universities South Africa, an amended code proposal has been submitted to the Department of Trade and Industry on behalf of the sector following engagements with them.

Succession Planning

The lack of succession planning remains a risk for the University, as there were several vacant senior leadership posts during 2018. The seamless transition from one Vice-Chancellor to another shows that the University is paying attention to this risk. Dr Max Price's tenure as the Vice-Chancellor ended on 30 June 2018, with Professor Mamokgethi Phakeng taking over from 1 July 2018. Several other senior positions were filled during the period with minimal impact on the operations of the University.

Status of State funding

Over the last decade, government subsidies have declined in real terms with the result that universities had to rely on fees to make up the shortfall. However, for 2018, public universities received more than the budgeted subsidy allocation from government, which aligns with their commitment to increase the level of government funding to at least 1% of the country's Gross Domestic Product. The sustainability of government funding, given other pressing government priorities, remains a substantial risk for all universities on two fronts. Firstly, there are risks in relation to annual tuition and residence fee increases, which are increasingly influenced by the Minister of Higher Education and Training and secondly, there are risks in relation to the ability of the state to increase and maintain the improved subsidies provided to universities.

Student protests linked to social, economic and political issues

Between 2015 and 2017 the University experienced disruptive protests which had a significant impact on academic activities. While there are several key issues which have the potential to trigger student protests at the University, the processes put in place to mitigate those risks played an important part in ensuring that no disruptive protests were experienced in 2018. A more proactive approach in mitigating the risks linked to student protests means management can identify potential threats to the University and put measures in place to address the root causes. In addition, the University provides all first-time entering NSFAS students with laptops at its own cost. Laptops prove particularly useful in times of protests where students can access online learning material for their academic activities.

Late payments by National Student Financial Aid Scheme

Several universities experienced protests linked to the inability of NSFAS to make timeous payments to students. This risk is one that the University has been able to mitigate through the underwriting of financial aid to ensure that all eligible undergraduate students are provided with funding, with the understanding that NSFAS will make good on its commitment later. Internal Audit has also tested the controls in place and made several recommendations which have been acted upon.

Fraud and Corruption

The Regulations for Reporting by Public Higher Education Institutions commit a public higher education institution to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders.

A fraud and corruption prevention policy was approved by the Council in 2017. The Council members and staff are expected to observe the institution's ethical obligations to conduct its business using fair commercial competitive practices. In line with the principles of good corporate governance, UCT supports and fosters a culture of zero-tolerance towards fraud and corruption in all its activities and is committed to maintaining a culture of ethical compliance.

There have been instances where staff have been dismissed following disciplinary action where fraud and corruption have been proven, and criminal cases laid with the South African Police Services (SAPS). Special emphasis has been placed on the use of purchasing cards (UCT corporate cards) and internal controls are being enhanced to ensure that weaknesses identified during 2018 are being addressed.

High levels of crime within and around the UCT vicinity

Crime affects all South Africans and UCT staff and students have unfortunately been affected on and off campus. Various interventions are in place to mitigate against the scourge of crime, including partnerships with SAPS and the Groote Schuur Community Improvement District (GSCID). UCT plays a leading role in the funding and operations of the GSCID. The GSCID in partnership with UCT, commercial and educational institutions in the area, aims to create a safer, cleaner and rejuvenated environment for all by providing 'top up' services to those provided by the City of Cape Town.

Cyber-crime and Information Security Breaches

The University has created a Computer Security Incident Response Team (CSIRT) which will respond to, control and manage computer security incidents. Should the UCT network be compromised, they will act to ensure a return to normal operating conditions as soon as possible and investigate the origin of incidents to prevent recurrences. CSIRT will also provide cyber security awareness on campus and will announce potential vulnerabilities and threats to hardware and software.

There is a risk that unsecured, unpatched Android devices used by students contain viruses which are then connected to the UCT network. The devices are older and, in most instances, cannot be upgraded which makes them vulnerable. As a result, botnet infections increased dramatically at the start of the academic year due to the influx of students on campus. At present there is no mechanism available to remedy this. However, one of the medium- to long-term objectives of the UCT network renewal programme is to facilitate added network security which blocks botnet and other malicious traffic on the network.

Inadequate Health and Safety Environment

There is a renewed focus on the health and safety of staff and students. With the appointment of a new Executive Director: Properties and Services, the RMC gave a mandate to address weaknesses in the occupational health and safety area to minimise the number and impact of incidents on campus. Consistent with prior years, UCT's insurers conducted a fire safety assessment on several key buildings, resulting in the installation or improvement of the fire suppression systems in several buildings. Thermal imaging was also undertaken in some buildings. One of the benefits of thermal imaging is that it significantly reduces the risk of fire related occupational health and safety issues in the workplace. Intervention through early detection following such imaging can prevent hazardous equipment failure, personal harm, and risk of fire. This approach in risk management has the potential to reduce insurance premiums.

Insurance Risk

The University is a participant in a national consortium of Tertiary Risk and Insurance of South Africa (TERISA) which provides both cost-effective insurance and service expertise. The RMC was satisfied that all reasonable steps were being undertaken to ensure that the University had appropriate insurance cover. During 2018 all UCT students were provided with medical, death and disability cover that is limited to students participating in academic activities during term.

Tax Risk

During 2018, the government increased value added tax to 15%, an increase of 1 percentage point, which posed a potential financial risk to the University. This was exacerbated by the short implementation period (6 weeks), as well as this being the first VAT increase since UCT's SAP implementation. To mitigate this risk, the Value Added Tax (VAT) system changes were implemented and tested in a test environment, with required stakeholder communication, and post-implementation monitoring. As a result, the mitigation proved to be successful.

Investment Risk

The RMC does not deal with investment risk, but both the Chairperson and Deputy Chairperson of the RMC attend the Joint University/UCT Foundation Investment Committee (JIC) as a member and assessor member respectively. This Committee is appointed jointly by the University and the UCT Foundation and advises both bodies on investment strategies, the appointment of investment managers in terms of agreed strategies and setting the mandates within which those managers operate.



Ms Tshidi Mokgabudi

Chair: University Audit Committee
22 June 2019



Professor Mamokgethi Phakeng

Chair: Risk Management Committee



Ms Bahijah Hashim

Director: 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 extensive 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 OF THE 2018 ANNUAL FINANCIAL STATEMENTS

- Increase in total income of 4.8% (2017: 3.1% increase);
- Increase of 6.9% (2017: 5.2% increase) in fee income (gross of Council bursaries and scholarships);
- Increase in income from private donations of 8.4% (2017: 2.1% increase);
- An increase in income from research contracts and grants of 11.0% (2017: 3.2% decrease);
- Increase in recurrent expenditure of 1.2% (2017: 7.1% increase);

- Consolidated operating surplus of R278,3 million versus a surplus of R472,9 million in 2017, a 41.2% decrease (28.7% decrease in 2017);
- A deficit of R19,7 million (2017: R94,1 million) if investment income and fair value movements on fair value through surplus or deficit financial instruments are excluded;
- A decline in cash generated from operations to R84,8 million (2017: R123,4 million);
- An increase in total assets of 7.3% (9% in 2017);
- There are two new standards which were adopted in the preparation of the 2018 statements, viz. IFRS 9 and IFRS 15.

Of the consolidated operating surplus of R278,3 million, R26,1 million is attributable to restricted funds over which Council has little, if any, discretion, with a further R18,3 million arising from Student and Staff Housing. The balance of the surplus relating to council-controlled activities can be largely attributed to increased state subsidies of R108,4 million and tuition fee rate and volume increases of R81,7m.

CONSOLIDATED CASH FLOW

The operations yielded a net cash inflow of R199,4 million for the year. This is an increase of R76,1 million versus the prior year. The main contributing factor is an increase in recurrent revenue (students fees and grants from state and private sources) which is greater than the increase in recurrent expenses (excluding depreciation).

INCOME AND EXPENDITURE

Continuing educational operations

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

Total recurrent operating income increased by R97 million (3%) to R3,3 billion, primarily due to an increase in state subsidy, the largest income source, of R108,4 million (7.9%) taking the 2018 total to R1,48 billion, and donations which increased by R21 million (45.3%). The increase in state subsidy is primarily as a result of additional funding made available from National Treasury to the DHET in February 2018. The gross tuition and other income (before bursary adjustments) is R1,39 billion, an increase of R81,7 million. In 2017 it increased by R47 million (3.7%) to R1,3 billion. The increase in tuition fees is attributable to a combination of increased volumes and rates in the year.

Expenditure decreased by R42 million (1.4%) to R2,987 billion, mainly due to the bursary classification adjustment in the current year amounting to R161 million. Excluding this impact, expenditure increased by R119 million (3.9%). Other operating expenses has been well contained through the realisation of the austerity-linked savings and efficiencies.

Our undergraduate students received a total of R848 million in total financial support, up from R739 million in 2017. This support comes from various sources - corporate and other external bursaries support students to a value of R289 million, while NSFAS provided grants amounting to R311 million and UCT contributed R160 million from council-controlled funds (these have been netted off against tuition fee income). In addition, income from endowments and other funds available to the University for the purposes of financial aid contributed R86,4 million.

As shown in the table below, the Council-controlled recurrent operations generated a surplus of R3 million, following a deficit of R75 million in 2017 and a deficit of R103 million in 2016. This is the first time since 2011 that a surplus target has been achieved. At a high level, this significant improvement can almost entirely be attributed to unforeseen increases in state funding via the block grant subsidy allocation (R88.1 million versus 2018 budget expectations) and to students via NSFAS (resulting in a reduced financial aid underwriting requirement from UCT of R19 million).

The actual surplus attributable to Council-controlled unrestricted funds as reflected in the Consolidated Income Statement on page 65 is R233,9 million, compared to R216,7 million in 2017, investment income of R250,7 million (R189,0 million in 2017) being the major contributor in both years to the difference between this and the 2018 surplus, and 2017 deficit referred to above.

Five Year Overview of Recurrent Council Controlled Operations

Category	2018	% change from PY	2017	% change from PY	2016	% change from PY	2015	% change from PY	2014
All currency values are R millions									
Recurrent income	R3,033	1%	R2,998	5%	R2,848	12%	R2,539	9%	R2,335
State appropriations – subsidies & grants	R1,479	8%	R1,370	5%	R1,306	16%	R1,122	2%	R1,104
as a % of recurrent income	48.8%		45.7%		45.9%		44.2%		47.3%
Tuition and other fee income	R1,227	-6%	R1,307	4%	R1,260	5%	R1,199	17%	R1,025
as a % of recurrent income	40.5%		43.6%		44.2%		47.2%		43.9%
Sales of goods & services	R261	-5%	R275	-1%	R277	32%	R210	6%	R198
Private gifts & grants	R66	47%	R45	800%	R5	-38%	R8	0%	R8
Recurrent expenditure	R3,030	-1%	R3,073	4%	R2,951	13%	R2,618	9%	R2,398
Personnel	R2,200	6%	R2,066	6%	R1,958	16%	R1,686	9%	R1,543
as a% of recurrent expenditure	72.6%		67.2%		66.4%		64.4%		64.3%
Other operating expenses	R734	-5%	R769	-4%	R805	11%	R727	7%	R677
as a% of recurrent expenditure	24.2%		25.0%		27.3%		27.8%		28.2%
Bursaries	R40	-78%	R186	33%	R140	-14%	R162	17%	R139
as a% of recurrent expenditure	1.3%		6.1%		4.7%		6.2%		5.8%
Depreciation and minor capital items expensed	R56	8%	R52	8%	R48	9%	R44	22%	R36
Recurrent Operating Surplus (Deficit)	R3	-104%	(R75)	-27%	(R103)	30%	(R79)	32%	(R60)



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 fees and most subsidies have been received. Careful planning and management of our cash is crucial in generating investment income to support university activities, subject to a revised financial assessment at such time.

