**7. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING ON CONSIDERATION OF THE BUDGET VOTE 15: HIGHER EDUCATION AND TRAINING, DATED 09 MAY 2018**

**1. INTRODUCTION AND MANDATE OF THE COMMITTEE AND THE DEPARTMENT**

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2015/16 – 2019/20 Strategic Plan, the 2018/19 Annual Performance Plan (APP) and budget of the Department of Higher Education and Training (hereinafter referred to as the Department), reports as follows:

**1.1. Purpose of the Budget Vote 15 Report**

The purpose of this report is to account in accordance with Rule 166 of the Rules of the National Assembly (NA) for work done by the Committee in considering the 2015/16 – 2019/20 Strategic Plan, the 2018/19 Annual Performance Plan and budget of the Department submitted in accordance with Public Finance Management Act, 1999 (Act. No 29 of 1999), Section 27 (1); and as referred by the Speaker of the National Assembly to the Committee in terms of Rule 338 for consideration and reporting.

**1.2. Mandate of Committee**

Section 55(2) of the Constitution of the Republic of South Africa stipulates that “the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state”. Rule 227 of the Rules of the National Assembly (9th edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

The Committee oversees the implementation of the following Acts:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Department derives its mandate from section 29 of the Constitution of the Republic of South Africa and the legislation mentioned above.

**1.3. Method**

In preparation for the consideration of the Strategic Plan 2015/16 – 2019/20 and the Annual Performance Plan 2018/19 of the Department, the Committee considered key government policy documents relevant to the work of the Department, and the entities, including, among others, the National Development Plan (NDP) / the 2014 – 2019 Medium Term Strategic Framework (MTSF), and the 2018 State of the Nation Address (SONA), the Departments of Higher Education and Training and Finance on the 2017 Budgetary and Review Recommendation Report (BRRR).

The Committee convened a briefing session with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Higher Education and Training Portfolio for the 2018/19 Annual Performance Plans on 14 March 2018. The Committee also considered an independent research analysis of the Department’s 2018/19 APP and the Medium-Term Expenditure Framework (MTEF) budget on 25 April 2018.

**2. OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE DEPARTMENT**

**2.1. Relevant Government policy documents**

**2.1.1. The National Development Plan (NDP) Vision 2030 and the 2014 – 2019 Medium Term Strategic Framework (MTSF)**

The 2014 - 2019 MTSF, which is a five-year strategic plan of government, forms the first five-year implementation phase of the NDP. The aim of the Framework is to ensure policy coherence, alignment and coordination across government plans as well as alignment with the budgeting process. The Department is responsible for Outcome 5: “*A skilled and capable workforce to support an inclusive growth path”*.

**2.1.2. 2018 State of the Nation Address (SONA)**

During the 2018 State of the Nation Address, Hon C Ramaphosa reaffirmed the fee-free education policy for children of the poor and working class. President Ramaphosa reaffirmed the government’s position that fee-free higher education and training will be available to first-year students from households with a gross combined annual income of up to R350 000 per annum in 2018, and would be phased in over a period of five years.

The President also announced that government would work in partnership with business, organised labour and community representatives to create opportunities for young people to be exposed to the world of work through creating a million internships in the next three years, apprenticeships, mentorship and entrepreneurship. The President announced that measures would be put in place to set the country on a new path of growth, employment and transformation. Social partners in the country would collaborate to build a social compact on which drivers of economic growth would be created. The President committed to embarking on a number of measures to address the unemployment challenges and to create jobs, especially among the youth. One such initiative would be a Jobs Summit to align the efforts of every sector and every stakeholder behind the imperative of job creation. Other measures to rebuild the economy included, the convening of an investment conference targeting domestic and international investors, to make the compelling investment opportunities to be found in the country.

The decline in manufacturing capacity would be addressed through the promotion of investment in key manufacturing sectors, and this would include localisation programmes. The President stressed a need to move young people in the centre of the economic agenda as they form a greater part of the labour force. There is a need to revive and grow the mining sector, attract investment, create jobs and set the industry on a new path of transformation and sustainability. Government will continue investment by setting aside at least 30 percent of public procurement to Small, Medium and Micro-sized Enterprises (SMMEs). The focus would be on growing the agricultural sector by accelerating land redistribution programme not only to redress, but also to bring more producers into the agricultural sector and to make land available for cultivation. Government will also strengthen the tourism sector to create much-needed jobs. The President stated that government would establish a Digital Industrial Revolution Commission to develop capabilities in the areas of science, technology and innovation.

**3. OVERVIEW AND ASSESSMENT OF THE 2015/16 – 2019/20 REVISED STRATEGIC PLAN OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING**

**3.1. Overview and assessment of the 2015/16 – 2019/20 Revised Strategic Plan and 2018/19 Annual Performance** **Plan of the Department**

**3.1.1. Revised Strategic Plan 2015/16 – 2019/20 of the Department**

The Department has revised its 2015/16 – 2019/20 Strategic Plan to review some performance indicators to align with the new fee-free higher education policy as well as the increase in the baseline funding for the TVET sector. The revised performance indicators are as follows:

For the TVET Sector, the Department retained the threshold of headcount enrolment in the TVET College from 1.238 million to 710 535 over the remainder of the MTSF, revised the certification rates in TVET qualifications: National Certificate Vocational NC(V) Level 4, N3 and N6 to the original targets of 65 percent of the 2019 MTSF, and certificates issued to qualifying candidates within three-months of publication of results. The Department also revised the following performance indicators to the original targets of the 2019 MTSF: 100 percent of public TVET College examination centres conducting national examinations and assessments in compliance with national policy, 60 percent of funded NC(V) L4 students obtaining qualification within stipulated time, 30 percent of TVET College lecturers undergoing specified hours of work in their industry for specified period every two years from 2019, 5 000 students entering the foundation programmes by March 2017 and 90 percent of TVET institutions compliant to governance standards by 2019 and increasing every year thereafter. The target was revised from 100 percent. The performance indicator to have 484 111 qualifying TVET students obtaining financial assistance annually was revised from 200 000 to align with current funding provision. The performance indicator to have 5 000 additional beds for student accommodation in public TVET Colleges remains unfunded and discontinued for the remainder of the 2019 MTSF.

