Communication and Marketing Department
Isebe loThungelwano neNtengiso
Kommunikasie en Bemarkingsdepartement

Private Bag X3, Rondebosch 7701, South Africa
Welgelegen House, Chapel Road Extension, Rosebank, Cape Town
Tel: +27 (0) 21 650 5427/5428/5674 Fax: +27 (0) 21 650 5628

www.uct.ac.za

27 February 2025

Budget postponement underscores critical reality – UCT CFO

UCT's commitment to financial discipline culminates in cash neutral budget

The recent postponement of South Africa's 2025/26 National Budget's tabling underscored a critical reality: the bedrock of effective governance lies in securing consistent and reliable revenue streams.

This is according to University of Cape Town (UCT) Chief Financial Officer, Vincent Motholo, CA (SA), who remarked that the persistent deficit, a recurring feature of the national budgets, indicated a trajectory that was unsustainable.

Motholo, who is also the South African Institute of Chartered Accountants (SAICA) chairperson, highlighted the need for decisive and strategic action, saying just like in previous years, Finance Minister Enoch Godongwana was again expected to paint a picture of a fiscal landscape under pressure when he delivers the budget speech on Wednesday, 12 March 2025.

He explained that at university level, UCT's Resource Allocation Advisory Group (RAAG) has been working diligently to ensure the university operates within its means.

"This commitment to financial discipline has culminated in a Council-approved General Operating Budget (GOB) that is cash neutral – a significant milestone in our pursuit of long-term financial sustainability. A cash neutral strategy ensures that our cash inflows and outflows are balanced, resulting in no net increase or decrease in cash reserves for the 2025 financial year.

"Encouragingly, the actual financial results for 2024 are demonstrating a more favourable position than initially budgeted, affirming the positive impact of our focused financial management efforts," he said.

Motholo explained that since 2022, UCT's GOB expenditure has consistently exceeded revenue, due to several challenges. These are:

- **Lower-than-anticipated enrolment:** This directly impacts UCT's primary funding sources: subsidies and tuition income. Furthermore, the slow recovery of Semester Study Abroad (SSA) student numbers post COVID-19 exacerbates this issue. Quantitatively, a 1% change in tuition income (whether due to volume, rate or a combination) translates to a R20 million revenue impact.
- **Revenue growth lagging behind inflation:** Notably, government subsidies have not kept pace with inflation. Subsidy allocations are based on historical data (previous two years), and sector-wide enrolment growth diminishes UCT's proportional share. Additionally, deviations from UCT's enrolment plans communicated with the Department of Higher Education and Training (DHET) could result in penalties. A 1% change in UCT's subsidy allocation represents an approximate R18.8 million financial impact.
- **Tuition fee increases capped at CPI:** The consumer price index (CPI) remains significantly lower than the higher education price index (HEPI), creating a financial gap.
- **Suboptimal progression and throughput rates:** These factors reduce both subsidy and tuition income.
- **Changes to NSFAS funding:** The introduction of an accommodation cap has negatively affected UCT's financial aid budget, resulting in a financial risk exposure of R160 million in 2023, and R140 million in both 2024 and 2025 (with the accommodation cap increasing from R45 000 in 2023 to R50 000 in 2024).
- **Rising staff costs:** These costs are outpacing revenue growth and increasing benefits expenditure.
- **General operational cost escalations:** In higher education, particularly in the Western Cape, these escalations have exceeded the national CPI.

To address these challenges and achieve a cash neutral position for the 2025 budget, UCT has implemented eight key strategies.

- **Strategic efforts to increase enrolment:** This includes targeted initiatives to boost Semester Study Abroad (SSA) student numbers.
- **Improved student support to address progression and throughput rates:** UCT is enhancing student support systems to improve academic progression and ensure timely completion of programmes.
- **Enhanced revenue diversification:** The university is actively pursuing revenue streams beyond traditional sources, particularly through commercial activities.
- **Sustainable NSFAS-related financial aid allocations:** UCT is planning within the framework of revised policies, ensuring a sustainable approach to bridging funding gaps.
- **Conservative staffing cost budgeting:** Implemented conservative budgeting for staffing costs, with contingencies in place.

- **Rigorous cost containment:** UCT is prioritising essential expenditure while identifying areas for efficiency gains, while preserving core academic and administrative functions.
- **Business plan-driven initiative assessment:** New initiatives are rigorously evaluated for financial viability, ensuring they are self-sustaining and profitable in the medium term.
- **Restricted access to prior year reserves:** The ability to effectively manage cash flow is fundamental to the university's ability to meet its ongoing financial obligations and maintain uninterrupted operations. Access to prior year reserves represents a critical tool in mitigating potential cash flow shortfalls and ensuring the continuity of essential services.

Motholo said significant progress has been made towards financial sustainability.

"The achievement of a cash-neutral budget is a testament to the commitment, resilience and strategic foresight of the UCT community. However, maintaining this progress requires continuous vigilance, efficiency and adherence to prudent financial management at all levels of the institution," he said.

The CFO also called on everyone to play their respective role, urging fee payers to honour their commitments timely as this impacted UCT's cashflow.

"As we navigate this journey together, we remain confident in our ability to safeguard UCT's financial future while upholding our commitment to academic excellence and institutional integrity."

ENDS

Issued by: UCT Communication and Marketing Department

Elijah Moholola
Spokesperson
Communication and Marketing Department
University of Cape Town
Rondebosch
Tel: 021 650 5674
Cell: 083 981 7770
Email: elijah.moholola@uct.ac.za
Website: www.uct.ac.za