SUSTAINABILITY

Our strategic goal of financial sustainability 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) are received early in the operating cycle. If either of these sources are significantly different from the 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 unexpected real increases in state funding in 2018 have made a material difference to outlooks, assuming the state can continue funding these increased commitments. On the flipside, the uncertain outlook for fee increases is a concern, and continues to provide a warning against complacency and emphasises the importance of being within our free cash reserve target as well as remaining aware of economic outlooks and challenges faced by the state.

RESEARCH AND OTHER OPERATIONS SIMILARLY DEPENDENT 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 6.2% to R2,59 billion. Government-related grants decreased by 10% from R523 million to R472 million, while contracts remained stagnant at R1,2 billion. The University has now experienced substantial growth in research activity for an extended period which continues to place significant demands on core administrative departments which, in many cases, have received little in the way of real increases in resources prior to 2019. As these departments become over-stretched the risk of reputational damage increases.

As a research-intensive university, obtaining funding to do research remains a strategic imperative. Hence the importance of ensuring we have systems in place that enable research and thereby continue to attract research funding in a sustainable manner. The income from the University's research-related activities has been on an upward trajectory for many years now, breaching the R1 billion threshold in 2014. Research-related revenue (grants and contract income) stands at R1,64 billion (2017: R1,58 billion) which represents 63% of the total specifically funded activities (R2,59 billion) in value. It also continues to account for at least 26% of total university recurrent income.

Regarding the broad categories of funding, contract income (2018: R1,16 billion; 2017: R1,05 billion) constitutes almost half of the research revenue, with government grants (2018: R472 million; 2017: R522 million) accounting for 18% of the research revenue. Research related donations (R347 million) showed an increase of R11 million when compared to 2017.

The top 10 major funders of research at the university include: the NRF (National Research Foundation), BMGF (Bill & Melinda Gates Foundation), NIH (National Institutes of Health), MRC (Medical Research Council) and the Wellcome Trust. The NRF remains the biggest source of research funding, constituting at least 22% of the total research revenue. It also funds the most researchers and their students.

The goal is to make a solid return on these investments through dividends and sale of equity in the future. This equity is maintained separate from any equity that may accrue to UCT due to the assignment of IP, i.e. where the IP creators will share in the benefit. Funding is typically leveraged by additional funding coming in from other investors, which immediately increases the value of the UCT equity. In 2018, further funds were committed to the investment in Straight Access Technology Holdings (Pty) Ltd, while a new commitment to investing in a further entity was made.

Income from donations and gifts amounted to R347 million compared to the R336 million raised in 2017. The primary reason for the increase is due to significant increases in donations to the endowment fund. Donations from the top ten donors have remained reasonably consistent versus prior years.

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 the expansion of housing stock thereby providing greater access to students and staff.

Total revenues increased by 10% to R478,8 million, while the recurrent deficit of R1,8 million, when added to the provision for loan repayments of R42 million, means the housing sector failed to make any significant progress in respect of its debt repayment obligations related to OBZ Square student residence. The increase in revenues is due to fee rate and volume increases.

A project, headed by the Chief Operating Officer, to evaluate the optimum sustainable model for offering of student accommodation at UCT has commenced in early 2019 and improvements in outcomes are expected in the medium term.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated assets increased by 7.3% with the following as significant contributors:

- Increase of 8.8% in Property, Plant and Equipment (PPE) (2017: 4.4%);
- Current assets increased by 91% (2017: 51% increase), with accounts receivable increasing by 16.3% and cash and cash equivalents increasing by 310%. The large increase in cash and cash equivalents is due to a reclassification of R263 million invested with Grindrod Bank as cash.

Most of the non-current assets are designated and Council has no discretion over these. All immovable property cannot be alienated without the approval of the Minister of Higher Education and Training. This amounts to R3,2 billion, 27% of total assets for the current financial year (2017: R2,9 billion).

Approximately 51% of the investments are held by the UCT Foundation and are designated for specific activities. The balance is held within the University operations, with 80% thereof designated for specifically funded restricted activities.

The increase in the trade and other receivables is characterised by the fact that 39% of this debt is over 60 days. Given that much of this debt is from state and related departments, our track record suggests that while they are slow to pay, the accounts are usually settled as there are contracts in place which detail the obligations of all parties. In addition, debt collection of research revenue from major stakeholders such as government departments is a key focus by management.

Capital expenditure of R387 million was a notable increase from the R232 million invested in 2017. The University has a healthy gearing ratio, with a liability total of R2,4 billion against total assets of R11,8 billion, a debt ratio of 0.20. The University drew down R71 million (2017: R23 million) from the Development Bank of Southern Africa (DBSA) loan facility to fund the conference centre at the GSB. The loan is repayable after 10 years.

FUTURE OUTLOOK – 2019 AND BEYOND

Economists' outlook for the economy in general remains bleak. Further, while, as already noted, substantial increases in state funding were made by government in 2018 and 2019, we remain concerned at how sustainable this funding will be given the significant challenges faced by government.

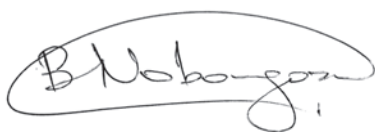
In addition, though the state has contributed a significant proportion of the lost fee income for 2016 via a special subsidy allocation, this funding has been incorporated into the block grant allocation from 2018 onwards, resulting in a significant dilution of this revenue based on the current funding formula. This was, however, offset by the unexpected boost to the state subsidy in April 2018.

It is also well understood that inflation in the higher education (HE) sector (illustrated by the Higher Education Price Index (HEPI) and our own Internal Inflation) continues to be higher than the official consumer price index (CPI). Thus, by way of example, if the Department of Higher Education and Training (DHET) was to receive a CPI-related increase from National Treasury, in real terms this would result in a decline in funding of HE institutions. This situation would be exacerbated by the growth in student numbers and enrolments targeted by the DHET.

The consequence of this is that until April 2018, additional volume into the national system was being funded by diluting the existing pool of funding. The result was that institutions such as UCT, which has limited opportunity for further student growth, received a lower proportional share of state funding for several years.

In April 2018 (for the 2018/9 state funding year) an additional amount of R2,7 billion was allocated to university block grant funding, impacting the block grant allocation received by UCT, and all other public institutions, in a positive manner. This has also altered the trajectory for state funding in the medium term, a very positive development. Our over-riding concern however remains the sustainability of these commitments given the current and forecast economic outlooks, coupled with the increased commitment required to fund fee free higher education for students from qualifying households.

The University continues aggressively in pursuing third-stream revenues with several initiatives commencing in 2018 – the University created a new food services entity that provided food and related services on campus from a limited number of stores during 2018, with plans for expanding this in future years as existing lease commitments come to an end and the concept has matured adequately; the vacation accommodation and staff housing office came into the Commercial Development unit from April 2018 with a renewed focus on maximising its potential, while the research academy programme is in early phases as another source of third-stream income. In 2019, the Conference Centre at the GSB will commence operations, adding yet another diversified revenue stream.



Ms Babalwa Ngonyama

Chairperson: University Finance Committee



Mr Ashley Francis

Executive Director: Finance





COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The annual financial statements for the calendar year 2018 presented on pages 64 to 114 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 64 to 114 were approved by the University Council on 22 June 2019 and are signed on its behalf by:

Mr Siphon M Pityana

Chair: Council

Professor Mamokgethi Phakeng

Vice-Chancellor

Ms Babalwa Ngonyama

Chair: University Finance Committee

Mr Ashley Francis

Executive Director: Finance





CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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



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Co. Reg. No. 2005/002308/21

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the University of Cape Town and its subsidiaries (University) set out on pages 64 to 114, which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in fund balances and consolidated statement of cash flows for the year then ended as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, 1997 (Act no. 101 of 1997) (HEA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the University in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct of Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Responsibilities of the Council for the consolidated financial statements

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

In preparing the consolidated financial statements, the Council is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the annexure to the auditor's report. This description, which is located at page 63, forms part of our auditor's report

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the University. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the university for the year ended 31 December 2018:

Objectives	Pages in the annual report
To renew and innovate in teaching and learning – improving student success rates and well-being, broadening academic perspectives, stimulating social consciousness and cultivating critical citizens.	23 – 24
To advance UCT as a research-intensive university that makes a distinctive contribution to knowledge, locally and globally.	20 – 23



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We performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives mentioned above.

Other matter

We draw attention to the matter below.

Achievement of planned targets

Refer to the annual report on pages 25 to 29 for information on the achievement of the planned targets for the year.

Report on audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the University with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters.

We did not raise any material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Other information

The other information comprises the information included in the annual report which includes the report of the Chair of Council for 2018, the report on UCT operations during 2018, the report on internal administration, operational structures and controls (incorporating the report on risk and the management of risk) and the annual financial review as required by the Regulations for Reporting by Public Higher Education Institutions. The other information does not include the consolidated financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

Our opinion on the consolidated financial statements and material findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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Internal control deficiencies

We considered internal control relevant to our audit of the consolidated financial statements, reported performance information and compliance legislation. However, our objective was not to express any form of assurance on it.

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 material findings reported on the audit of the annual performance report or any material findings on the audit of compliance with legislation included in this report.

Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control as described above.

Other reports

We draw attention to the following engagements conducted by various parties that are either in progress or have been completed. These reports did not form part of our opinion on the consolidated financial statements or our findings on the reported performance information or compliance with legislation:

Audit-related services

We issued twenty-three agreed-upon procedure engagement reports during the year ending 31 December 2018. Five additional agreed-upon procedure engagement reports were issued by other service providers. These agreed upon procedures were performed at the request of various entities providing funding to the University and covered periods ranging from 1 January 2017 to 31 March 2018.

We conducted one special audit as requested by donors during the year ended 31 December 2018. Two additional special audits as requested by donors were performed by other service providers. 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 and covered periods ranging from 1 January 2017 to 31 December 2017.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Abdul Majid Cader

Registered Auditor

Chartered Accountant (SA)

22 June 2019

Annexure A – Auditor’s responsibilities for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated financial statements, and the procedures performed on reported performance information for selected objectives and on the university’s compliance with respect to the selected subject matters.

Consolidated Financial Statements

In addition to our responsibility for the audit of the consolidated financial statements as described in this auditor’s report, we also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council’s use of the going concern basis of accounting in the preparation of the consolidated financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the Council that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and where applicable, related safeguards.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 R'000	2017 R'000
ASSETS		11,807,893	11,005,556
Non-current assets		10,570,129	10,356,788
Property, plant and equipment	5	3,197,745	2,938,911
Investments	6	7,353,773	7,397,901
Non-current receivables and prepayments	8	18,611	19,976
Current assets		1,237,764	648,768
Inventories		5,697	929
Accounts receivable and prepayments	9	402,961	346,469
Student fees receivable	9	169,878	141,559
Contract assets	17	4,013	–
Cash at bank and cash equivalents	10	655,215	159,811
ACCUMULATED FUNDS AND LIABILITIES		11,807,893	11,005,556
Accumulated funds		9,381,391	9,101,315
Non-distributable funds		3,743,205	4,053,935
Endowed funds		3,743,205	2,520,203
Revaluation reserve		–	1,533,732
Restricted funds designated for specific activities		3,093,495	2,920,838
Education and general		2,890,681	2,736,288
Student and staff accommodation		202,814	184,550
Unrestricted council controlled funds		2,535,298	2,117,199
Non-controlling interests		9,393	9,343
Non-current liabilities		1,466,009	1,165,791
Deferred revenue	11	741,624	531,984
Borrowings – interest bearing	19	87,441	23,546
Provisions – employee benefits	12	636,944	610,261
Current liabilities		960,493	738,450
Accounts payable and accrued liabilities	13	473,445	448,898
Contract liabilities	17	31,973	–
Deferred revenue	11	238,122	123,420
Borrowings – interest bearing	19	6,847	140
Student deposits		128,331	88,801
Provisions – employee benefits	12	81,775	77,191

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

(All amounts in R'000)

		EDUCATION AND GENERAL					
	Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2018 Total	% Change
Recurrent revenue		3,283,833	2,589,121	5,872,954	478,791	6,351,745	4.8
State appropriations-subsidies and grants	14	1,478,584	472,083	1,950,667	20,835	1,971,502	3.0
Tuition and other fee revenue		1,227,479	—	1,227,479	409,032	1,636,511	(2.7)
Gross tuition revenue		1,388,474	—	1,388,474	409,032	1,797,506	6.9
Council bursaries		(160,995)	—	(160,995)	—	(160,995)	100
Income from contracts		—	1,164,753	1,164,753	—	1,164,753	11.0
Rendering of services		260,957	395,327	656,284	41,992	698,276	7.6
Donations and gifts		66,080	347,060	413,140	12	413,152	8.4
Sub-total		3,033,100	2,379,223	5,412,323	471,871	5,884,194	3.7
Interest	15	250,733	142,204	392,937	6,920	399,857	20.9
Dividends	15	—	67,694	67,694	—	67,694	21.9
Recurrent expenditure		2,987,678	2,426,213	5,413,891	480,351	5,894,242	1.4
Personnel	16	2,200,329	1,015,100	3,215,429	136,369	3,351,798	6.5
Other operating expenses	18	733,529	944,557	1,678,086	294,893	1,972,979	1.4
Financial aid and scholarships		39,725	412,285	452,010	—	452,010	(26.3)
Depreciation	5	56,224	53,683	109,907	6,960	116,867	11.4
Sub-total		3,029,807	2,425,625	5,455,432	438,222	5,893,654	1.4
Net finance costs		(42,129)	588	(41,541)	42,129	588	1,580
Finance costs		—	588	588	—	588	1,580
Interest on internal borrowings		(42,129)	—	(42,129)	42,129	—	—
RECURRENT SURPLUS		296,155	162,908	459,063	(1,560)	457,503	83.8
NON-RECURRENT ITEMS		(56,615)	(122,347)	(178,962)	(269)	(179,231)	(180.0)
Loss on disposal of property, plant & equipment		(4,401)	(4,866)	(9,267)	(382)	(9,649)	715.6
Fair value movement on fair value through profit or loss financial instruments		(52,214)	(117,481)	(169,695)	113	(169,582)	2,140.5
NET OPERATING SURPLUS		239,540	40,561	280,101	(1,829)	278,272	(41.2)
Transfer from endowed funds		(5,595)	(14,500)	(20,095)	20,095	—	—
SURPLUS FOR THE YEAR*		233,945	26,061	260,006	18,266	278,272	(41.2)
Attributable to:							
University operations		233,945	26,011	259,956	18,266	278,222	
Non-controlling Interests		—	50	50	—	50	
		233,945	26,061	260,006	18,266	278,272	

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(All amounts in R'000)

	Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Student and Staff Housing Restricted	2018 Total
Surplus for the period		233,947	26,060	18,264	278,271
Other comprehensive income:					
Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods		37,700	–	–	37,700
Actuarial gains on post-retirement medical aid benefit obligation	12.3	37,700	–	–	37,700
TOTAL COMPREHENSIVE INCOME		271,647	26,060	18,264	315,971
Attributable to:					
University operations		271,647	26,010	18,264	315,921
Non-controlling Interests		–	50	–	50
		271,647	26,060	18,264	315,971

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

For the year ended 31 December 2018

(All amounts in R'000)

	Note	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds		
		Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	Non-controlling interests	Total
Fund balances as at 1 January 2018		2,520,203	1,533,732	2,736,288	184,550	2,117,199	9,343	9,101,315
IFRS adjustments	2	1,409,700	(1,533,732)	(35,895)	–	124,032	–	(35,895)
		3,929,903	–	2,700,393	184,550	2,241,231	9,343	9,065,420
Total comprehensive income		–	–	26,010	18,264	271,647	50	315,971
Surplus for 2018		–	–	26,010	18,264	233,947	50	278,271
Other comprehensive income		–	–	–	–	37,700	–	37,700
Transfers between funds		(186,698)	–	164,278	–	22,420	–	–
FUND BALANCES AS AT 31 DECEMBER 2018		3,743,205	–	2,890,681	202,814	2,535,298	9,393	9,381,391

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

(All amounts in R'000)

EDUCATION AND GENERAL						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2017 Total	% Change
Recurrent revenue	3,186,904	2,438,318	5,625,222	435,401	6,060,623	3.1
State appropriations-subsidies and grants	1,370,209	522,510	1,892,719	20,835	1,913,554	3.9
Tuition and other fee revenue	1,306,733	–	1,306,733	374,436	1,681,169	5.2
Income from contracts	–	1,049,262	1,049,262	–	1,049,262	(3.2)
Rendering of services	275,483	336,383	611,866	37,102	648,968	4.3
Donations and gifts	45,478	335,729	381,207	6	381,213	2.1
Sub-total	2,997,903	2,243,884	5,241,787	432,379	5,674,166	2.8
Interest and dividends	189,001	194,434	383,435	3,022	386,457	7.4
Recurrent expenditure	3,029,228	2,321,691	5,350,919	460,816	5,811,735	7.1
Personnel	2,065,840	953,784	3,019,624	127,913	3,147,537	8.2
Other operating expenses	769,272	893,522	1,662,794	283,059	1,945,853	2.2
Financial aid and scholarships	185,909	427,519	613,428	–	613,428	17.1
Depreciation	52,029	46,831	98,860	6,022	104,882	15.1
Sub-total	3,073,050	2,321,656	5,394,706	416,994	5,811,700	7.1
Net finance costs	(43,822)	35	(43,787)	43,822	35	1,066.7
Finance costs	–	35	35	–	35	1,066.7
Interest on internal borrowings	(43,822)	–	(43,822)	43,822	–	–
RECURRENT SURPLUS	157,676	116,627	274,303	(25,415)	248,888	(45.0)
NON-RECURRENT ITEMS	12,259	211,696	223,955	133	224,088	5.9
Loss on disposal of property, plant & equipment	(928)	(254)	(1,182)	(1)	(1,183)	(87.8)
Realised surplus on sale of investments	15,082	294,500	309,582	174	309,756	38.7
Fair value movement on fair value through profit or loss financial instruments	–	(7,569)	(7,569)	–	(7,569)	(174.4)
Impairment of available-for-sale investments	(1,895)	(74,981)	(76,876)	(40)	(76,916)	521.4
NET OPERATING SURPLUS	169,935	328,323	498,258	(25,282)	472,976	(28.7)
Transfer from endowed funds	46,696	(64,023)	(17,327)	17,327	–	–
SURPLUS FOR THE YEAR*	216,631	264,300	480,931	(7,955)	472,976	(28.7)
Attributable to:						
University operations	216,631	264,444	481,075	(7,955)	473,120	
Non-controlling Interests	–	(144)	(144)	–	(144)	
	216,631	264,300	480,931	(7,955)	472,976	

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(All amounts in R'000)

	Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2017 Total
Surplus for the period		216,631	264,300	–	(7,955)	472,976
Other comprehensive income:						
Other comprehensive income to be reclassified to surplus or deficit in subsequent periods		–	–	133,356	–	133,356
Unrealised movement in market value-available for sale investments		–	–	366,196	–	366,196
Reclassification adjustment for items included in income statement		–	–	(232,840)	–	(232,840)
Other comprehensive income not to be reclassified to surplus or deficit in subsequent periods		68,300	–	–	–	68,300
Actuarial gains on post-retirement medical aid benefit obligation	12.3	68,300	–	–	–	68,300
TOTAL COMPREHENSIVE INCOME		284,931	264,300	133,356	(7,955)	674,632
Attributable to:						
University operations		284,931	264,444	133,356	(7,955)	674,776
Non-controlling Interests		–	(144)	–	–	(144)
		284,931	264,300	133,356	(7,955)	674,632

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

For the year ended 31 December 2017

(All amounts in R'000)

	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	Non-controlling interests	Total
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled		
FUND BALANCES AS AT 1 JANUARY 2017	2,335,852	1,400,376	2,677,086	192,505	1,811,377	9,487	8,426,683
Total comprehensive income	–	133,356	264,444	(7,955)	284,931	(144)	674,632
Surplus for 2017	–	–	264,444	(7,955)	216,631	(144)	472,976
Other comprehensive income	–	133,356	–	–	68,300	–	201,656
Transfers between funds	184,351	–	(205,242)	–	20,891	–	–
FUND BALANCES AS AT 31 DECEMBER 2017	2,520,203	1,533,732	2,736,288	184,550	2,117,199	9,343	9,101,315



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from students, government and private sources		5,293,834	4,965,889
Cash paid to employees and suppliers		(5,094,393)	(4,842,506)
Cash generated from operations	22	199,441	123,383
Investment income – interest	15	399,857	330,941
Investment income – dividends	15	67,694	55,516
Finance costs		(588)	(35)
Net cash inflows from operating activities		666,404	509,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(386,572)	(232,834)
Proceeds on disposal of property, plant and equipment		1,221	1,942
Purchase of investments		(3,791,679)	(2,748,512)
Proceeds from sale of investments		3,666,225	509,211
Net cash used in investing activities		(510,805)	(2,470,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term interest borrowings	20.9	70,602	23,686
Government grants received during the year	11	269,203	75,504
Net cash inflows from financing activities		339,805	99,190
Net increase/(decrease) in cash and cash equivalents		495,404	(1,861,198)
Cash and cash equivalents at beginning of the year		159,811	2,021,010
Cash and cash equivalents at end of the year	10	655,215	159,811



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

1. UNIVERSITY INFORMATION

The University of Cape Town was established in 1829 and is domiciled in South Africa. The University's registered address is Private Bag X3, Rondebosch, 7701, South Africa.

The consolidated annual financial statements of the University for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of Council on 22 June 2019.

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

2. BASIS OF PREPARATION

The consolidated annual financial statements have been prepared on a going concern and 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.

2.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The University applied IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers, which are effective for annual periods beginning on or after 1 January 2018. The University has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS: 9 Financial Instruments that replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The University adopted IFRS 9 at the initial application date on 1 January 2018. It applied the Standard retrospectively but has elected not to restate comparative information, which continues to be reported in accordance with IAS 39. Any adjustments as a result of adopting IFRS 9 have been made to opening balances and retained earnings as at 1 January 2018. The accounting policy related to financial instruments applied in prior periods is included below as it represents the basis for accounting for financial instruments in the comparative disclosed in the consolidated annual financial statements. A detailed assessment was performed for applicable aspects of IFRS 9, disclosed further below in this Note.

2.2 ACCOUNTING POLICY APPLICABLE IN THE COMPARATIVE PERIOD:

Financial assets and financial liabilities are initially recognised on the 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 require 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. Subsequent to initial recognition the measurement of financial assets and liabilities depends upon the class of instrument as follows:

Financial assets are classified as either financial assets at fair value through profit or loss' available for sale or loans and receivables, as appropriate. The University determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

■ Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the following categories: loans and receivables, held to maturity or fair value through profit or loss. Such assets comprise investments in listed equity shares, quoted interest bearing corporate and government bonds, quoted unit trusts 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 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 the revaluation reserve is included in profit or loss.

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 on the reporting date.

■ 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 accounts receivable and loans.

These assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents are classified as loans and receivables and are initially measured at fair value. They are subsequently measured at amortised cost. Cash and cash equivalents consist of cash on hand and balances at banks, net of outstanding bank overdrafts, and short-term deposits.

■ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or 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 University 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 derivative instruments of the University are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

■ Financial liabilities

Financial liabilities comprise accounts payable and interest-bearing borrowings. Accounts payable and interest-bearing borrowings balances 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 profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.3 DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

■ Financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The University retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The University has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the University has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the University's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the University's continuing involvement is the amount of the transferred asset that the University may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the University's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

■ 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 profit or loss.

2.4 OFFSET

Financial assets and liabilities are offset and the net amount reported on the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities simultaneously.

2.5 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.

2.6 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 use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from the revaluation reserve to profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

2.8 ACCOUNTING POLICY APPLICABLE ON AND AFTER 1 JANUARY 2018:

2.8.1 IFRS 9 Financial Instruments – Classification and Measurement

Classification and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the University's business model for managing them. The University's business model is to hold investments for capital appreciation. The University initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Trade receivables that do not contain a significant financing component or for which the University has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (FVOCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The University's model for managing financial assets refers to how it manages its financial assets to generate cash flows. The model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

The University's investment portfolio which includes quoted and unquoted equity instruments and debt instruments were previously classified as available for sale. The University's business model is to measure and assess performance of its investments on fair value basis and therefore has classified its investments at fair value through profit or loss.

As a result, the revaluation reserve (unrealised profit) of R1,5bn as at 1 January 2018 has been reclassified within Accumulated Funds on the Statement of Financial Position.

Financial assets at amortised cost (debt instruments)

The University measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Student receivables, trade receivables and loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The University analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. IFRS9 replaces the incurred loss model with a forward looking expected credit loss (ECL) model. The University has applied the simplified approach when calculating the ECL for trade and other receivables and contract assets. Changes in economic factors are taken into account when determining an ECL. The ECL model did not have an impact on the opening balances of the student and accounts receivable impairment computations

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The University's financial assets at amortised cost includes trade receivables and student fees receivable. The impact on the University balance sheet on applying the reclassification and measurement as required by IFRS 9 is shown below. The 2017 unrealised profit has been reclassified through Retained Earnings as an Accounting Standard change to opening balances:

Impact on the Statement of Financial Position (increase/(decrease))

	Endowed Funds R'000	Revaluation reserve R'000	Council Controlled R'000	Total R'000
Balance at 31 December 2017	2,520,203	1,533,732	2,117,199	6,171,143
IFRS 9 adjustment	1,409,700	(1,533,732)	124,032	–
Balance at 01 January 2018	3,929,903	–	2,241,231	6,171,143

2.8.2 IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures, including: the methods used to recognise revenue over time as well as allocation of transaction prices to the various performance obligations.

The University adopted the standard using the modified retrospective approach with the cumulative effect of initially applying IFRS 15 recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application. The standard was applied to all contracts at the date of initial application or those not complete on 1 January 2018.

For student fee income, as the academic year coincides with the financial year, all prior year contracts were assessed to be completed on 1 January 2018.

For commercial research contracts, the University assessed the prior year contracts terms to determine which ones were continuing into the 2018 financial year. The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

Impact on the Statement of Financial Position (increase/(decrease))

	Increase/(Decrease) R'000
Assets	
Contract assets	1,625
Total assets	1,625
Liabilities	
Contract liabilities	37,520
Total liabilities	37,520
Adjustments to Equity	
Retained earnings	(35,895)
Balance at 01 January 2018	(35,895)

The adjustment above relates to commercial research contracts that were not finished at the end of the prior year. The University interprets the contract revenue to be earned over time per the individual contracts. The contract assets relate to the expenses incurred by the University at the end of the prior period that the University is entitled for reimbursement but were not billed to the customers.

The contract liabilities relate to advance payments that the University had received for some commercial contracts and performance obligations were met in the current year. There is no significant financing component as all the obligations are met within 12 months of receipt of funds.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the University's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated income statement for the year ended 31 December 2018

	IFRS 15 R'000	Previous IFRS R'000	Increase/(decrease) R'000
Recurrent revenue			
Tuition and other fee revenue	1,636,511	1,797,506	(160,995)
Income from contracts	1,164,753	1,157,477	7,276
Rendering of services	698,276	698,276	
Total Revenue	3,499,540	3,653,259	(153,719)
Recurrent expenditure			
Bursaries	452,010	613,005	(160,995)
Total recurrent revenue	452,010	613,005	(160,995)
Recurrent surplus	–	–	7,276

Consolidated statement of financial position as at 31 December 2018

	IFRS 15 R'000	Previous IFRS R'000	Increase/(decrease) R'000
Assets			
Contract assets	4,013	—	4,013
Trade receivables	402,961	402,961	—
Student fees receivable	169,878	169,878	—
Total assets	576,852	572,839	4,013
Equity			
Education and general	2,891,339	2,919,300	(27,961)
Total equity	2,891,339	2,919,300	(27,961)
Liabilities			
Contract liabilities	31,973	—	31,973
Total liabilities	31,973	—	31,973
Total equity and liabilities			

The nature and reasons for the adjustments are described below:

a) Revenue from commercial contracts (assets and liabilities)

In terms of IFRS15, revenue is recognised when the performance obligation is met which is over the period of the commercial research contract and not when a specific milestone is achieved as previously reported. Where funds have been received in advance, a contract liability is recognised for the difference between the funds received and the revenue recognised in the statement of comprehensive income. Where the University has not received the total transaction price for the revenue recognised in the statement of comprehensive income, a contract asset is recognised.

Student deposits are also representative of contract liabilities and continue to be disclosed separately on the face of the statement of financial position.

b) Bursaries offered by the University for student fees

Consideration paid by the University to students in the form of financial aid and scholarships are accounted for as a reduction of revenue unless payment to the student is in exchange for a distinct good or service that the student provides to the university. Previously internal bursaries and scholarships were not treated as a reduction of revenue but recognised as a separate expense.

2.9 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 16 Leases

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 re-measure 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 re-measurement 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 has reviewed the new standard and expects that it will primarily affect the accounting for operating leases, in particular those relating to rental of properties, the Jammie Shuttle and photo copying machines. As at the reporting date the university had non-cancellable operating lease commitments of R444 million (refer to note 21.2). A major portion of operating lease commitments relates to rental of properties. It is anticipated that these leases will result in the recognition of a lease liability and a corresponding right of use asset. While the universities recurrent surplus will improve, depreciation and finance charges will increase and other operating expenses will decrease. Return on assets will also be negatively impacted.

2.10 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).

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.

2.11 BASIS OF CONSOLIDATION

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 Graduate School of Business Foundation	A trust of which the University of Cape Town has appointed trustees and is the sole beneficiary
UCT Foods Services (Pty) Ltd	A wholly owned subsidiary of the University of Cape Town
HyPlat (Pty) Ltd	A wholly owned subsidiary of the University of Cape Town
Sports Science Share Block (Pty) Ltd	A private company where the University has appointed directors to the Board and has a 57% equity holding

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 can 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 re-measured at its acquisition date fair value and any resulting gain or loss is recognised in surplus or deficit.

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 IFRS 9 Financial Instruments, 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.

The University re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the University gains control until the date the University ceases to control the subsidiary.

2.12 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 surplus 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.

2.12.1 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.

2.12.2 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.

2.12.3 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.

2.12.4 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.

2.12.5 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.

2.13 TRANSFERS BETWEEN FUNDS

Transfers between funds are reflected in two areas.

2.13.1 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.

2.13.2 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 Revenue from contracts with customers

The University applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of research services

The University concluded that the revenue for research services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the University. The fact that another entity would not need to re-perform the research that the University has undertaken to date demonstrates that the customer simultaneously receives and consumes the benefits provided by the University. The University recognises revenue on the basis of stage completion for each research contract. The stage of completion is determined according to the deliverables noted in each contract, as well as the University's performance against them.

Principal versus agent considerations

The University enters into collaborative research agreements between itself, funders and other Universities. Under these agreements, the University receives funds from the funders, and pays it over to other Universities when performance obligations have been met. The University recognises revenue to the extent that it controls the research services to be provided to the funders, and in such instances, the University is the principal. For the services provided by other Universities, the University has determined that it does not control the research services provided by the other Universities before they are transferred to the funders. The following factors indicate that the University does not control the services before they are transferred to the funders:

- The University is not primarily responsible for fulfilling the promise to provide the research services;
- The University has no discretion to determine the price of the services.

Therefore, the University determined that it is an agent in these contracts and did not recognise revenue relating to these contracts.

3.1.2 Investments

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 the University has the rights to direct these activities. In addition consideration was given to whether or not the University is exposed, or has rights, to the variability associated with the returns of the investee and lastly management considered whether or not the University 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; HyPlat (Pty) Ltd, a wholly owned subsidiary; UCT Foods Services (Pty) Ltd, a wholly owned subsidiary; Graduate School of Business Foundation Trust, a structured trust as the University is the sole beneficiary; Sports Science ShareBlock (Pty) Ltd, an entity that the University has a controlling equity interest in. The University is exposed to variable returns of each entity. The University therefore controls the entities and consolidates them accordingly.

3.1.3 Provision for expected credit losses of trade receivables and student fees receivable

The University uses a provision matrix to calculate ECLs for trade receivables and student fees receivable. The provision rates are based on days past due and historic default rates.

The provision matrix is initially based on the University's historical observed default rates. The University will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the higher education sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The University's historical credit loss experience and forecast of economic conditions may also not be representative of students or customers' actual default in the future. The information about the ECLs on the University's trade receivables and student fees receivables is disclosed in Note 9.

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.

3.2.1 Investments

Financial assets within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss 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 or discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimates is required in establishing fair values. Estimates include considerations of inputs such as liquidity risk, credit risk and volatility.

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 to academic staff 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 academic 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 12.1. The carrying value of the gratuity provision for academic staff at 31 December 2018 was R82,4 million (2017: R74,9 million).

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 2018, 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 12.3.

The carrying value of the post-retirement medical aid obligation at 31 December 2018 was R499,2 million (2017: R484,3 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 which has been analysed and updated with forward looking information, 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 2018 was R169,9 million (2017: R141,6 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.

4.2 REVENUE RECOGNITION

The University has different revenue streams and the following specific recognition criteria must 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 which are not IFRS 15 compliant, grants and donations. Such revenue is recognised in the Consolidated Income Statement over time in the financial period in which progress is satisfied in accordance with the relevant agreement.

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

4.2.3 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.

4.2.4 Dividends

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

4.2.5 Revenue from contracts with customers

Revenue from contracts with customers relates to income from research contracts, not dealt with in 4.2.2 above. This revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services. The University has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer other than in instances mentioned in 3.1.1 above.

In determining the transaction price for the research contracts revenue, the University considers the effects of variable consideration. If the consideration in a contract includes a variable amount, the University estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer only when this right is conditional upon something other than the passage of time. If the University performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the University has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the University transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the University performs under the contract.

4.2.6 Tuition and residence fees

Tuition and residence fees charged are applicable to one academic and financial year and are recognised in that year. The University has assessed that the students simultaneously receive and consume the benefits provided within the year, as such revenue is recognised over time. Scholarships, bursaries and other financial aid provided by the University to students for tuition and residence fees are recognised as a reduction of fees.

4.2.7 Rendering of services

Revenue, involving the rendering of services, is recognised over time to the extent that the service has been provided. Revenue includes consulting services, short course fees and club hotel revenues. When the University is not able to reasonably measure the outcome of the obligation under the contract but expects to recover the costs incurred in satisfying the obligations to date, revenue shall be 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 period during which the employees render services to the University.

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 or deficit 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 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. The method used in determining the value of this provision is one where a discount rate is applied against projected valuations in order to establish a present value.

4.5 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.

4.6 RESEARCH COSTS

Research costs are expensed as incurred.

4.7 LIBRARY ACQUISITIONS

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

4.8 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 included in surplus or deficit 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.

	2018	2017
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

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:

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.

4.9 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.

4.10 FINANCIAL ASSETS AND LIABILITIES

4.10.1 Accounting policy applicable to reporting periods on and after 1 January 2018

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.

With the exception of trade and student debtors that do not contain a significant finance component, the University initially measures financial assets and liabilities at fair value plus, in the case of a financial asset or liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Trade and student debtors that do not contain a significant financing component are measured at transaction price in accordance with IFRS 15. (Refer to accounting policy 4.2.3.) Financial assets are classified, at initial recognition as subsequently measured at fair value through surplus or deficit, fair value through other comprehensive income or amortised cost, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the University's business model for managing them

4.10.2 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The University uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the University determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes 20.7.

4.10.3 Financial assets at amortised cost and receivables

The University measures financial assets at amortised cost if both the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The University's financial assets at amortised cost includes trade receivables, student fees receivable and cash and cash equivalents.

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.

4.10.4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through surplus or deficit, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through surplus or deficit on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income Statement.

This category includes derivative instruments, listed equity investments, unlisted equity investments, debt instruments such as government and corporate bonds, and money market deposits. Dividends on listed equity investments are also recognised as other income in the Income Statement when the right of payment has been established.

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

4.10.5 Financial Liabilities

Financial liabilities comprise accounts payable, student deposits and accrued liabilities and interest bearing borrowings.

The University's financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in surplus or deficit when the liabilities are de-recognised as well as through the amortisation process.

4.11 DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

4.11.1 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.

4.11.2 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 surplus or deficit.

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.

4.12 IMPAIRMENT OF FINANCIAL ASSETS

4.12.1 Assets carried at amortised cost

The University considers debtors in default when contractual payments are 60 days past due. The University recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and student fees receivables, the University applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the University does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The University has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4.13 INVESTMENT IN ASSOCIATES

The University's investments in associates are 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 or deficit 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.

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.

4.14 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.

4.15 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 surplus or deficit 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.

4.16 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.

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).

4.16.1 University as a lessee

Operating lease payments are recognised as an expense in the surplus or deficit on a straight-line basis over the lease term.

4.16.2. 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. Lease income from operating lease is recognised in income on a straight-line basis over the lease term. 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 rentals are recognised as revenue in the period in which they are earned.

5. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2018

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	Total
Carrying amount 1 January 2018	2,111,826	676,649	65,576	25,100	59,760	2,938,911
Cost						
Cost 1 January 2018	2,383,619	943,126	176,295	43,272	59,760	3,606,072
Additions	42,824	133,351	60,780	2,990	146,627	386,572
Transfers	23,671	–	–	–	(23,671)	–
Disposals	(11,413)	(19,193)	(9,893)	(3,465)	–	(43,964)
Cost 31 December 2018	2,438,701	1,057,284	227,182	42,797	182,716	3,948,680
Accumulated depreciation						
Balance 1 January 2018	271,793	266,477	110,719	18,172	–	667,161
Disposals	(11,279)	(10,249)	(9,477)	(2,088)	–	(33,093)
Depreciation charge	34,123	54,995	24,910	2,839	–	116,867
Balance 31 December 2018	294,637	311,223	126,152	18,923	–	750,935
Carrying amount 31 December 2018	2,144,064	746,061	101,030	23,874	182,716	3,197,745

Year ended 31 December 2017

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	Total
Carrying amount 1 January 2017	2,073,496	593,205	62,911	25,082	61,223	2,815,917
Cost						
Cost 1 January 2017	2,312,793	871,654	153,698	41,023	61,223	3,440,391
Additions	41,366	136,394	23,334	3,716	28,024	232,834
Transfers	29,487	–	–	–	(29,487)	–
Disposals	(27)	(64,922)	(737)	(1,467)	–	(67,153)
Cost 31 December 2017	2,383,619	943,126	176,295	43,272	59,760	3,606,072
Accumulated depreciation						
Balance 1 January 2017	239,297	278,449	90,787	15,941	–	624,474
Disposals	(12)	(61,088)	(462)	(633)	–	(62,195)
Depreciation charge	32,508	49,116	20,394	2,864	–	104,882
Balance 31 December 2017	271,793	266,477	110,719	18,172	–	667,161
Carrying amount 31 December 2017	2,111,826	676,649	65,576	25,100	59,760	2,938,911

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 R15,8 billion (2017: R15,5 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R67.9 million (2017: R69,1 million).

6. INVESTMENTS

	2018 R'000	2017 R'000
Investments comprise the following categories:		
FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Listed investments		
Local equities	1,993,382	–
Collective investment schemes	465,430	–
Local mutual funds	15,672	–
Local capital markets	1,015,048	–
International investments	1,008,789	–
Mutual funds	468,871	–
Collective investment schemes	539,918	–
Unlisted investments		–
International investments	677,013	–
Collective investment schemes	677,013	–
Money market deposits – local	2,122,118	–
Unlisted companies	55,853	–
Local equity-linked derivatives	10,468	–
TOTAL INVESTMENTS	7,353,773	–

No investments have been pledged as security during the current year (2017: nil).

Investments comprise the following categories:

AVAILABLE FOR SALE INVESTMENTS		
Listed investments		
Local equities	–	1,833,311
Collective investment schemes	–	435,159
Local mutual funds	–	32,668
Local capital markets	–	1,196,143
International investments	–	1,800,518
Mutual funds	–	1,145,923
Collective investment schemes	–	654,595
Unlisted investments	–	–
Money market deposits – local	–	2,040,612
Unlisted companies	–	55,855
Total available for sale investments	–	7,394,266
FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Listed investments		
Local equity-linked derivatives	–	3,635
TOTAL INVESTMENTS	–	7,397,901

No investments may be pledged as security during any financial year.

On 1 January 2018, due to a change in accounting policy and the adoption of IFRS 9: Financial Instruments, available for sale financial assets worth R7,394 billion were reclassified to financial assets at fair value through profit or loss. This would result in all fair value changes to the financial assets being realised through profit or loss as opposed to through other comprehensive income, as done in prior years.

Fair value hierarchy

As at 31 December 2018, 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.

Assets measured at fair value

Year ended 31 December 2018	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Investments				
Local equity shares	1,993,382	1,993,382	–	–
Collective investment schemes	465,430	465,430	–	–
Local mutual funds	15,672	15,672	–	–
Local capital market interest bearing investments	1,015,048	361,591	653,457	–
Local equity-linked derivatives	10,468	–	10,468	–
International mutual funds	468,871	468,871	–	–
International collective investment schemes	1,206,931	529,918	677,013	–
Money market deposits – local	2,122,118	–	2,122,118	–
Local unlisted entities	55,853	9,853	–	46,000
Total	7,353,773	3,844,717	3,463,056	46,000

Year ended 31 December 2017	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Investments				
Local equity shares	1,833,311	1,833,311	–	–
Collective investment schemes	435,159	435,159	–	–
Local mutual funds	32,668	32,668	–	–
Local capital market interest bearing investments	1,196,143	369,512	826,631	–
Local equity-linked derivatives	3,635	–	3,635	–
International mutual funds	1,145,923	1,145,923	–	–
International collective investment schemes	654,595	654,595	–	–
Money market deposits – local	2,040,612	–	2,040,612	–
Local unlisted entities	55,855	4,855	–	51,000
Total	7,397,901	4,476,023	2,870,878	51,000

Reconciliation of Level 3 investments

	2018 R'000	2017 R'000
Balance beginning of period	55,855	24,000
Gains and losses recognised in surplus or deficit	(2)	—
Purchase	5,000	31,855
Impairment	(5,000)	—
Total	55,853	55,855

As part of the annual review of the fair value hierarchy levels at the end of each year, management re-evaluated the determination of what constitutes an active market. As a result, all corporate bonds are now considered to be classified as level 2 investments, with government bonds remaining in level 1. All corporate and government bonds have been grouped in aggregate under local capital market interest bearing investments. The transfer out of level 2 related to government bonds and amounted to R361 million. 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, corporate bonds, equity linked derivatives and some investments in collective investment schemes. Investments are deposits held with financial institutions. The fair values of these amounts reflect 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 2018, the marked-to-market 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 surplus or deficits, no sensitivities to these inputs have been presented.

7. INVESTMENTS IN ASSOCIATES

The University has the following interest in associate:

Name of Associate	% 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 operates a private hospital.	Cape Town, South Africa

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 R3,6 million (2017: R6,6 million) has been eliminated by profits earned.

	2018 R'000	2017 R'000
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Less: accumulated losses	(2,411)	(2,411)
Carrying value	—	—

Summarised financial information is set out below.

Associate's statements of financial position:

	2018 R'000	2017 R'000
Non-current assets	29,316	36,874
Current assets	24,754	66,674
Non-current liabilities	(36,533)	(98,417)
Current liabilities	(10,191)	(9,254)
Net liabilities	7,346	(4,123)
Equity	7,346	(4,123)
Accumulated losses	(13,930)	(25,391)
Non-distributable reserves	21,276	21,268

The following amounts represent the University's share of assets and liabilities, and the share of accumulate losses of the associate.

University share of accumulated losses	(3,621)	(6,602)
University share of net assets/(liabilities)	1,910	(1,072)
Associate's revenue and losses:		
Revenue	191,963	125,677
Cost of sales	(103,705)	(41,669)
Administrative expenses	(66,210)	(63,799)
Net finance costs	(4,705)	(10,061)
Profit before tax	17,343	10,148
Income tax expense	(5,788)	(1,742)
Profit for the year	11,555	8,406
University's share of profits (26%)	3,004	2,186

8. NON-CURRENT RECEIVABLES AND PREPAYMENTS

	2018 R'000	2017 R'000
The University of Cape Town Ukukhula Trust	3,774	5,267
Non-current loans to Sports Science ShareBlock (Pty) Ltd shareholders	14,837	14,709
	18,611	19,976

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 7.90% (2017: 6.61%). The non-current loans to shareholders relate to obligations by the shareholders to the share block company with regards to the property assets previously held by the share block.

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018 R'000	2017 R'000
Research receivables	167,674	113,986
Other trade receivables	85,475	59,798
Total trade receivables	253,149	173,784
Property deposits and guarantees	496	509
Prepayments	2,758	3,900
Research funding accrual	66,442	81,501
Sundry receivables	80,116	86,775
Accounts receivables and prepayments	402,961	346,469
Student fees receivables	169,878	141,559
	572,839	488,028

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

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

The above total for accounts receivable and prepayments disclosed in note 20.7 excludes prepayments and property deposits, as these are not financial instruments as defined.

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
2018	92,398	58,104	45,174	36,820	20,653	253,149
Expected losses	859	502	722	1,321	6,246	9,650
Expected loss rate	0.92%	0.86%	1.57%	3.46%	23.22%	3.67%
2017	50,985	56,987	21,145	28,454	16,213	173,784

The University considers debtors in default when contractual payments are 60 days past due. These are then individually considered for impairment. The trade receivables is grouped according to days outstanding in order to calculate the expected loss rate per grouping. See note 20.5 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 R9,7 million (2017: R9,7 million) were impaired and fully provided for.

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

	2018 R'000	2017 R'000
Balance at 01 January	9,656	5,834
Charge for the year	–	4,911
Used	(6)	–
Unused amounts reversed	–	(1,089)
Balance at 31 December	9,650	9,656

STUDENT FEES RECEIVABLE

The student fees receivable is net of the impairment provision. The rate of interest charged to students was a fixed rate of 1% (2017:1%) 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 receivable, all of which are due, is as follows:

All amounts in R'000	2018 Fees	2017 Fees	2016 Fees	2015 Fees	Total
Net receivable at 31 December 2018	154,036	9,262	4,200	2,380	169,878
Gross student fees receivable	165,286	23,154	16,799	23,160	228,399
Provision for expected losses	(11,250)	(13,892)	(12,599)	(20,780)	(58,521)
Expected loss rate	6.81%	60.00%	75.00%	89.72%	25.62%
All amounts in R'000	2017 Fees	2016 Fees	2015 Fees	2014 Fees	Total
Net receivable at 31 December 2017	125,896	9,936	4,050	1,677	141,559

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University considers all prior years' outstanding fees as past due. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2019 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 R58,5 million (2017: R53,0 million) were impaired and fully provided for. The student fee receivable is grouped according to the year in which the fees were earned, in order to calculate the expected loss rate per grouping.

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

	2018 R'000	2017 R'000
Balance at 1 January	53,033	43,215
Charge for the year	18,255	19,425
Used	(12,767)	(9,607)
Balance at 31 December	58,521	53,033

10. CASH AT BANK AND CASH EQUIVALENTS

	2018 R'000	2017 R'000
Cash at bank and in hand	156,396	99,870
Short-term bank deposits – Local	498,819	59,941
	655,215	159,811

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 2018, the University has an undrawn loan facility of R854 million (2017: R925 million) with the Development Bank of Southern Africa (DBSA) to be utilised over time to finance potential infrastructure projects which are self-sustaining.

The weighted average effective interest rate on local short-term bank deposits was 7.90% (2017: 6.61%). 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

	2018 R'000	2017 R'000
At 1 January	609,884	557,812
Received during the year	269,203	75,504
Released to the income statement	(13,864)	(23,432)
	865,223	609,884
Current portion of government grants	(123,599)	(77,900)
At 31 December	741,624	531,984

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

Project income	2018 R'000	2017 R'000
At 1 January	45,520	13,702
Received during the year	114,659	52,480
Released to surplus for the year	(45,656)	(20,662)
	114,523	45,520
Current portion of government grant	(114,523)	(45,520)
At 31 December	–	–

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

12. PROVISIONS – EMPLOYEE BENEFITS

	2018 R'000	2017 R'000
Gratuity provision for academic staff	82,355	74,903
Leave provision for administrative and support staff	137,164	128,249
Post-retirement medical aid benefit obligation	499,200	484,300
Total provisions – employee benefits	718,719	687,452
Current portion – gratuity provision academic staff	(8,882)	(8,000)
Current portion – leave provision for administration and support staff	(51,993)	(50,591)
Current portion – post-retirement medical aid obligation	(20,900)	(18,600)
Total current provisions – employee benefits	(81,775)	(77,191)
Total non-current provisions – employee benefits	636,944	610,261

12.1 GRATUITY PROVISION ACADEMIC STAFF

The University has a 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 fairly value the liability, management has assumed that future salary increases will be 6.3% per annum (2017: 6%), while the discount rate that has been applied is 9.7% (2017: 9.7%).

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.

	2018		2017	
	R'000	R'000	R'000	R'000
	+1%	–1%	+1%	–1%
Change in liability – salary inflation	657	(11,728)	6,998	(6,007)
Change in liability – discount rate	(11,728)	657	(6,007)	6,998

12.2 LEAVE PROVISION FOR ADMINISTRATIVE AND SUPPORT STAFF

An accrual is made for the estimated liability for annual leave because 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 9.7% (2017: 9.7%); expected inflation on medical aid contributions of 7.8% (2017: 8.2%). Post retirement mortality is based on PA (90) ultimate mortality tables rated down three years (2017: 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 18 years (2017: 19 years).

It is estimated that the benefits payable in respect of funding obligations for the year ending 31 December 2018 will be R18,6 million (2017: R16,6 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:

	2018		2017	
	R'000	R'000	R'000	R'000
	+1%	–1%	+1%	–1%
Liability	74,700	(60,900)	76,200	(61,700)
Service cost	5,000	(3,800)	2,300	(8,000)
Interest cost	7,700	(6,300)	6,700	(7,600)

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

	2018		2017	
	R'000	R'000	R'000	R'000
	+0.5%	−0.5%	+0.5%	−0.5%
Liability	(31,400)	36,100	(32,800)	36,900

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

All amounts in R'000	Post-employment medical benefits				
	2018	2017	2016	2015	2014
Defined benefit obligation	499,200	484,300	492,500	418,700	401,800

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

	2018 R'000	2017 R'000
Within the next 12 months	20,900	18,600
Beyond 12 months	478,300	465,700
Total liability	499,200	484,300

	2018 R'000	2017 R'000
Defined benefit obligation	499,200	484,300
The net expense recognised in the Income Statement is as follows:		
	70,900	76,900
– Interest on obligation	48,000	49,600
– Current service cost	22,900	27,300
Actuarial gains in other comprehensive income	(37,700)	(68,300)
Actuarial (gain)/loss due to demographic factors	(9,700)	(39,800)
Actuarial gain on financial factors	(28,000)	(28,500)

Reconciliation of the change in the present value of the defined benefit obligation:

Defined benefit obligation at start of year	484,300	492,500
Interest on obligation	48,000	49,600
Current service cost	22,900	27,300
Actuarial gains	(37,700)	(68,300)
Benefits paid by the University in respect of funding obligations	(18,300)	(16,800)
Defined benefit obligation at end of year	499,200	484,300

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 R'000	2017 R'000
Trade payables	154,697	162,827
Accrued expenses	117,053	66,593
National Research Foundation grant deposit	89,000	103,000
Payroll	83,424	88,084
Other payables	29,271	28,394
	473,445	448,898
Financial liabilities	460,850	439,908
Non-financial liabilities	12,595	8,990
	473,445	448,898

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. The National Research Foundation (NRF) 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 this investment supports the administration and management of NRF RISA research funding by the University.

14. STATE APPROPRIATIONS—SUBSIDIES AND GRANTS

	2018 R'000	2017 R'000
Subsidy for general purpose	1,418,534	1,283,813
State grants and contracts	539,104	606,308
Release of deferred revenue	13,864	23,432
	1,971,502	1,913,553

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

15. INTEREST AND DIVIDENDS

	2018 R'000	2017 R'000
Bank interest	39,950	18,223
Interest income on student fees	58,594	31,719
Interest income on other receivables	9,736	—
Interest on investments	291,577	280,999
Total interest	399,857	330,941
Dividends	67,694	55,516
	467,551	386,457

16. PERSONNEL COSTS

	2018		
All amounts in R'000	Academic Professionals	Other	Total
Wages and salaries	1,220,973	1,652,273	2,873,246
Termination benefits	7,452	27,786	35,238
Provident fund costs	169,844	220,870	390,714
Post-retirement medical aid benefits	22,865	29,735	52,600
	1,421,134	1,930,664	3,351,798

	2017		
All amounts in R'000	Academic Professionals	Other	Total
Wages and salaries	1,285,535	1,411,159	2,696,694
Termination benefits	6,169	26,295	32,464
Provident fund costs	174,588	183,691	358,279
Post-retirement medical aid benefits	29,287	30,813	60,100
	1,495,530	1,651,907	3,147,537

	2018	2017
Average number of persons employed during the year	Number	Number
Full time	6,054	5,436
Part time	1,850	2,195
Students	1,660	1,649
Total	9,564	9,280

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. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2018 R'000	2017 R'000
Type of goods or service		
Tuition and other fee income	1,636,511	1,681,169
Gross tuition and other fee income	1,797,506	1,681,169
Internal council bursaries	(160,995)	—
Income from commercial research contracts	56,101	67,449
Rendering of services	698,276	648,968
Total revenue from contracts	2,390,888	2,397,586

Income from commercial research contracts concluding post 12 months amounted to R3,7 million at the end of the year.

Contract balances	Contract Assets	Contract Liabilities
Opening balance	1,625	37,520
Movement in current year	2,388	(5,547)
Closing balance	4,013	31,973

18. OTHER OPERATING EXPENSES

The following items are included in the operating surplus:

Other operating expenses:

	2018 R'000	2017 R'000
Library acquisitions	75,993	77,417
Repairs and maintenance	125,017	129,571
Software costs	28,226	30,267
Expected credit losses	18,255	24,336
Lease expenses	81,007	62,654

19. INTEREST BEARING LOANS

	2018 R'000	2017 R'000
Non-current borrowings	87,441	23,546
Current portion	6,847	140
Total borrowings	94,288	23,686

Interest-bearing loans are held to maturity at amortised cost.

The loan from the Development Bank of South Africa (DBSA) has been used to finance capital infrastructural development and is unsecured. The loan is for a period of fifteen years and bears interest at a variable rate of 3 months JIBAR plus 2% per annum, and is repayable over a period of 168 monthly instalments, which commenced 31 October 2018, the last of which is due on 30 September 2032.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The University's principal financial instruments comprise equities and debt instruments measured at fair value through profit or loss, accounts receivables, student fees; cash and cash equivalents, accounts payable, interest bearing borrowings 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.

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

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

The Council, through its Finance and Joint Investment Committees, reviews and agrees policies for managing each of these risks which are summarised below.

20.1 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 investments which are measured at fair value through profit or loss. 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 investments to appropriate asset classes. Portfolios are then allocated to selected portfolio 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 Joint Investment Committee. These reports are also distributed to the Foundation trustees.

Internal checks are performed regarding the income received and the purchase and sale of investments as reflected on the portfolio statements.

20.2 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 surplus or deficit					
Price variance	+10%	+5%	+1%	-5%	-10%	-20%
At 31 December 2018						
Local equities	199.3	99.7	19.9	(99.7)	(199.3)	(397.7)
Collective investment schemes	46.5	23.3	4.7	(23.3)	(46.5)	(93.1)
Local mutual funds	1.6	0.8	0.2	(0.8)	(1.6)	(3.1)
Local capital markets	101.5	50.8	10.2	(50.8)	(101.5)	(203.0)
Local unlisted equity investments	5.6	2.8	0.6	(2.8)	(5.6)	(11.2)
International mutual funds	46.9	23.4	4.7	(23.4)	(46.9)	(93.8)
International collective investment schemes	120.7	60.3	12.1	(60.3)	(120.7)	(241.4)
Equity-linked derivatives	(1.0)	(0.5)	(0.1)	0.5	1.0	2.1

All amounts in R millions	Impact of these variances on surplus or deficit					
Market variance	+10%	+5%	+1%	-5%	-10%	-20%
At 31 December 2017						
Local equities	183.4	91.7	18.3	(91.7)	(183.4)	(366.9)
Collective investment schemes	43.5	21.8	4.4	(21.8)	(43.5)	(87.0)
Local mutual funds	3.3	1.6	0.3	(1.6)	(3.3)	(6.5)
Local capital markets	120.0	60.0	12.0	(60.0)	(120.0)	(240.0)
Local unlisted equity investments	5.6	2.8	0.6	(2.8)	(5.6)	(11.2)
International mutual funds	114.6	57.3	11.5	(57.3)	(114.6)	(229.2)
International collective investment schemes	65.5	32.7	6.5	(32.7)	(65.5)	(130.9)
Equity-linked derivatives	(0.4)	(0.2)	(0.0)	0.2	0.4	0.7

20.3 INTEREST RATE RISK

The University has a number of receivables (i.e. student fees) that are exposed to interest rate risk. For the 2018 year students were charged interest at a fixed rate of 1.0% per month (2017: 1.0%).

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	Impact of interest changes on surplus or deficit					
Interest rate changes in basis points (BP)	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
Holdings at 31 December 2018						
Interest-bearing collective investment schemes and bonds	(235.4)	(117.7)	(58.8)	58.8	117.7	235.4
Interest-bearing borrowings	(1.89)	(0.94)	(0.47)	0.47	0.94	1.89
Holdings at 31 December 2017						
Interest-bearing collective investment schemes and bonds	(276.3)	(131.2)	(64.0)	64.0	131.2	276.3
Interest-bearing borrowings	(0.47)	(0.24)	(0.12)	0.12	0.24	0.47
Holdings at 31 December 2018						
Money market and call deposits	42.44	21.22	10.61	(10.61)	(21.22)	(42.44)
Cash and cash equivalents	29.61	14.80	7.40	(7.40)	(14.80)	(29.61)
Holdings at 31 December 2017						
Money market and call deposits	40.8	20.4	10.2	(10.2)	(20.4)	(40.8)
Cash and cash equivalents	3.2	1.6	0.8	(0.8)	(1.6)	(3.2)

20.4 FOREIGN CURRENCY RISK

The University reflects no exposure to foreign currency risk in respect of financial assets held through profit or loss 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 normal course of operations. The University does not have a policy that requires such cover to be taken.

At year end the University had R62,1 million (2017: R58,1 million) of trade receivables and had R0.6 million (2017: R0,7 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed negligible.

20.5 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 R253 million (2017: R174 million), which reflects the amount after 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 R169 million (2017: R142 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, debt instruments which are measured at fair value through profit or loss which comprise government and corporate bonds, 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 (R1,7 billion). The University places cash and cash deposits only with major financial institutions with good credit ratings.

20.6 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
At 31 December 2018					
Trade and other payables		460,850	–	–	460,850
Interest bearing borrowings	–	–	6,487	87,301	94,148
Student deposits	128,331				128,331
At 31 December 2017					
Trade and other payables	–	439,908	–	–	439,908
Interest bearing borrowings	–	–	140	23,546	23,686
Student deposits	88,801				88,801



20.7 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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Financial Assets				
Cash	655,215	159,811	655,215	159,811
Financial instruments at fair value through profit or loss	7,353,773	7,397,902	7,353,773	7,397,902
Account receivables	402,961	343,858	402,961	343,858
Student fees receivable	169,878	141,559	169,878	141,559
Non-current receivables	18,611	19,562	18,611	19,976
Financial liabilities				
Accounts payable and accrued liabilities	473,445	446,920	473,445	446,920
Interest bearing borrowings	94,288	23,686	94,288	23,686
Student deposits	128,331	88,801	128,331	88,801

Management assessed that carrying amounts of cash and cash equivalents, 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 financial instruments at fair value through profit or loss. 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.

20.8 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.

20.9 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2018 R'000	2017 R'000
<i>Non-current interest bearing loans and borrowings</i>		
Balance as at 01 January	23,686	–
Cash Flows	70,602	23,686
Changes in fair values	–	–
Balance as at 31 December	94,288	23,686

21. COMMITMENTS

21.1 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 not contracted for	Total
Avenue Road residence	–	222,000	222,000
GSB Conference Centre	16,048	–	16,048
Teacher Education building	–	55,000	55,000
Refurbishment of Chris Hani Building	–	80,979	80,979
ICT network renewal	50,000	–	50,000
Water Sustainability	–	70,000	70,000
Upper Campus Parking initiative	–	19,800	19,800
Deferred Maintenance Projects	–	35,359	35,359
Other	–	58,129	58,129
Total 2018	66,048	541,267	607,315
Total 2017	104,710	296,988	401,698

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 19.8 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 R865.2 million (2017: R609.8 million) of Government grants reflected as deferred revenue in note 11.

21.2 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	Current year	Within 1 year	2 to 5 years	Later than 5 years	Total
Year ended 2018					
Photo copying machines	2,573	2,747	1,994	–	4,741
Jammie Shuttle	16,642	16,831	62,173	–	79,004
Rental of properties	52,226	56,613	174,111	129,627	360,351
	71,441	76,191	238,278	129,627	444,096
Year ended 2017					
Photo copying machines	2,137	2,089	1,374	–	3,463
Jammie Shuttle	15,478	16,277	65,107	15,251	96,635
Rental of properties	31,360	61,405	186,925	141,032	389,362
	48,975	79,771	253,406	156,283	489,460

21.3 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 years	Total
Year ended 2018				
Rental of premises	7,847	6,459	9,815	24,121
Year ended 2017				
Rental of premises	6,296	5,975	–	12,271

22. CASH GENERATED FROM OPERATIONS

	Note	2018 R'000	2017 R'000
Reconciliation of net surplus to cash generated from operations:			
SURPLUS FOR THE YEAR		278,272	472,976
Adjustments for:			
Depreciation	5	116,867	104,882
Release of deferred revenue	11	(13,864)	(23,432)
Movement in employee benefits		68,967	43,513
Loss on sale of property, plant and equipment		9,649	3,015
Investment income – interest	15	(399,857)	(330,941)
Investment income – dividends	15	(67,694)	(55,516)
Finance costs		588	35
Profit on sale of investments		–	(309,756)
Fair value movement on fair value through profit or loss financial instruments		169,582	7,569
Impairment of available-for-sale investments		–	76,916
Changes in working capital			
Accounts receivable, prepayments and loans		(85,834)	(73,248)
Inventories		(4,768)	41
Accounts payable, accrued liabilities, project income and deposits		127,533	207,330
Cash generated from operations		199,441	123,383

23. REMUNERATION OF KEY MANAGEMENT

EXECUTIVE MANAGEMENT TEAM DURING 2018

Name	Job Title	Annualised salary for job R	Amount paid or accrued for job R	Performance bonus R	Acting allowance R	Total for other services R
Dr MR Price	Vice-Chancellor 01/01/2018-30/06/2018 and thereafter 6 months sabbatical	3,196,407	3,121,020**	–	–	476,445*
Professor RM Phakeng	Vice-Chancellor 01/07/2018-31/12/2018	3,000,000	1,500,000	–	–	224,224*
Professor RM Phakeng	Deputy Vice-Chancellor 01/01/2018-30/06/2018	2,242,523	1,121,262	119,302	–	–
Professor M Kyobe	Deputy Vice-Chancellor Designate 01/06/2018-30/06/2018 Acting 01/07/2018-31/12/2018	1,342,918	783,369	–	354,709	–
Professor LA Feris	Deputy Vice-Chancellor	2,081,512	2,081,512	–	–	–
Professor BD Reddy	Deputy Vice-Chancellor (Acting) 01/01/2018-31/01/2018	1,669,883	139,157	–	47,720	–
Assoc Professor ML Lange	Deputy Vice Chancellor 01/02/2018-31/12/2018	2,242,523	2,055,646	–	–	–
Professor HM Corder	Deputy Vice-Chancellor (Acting) 01/01/2018-31/01/2018	1,438,674	119,890	–	66,988	–
Professor HM Corder	Dean: Faculty of Law (Acting) 28/05/2018-31/12/2018	1,438,674	860,077	–	183,430	–
Professor AP Le Roex	Deputy Vice-Chancellor (Acting) 01/02/2018-31/07/2018 and part time 01/08/2018-31/12/2018	1,775,229	1,627,293	–	241,560	–
Dr RL Morar	Dean: FHS (Acting) 28/07/2018-30/09/2018	1,937,914	337,667	–	21,426	–
Dr RL Morar	Chief Operating Officer (P/T 40%) 01/10/2018-31/12/2018	1,937,914	484,479	–	–	30,462
Professor PE Andrews	Dean: Faculty of Law 01/01/2018-27/05/2018 and thereafter sabbatical until 31/12/2018	1,876,420	1,876,420**	–	–	–
Assoc Professor MS Soko	Director: Graduate School of Business 01/01/2018-06/06/2018	1,483,681	641,751	–	–	–
Assoc Professor K Sewchurran	Director: Graduate School of Business (Acting) 07/06/2018-31/12/2018	1,078,932	612,251	–	177,640	157,636
Professor D Wardle	Dean: Faculty of Humanities (Acting) Full Year	1,167,756	1,167,756	139,756	577,752	–

EXECUTIVE MANAGEMENT TEAM DURING 2018

Name	Job Title	Annualised salary for job R	Amount paid or accrued for job R	Performance bonus R	Acting allowance R	Total for other services R
Professor SB Bourne	Dean: Faculty of Science (Acting) Full Year	1,167,756	1,167,756	99,826	577,752	–
Professor AE Lewis	Dean: Faculty of EBE	1,876,420	1,876,420	219,616	–	323,100
Professor ID Woolard	Dean: Faculty of Commerce 01/01/2018-30/04/2018	1,876,420	625,473	–	–	–
Assoc Professor K Rajaratnam	Dean: Faculty of Commerce (Acting) 01/05/2018-21/10/2018	1,078,934	508,194	47,589	313,967	326,806
Assoc Professor L Ronnie	Dean : Commerce (22/10/2018-31/12/2018)	1,745,507	341,512	–	–	8,590
Assoc Professor SB Shay	Dean: CHED (01/02/2018-31/08/2018)	1,614,594	941,847	–	–	–
Assoc Professor MR Madiba	Dean: CHED (Acting) 01/01/2018-31/01/2018	938,204	78,184	–	47,973	8,598
Assoc Professor A Cliff	Dean: CHED (Acting) 10/09/2018-31/12/2018	938,204	273,643	–	170,460	–
Professor B Mayosi	Dean: FHS 01/01/2018-27/07/2018	2,643,675	1,522,116	–	–	–
Professor C Williamson	Dean: FHS (Acting) 01/10/2018-31/12/2018	1,425,943	356,486	–	148,296	–
Mr RN Pillay	Registrar	1,745,505	1,745,505	241,438	–	–
Ms M Hoosain	Executive Director: HR	1,745,505	1,745,505	92,861	–	–
Ms G Kruger	Executive Director: CMD	1,745,505	1,745,505	55,717	–	–
Dr AM Sienaert	Executive Director: Research	1,745,505	1,745,505	185,722	–	–
Dr MBM Khan	Executive Director: DSA	1,745,505	1,745,505	–	–	–
Dr R Ally	Executive Director: DAD	1,745,505	1,745,505	–	–	–
Mr AG Francis	Executive Director: Finance	2,343,412	2,343,412	185,722	–	–
Ms GME Thomas	Executive Director: Libraries 01/01/2018-30/04/2018	1,745,505	581,835	–	–	–
Mr R Raju	Executive Director: Libraries (Acting) 01/03/2018-31/12/2018	1,083,535	902,946	–	395,276	–
Mr IB Janse van Rensburg	Executive Director: ICTS 01/01/2018-30/09/2018	1,745,505	1,309,129	–	–	–
Mr R Van Huyssteen	Executive Director: ICTS (Acting) 01/10/2018-31/10/2018	1,361,808	113,484	–	10,156	–
Mr R Van Huyssteen	Executive Director: ICTS 01/11/2018-31/12/2018	1,549,137	258,190	–	–	–
Mr R September	Executive Director: P&S (Acting) 01/01/2018-30/06/2018	1,083,535	541,768	–	188,796	–
Mr M Parker	Executive Director P&S 01/07/2018-31/12/2018	1,800,000	900,000	–	–	–

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.

*Total for other services of R700,669 (2017: R582,068) is being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of the package as Vice-Chancellor

**Dr Price and Professor Andrews were paid their executive salaries during the sabbatical leave which was taken. Had they not taken it as sabbatical leave, it would have been paid out to them and disclosed under 'leave encashment at resignation'.

EXECUTIVE MANAGEMENT TEAM DURING 2017						
Name	Job Title	Annualised salary for job R	Amount paid or accrued for job R	Performance bonus R	Acting allowance R	Total for other services R
Dr MR Price	Vice-Chancellor	2,983,588	2,983,588	–		582,068
Professor FW Petersen	Deputy Vice-Chancellor (1 January – 31 March 2017)	2,083,619	520,905	–		–
Professor HM Corder	Deputy Vice-Chancellor (Acting)	1,336,436	1,285,043	291,528	571,732	–
Professor BD Reddy	Deputy Vice-Chancellor (Acting)	1,551,215	1,551,215	112,126	490,971	–
Professor LA Feris	Deputy Vice-Chancellor	1,798,248	1,798,248	–	–	–
Professor RM Phakeng	Deputy Vice-Chancellor:	2,103,275	2,103,275	–	–	–
Assoc Professor MS Soko	Director: Graduate School of Business	1,403,671	1,403,671	–	–	81,685
Professor AP Le Roex	Dean: Faculty of Science	1,775,229	1,775,229	243,935	–	–
Professor PE Andrews	Dean: Faculty of Law	1,775,231	1,713,305	–	–	1,230
Professor SM Buhlungu	Dean: Faculty of Humanities (1 - 31 January 2017)	1,674,745	139,562	–	–	–
Associate Professor HO Garuba	Acting Dean: Humanities (1 February – 31 December 2017)	859,554	787,925	–	498,773	31,354
Professor D Wardle	Acting Dean: Humanities (7 - 31 December 2017)	1,084,771	70,916	–		56,133
Professor BM Mayosi	Dean: Faculty of Health Sciences	2,643,675	2,643,675	–		–
Professor AE Lewis	Dean: Faculty of EBE	1,775,231	1,775,231	187,642		86,000
Professor ID Woolard	Dean: Faculty of Commerce	1,775,231	1,775,231	131,349		–
Assoc Professor SB Shay	Dean: CHED	1,527,525	763,763	–		–
Assoc Professor MR Madiba	Acting Dean: CHED	859,554	859,554	–	544,116	123,880
Mr RN Pillay	Registrar	1,651,376	1,651,376	174,551		–
Ms M Hoosain	Executive Director: HR	1,651,377	1,651,377	261,826		–
Ms G Kruger	Executive Director: CMD	1,651,377	1,651,377	52,365		–
Dr AM Sienaert	Executive Director: Research	1,651,380	1,651,380	87,275		–
Mr AJ Theys	Executive Director: P&S (1 January – 31 May 2017)	1,651,377	688,074	–		–

EXECUTIVE MANAGEMENT TEAM DURING 2017						
Name	Job Title	Annualised salary for job R	Amount paid or accrued for job R	Performance bonus R	Acting allowance R	Total for other services R
Mr R September	Executive Director: P&S (Acting) (1 June – 31 December 2017)	1,026,074	598,543	–	220,262	–
Dr MBM Khan	Executive Director: DSA	1,651,377	1,651,377	34,910	–	–
Ms GME Thomas	Executive Director: Libraries	1,651,377	1,651,377	52,365	–	–
Mr IB Janse van Rensburg	Executive Director: ICTS	1,651,378	1,651,378	122,185	–	–
Dr R Ally	Executive Director: DAD	1,651,376	1,651,376	52,365	–	–
Mr AG Francis	Executive Director: Finance	2,155,853	2,155,853	–	–	20,500

Other Payments

Purpose/reason for payment	Name	Position held	Amount (R)
2018			
Leave encashment at resignation	Associate Professor M Soko	Director: GSB	10,824
Leave encashment at resignation	Dr G Thomas	ED: Libraries	275,210
Leave encashment at resignation	Mr S Janse van Rensburg	ED: ICTS	165,596
2017			
Leave encashment at retirement	Professor F Petersen	Deputy Vice-Chancellor	208,330
Study and research leave	Mr A Theys	ED: Properties and service	483,715
Leave encashment at retirement	Professor A Mall	Deputy Vice-Chancellor	66,902
Study and research leave	Professor A Mall	Deputy Vice-Chancellor	268,634
Leave encashment at retirement	Professor S Klopper	Deputy Vice-Chancellor	506,462
Leave encashment at retirement	Professor W Baets	Director: GSB	441,729

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:

Compensation of key management	2018 R'000	2017 R'000
Short-term employee benefits	59,125	36,362
Post-employment benefit	7,856	8,421
Termination benefits	452	692
Total compensation paid to key management personnel	67,433	45,475

The post-employment benefit reflected above for key management represents payments made to the University's retirement fund.

24. RETIREMENT BENEFITS

The University of Cape Town Retirement Fund is a defined provident 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 R390 million (2017: R358 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.

25. LESSEE IMPROVEMENTS

25.1 GROOTE SCHUUR HOSPITAL

The Groote Schuur Hospital, located in Observatory, Cape Town has been built on land owned by the University of Cape Town. The initial 99-year lease has 7 years to run with an option to renew for a further 99 years. Lease income on this property is nominal.

Given the absence of any usufructory rights for 110 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

25.2 PINEWOOD VILLAGE

In a similar manner, the Pinewood Village retirement complex, built in Pinelands, Cape Town has been erected on ground owned by the University of Cape Town.

The initial lease of 99 years still has 72 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.

26. 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 23); and
- National Government (refer Note 11).



The following related party transactions in respect of subsidiary and associate entities occurred during the year under review:

	2018 R'000	2017 R'000
University of Cape Town Foundation		
<i>Related Party Balances</i>		
Intercompany loan	(5,496)	60,048
<i>Related Party Transactions</i>		
Grants	133,796	123,956
Unutilised funds reinvested	—	14,879
Management fee received	3,146	3,058
Endowed funds	18,644	18,251
University of Cape Town Lung Institute (Pty) Ltd		
<i>Related Party Balances</i>		
Investment	11,240	7,764
Trade receivables	512	501
<i>Related Party Transactions</i>		
Interest paid	477	595
Service rendered	4,734	3,844
Services received	5,483	3,386
Sports Science ShareBlock (Pty) Ltd		
<i>Related Party Balances</i>		
Loans to shareholder	32,819	32,160
<i>Related Party Transactions</i>		
Service rendered	8,153	7,389
University of Cape Town Foods Services (Pty) Ltd		
<i>Related Party Balances</i>		
Intercompany loan	(29,769)	—

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.

27. CONTINGENT LIABILITIES

The University faces various litigation claims, the outcome of which is uncertain. There is no significant effect on the financial position or profitability at the date of this report.

28. EVENTS AFTER THE REPORTING PERIOD

There have been no material non-adjusting events after the year end date.