The Department introduced new performance indicators in the TVET programme, namely: to develop and approve three implementation reports on the operationalisation of each completed College campus, to develop and approve annual projections of budget estimates and implementation for TVET Colleges infrastructure needs, to develop and approve three reports on the implementation of the national infrastructure asset management system for TVET Colleges. For the University Education programme, the performance indicator on the number of eligible students obtaining financial assistance annually was revised from 205 000 to 300 000 to align with current funding provision.

For the Skills Development programme, the MTSF performance indicator to review eight skills development steering mechanisms was revised down to five from eight steering mechanisms. The Department noted that the review of the Skills Development Act, Grant Regulations and Grant Regulations guidelines would be influenced by the shape and form of the new SETA landscape. The Minister extended the current SETA landscape to 2020 to allow for broader and inclusive consultation with stakeholders, and therefore the envisaged review of the said steering mechanisms cannot be completed in the year 2018/19.

**4. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S 2018/19 MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) AND ANNUAL PERFORMANCE PLAN (APP) 2018/19**

**4.1. Overview and assessment of the 2018/19 Medium-Term Expenditure Framework (MTEF) Budget**

**Table 1: Overall Budget Allocation and Expenditure Estimates: 2018/19 financial year**



The Department’s budget for the 2018/19 financial year, excluding direct charges against the National Revenue Fund amounts to R73.020 billion. This budget has increased by 28.4 percent (R20.715 billion) from R52.307 billion allocated in 2017/18. The overall budget of the Department inclusive of direct charges for the 2018/19 financial year amounts to R89.950 billion. The overall budget has increased by 24.3 percent (R21 871.8 billion) from R68 078.2 billion allocated in 2017/18. The budget will increase in the outer two years of the MTEF period to R107. 938 billion and R118. 670 billion in 2019/20 and 2020/21 respectively. Of the Department’s budget excluding direct charges, 81 percent is allocated for spending in Programme 3: University Education, followed by Programme 4: TVET at 14.71 percent and programme 6: Community Education and Training at 3.23 percent.

**4.2. Expenditure estimates per economic classification**

**Table 2: 2018/19 allocation and expenditure per economic classification**

|  |  |
| --- | --- |
| **Economic Classification** | **Financial year** |
| **2017/18 Revised Appropriation** | **2018/19 Appropriation** | **2019/20****Appropriation** | **2020/21****Appropriation** |
| **R’000** | **R’000** | **R’000** | **R’000** |
| **Current payments**Compensation of employeesGoods and Services | 8 669.6 | 9 391.5 | 10 370.7 | 11 133.7 |
| 8 282.3 | 8 957.0 | 9 637.7 | 10 360.5 |
| 387.3 | 434.5 | 733.0 | 773.2 |
| **Transfers and subsidies** | 59 399.0 | 80 549.9 | 97 558.5 | 107 526.5 |
| **Payments for capital assets** | 9.6 | 8.6 | 9.3 | 9.9 |
| **Total** | **68 078.2** | **89 950.0** | **107 938.5** | **118 670.1** |

The Department’s total budget for the 2018/19 financial year amounts to R89.950 billion, inclusive of R16.929 billion (R13.543 billion for SETAs and R3.385 billion for NSF) direct charges against the National Revenue Fund. The allocation for transfers and subsidies to the Departmental agencies and accounts, higher education institutions, foreign governments and international organisations, non-profit organisations amounts to R80.549 billion. This represents 89.5 percent of the Department’s total allocated budget. The allocation has increased by 26.3 percent in 2018/19 from R58.399 billion allocated in 2017/18. An allocation of R59.010 billion which represents 73.3 percent of the total allocation for transfers and subsidies goes mainly to, higher education Departmental agencies (the National Student Financial Aid Scheme (NSFAS), Council on Higher Education (CHE), the South African Qualifications Authority (SAQA)) and the universities subsidies and for capital expenditure.

The second largest allocation in terms of economic classification is for current payments, which amounts to R9.391 billion. This is made up of R8.957 billion for compensation of employees and R434.5 million for goods and services. The allocation for payment for capital assets amounts to R8.6 million for the 2018/19 financial year. The allocation has decreased by R1 million from R9.6 million allocated in 2017/18.

In terms of projected spending on goods and services, 25.1 percent (R109.029 million) of the total budget for goods and services is allocated to travel and subsistence line item. The budget has increased by 16.3 percent from R91.252 million in 2017/18 and it is projected to grow at an average of 52.8 percent between 2017/18 to 20120/2.

The second highest spending line item in goods and services is property payments, which increased by 12.3 percent (R8.494 million) from R60.736 million in 2017/18, followed by the allocation for computer services of R53.987 million. The expenditure on this line item is projected to increase by an average of 8.0 percent between 2017/18 and 2020/21. The allocation for spending on consumable supplies for 2018/19 amounts to R4.189 million. This is projected to increase significantly in the MTEF period by 57 percent to R11.369 million in 2019/20. The operating leases allocation increased from R9.287 million in 2017/18 to R13.421 million in 2018/19. The budget is projected to increase significantly in the two outer years of the MTEF period to R24.188 million in 2019/20 and R29.920 million in 2020/21 respectively. The Department noted that the main reason for the large increase between 2018/19 and 2017/18 was due to a once-off provision for additional parking during 2017/18 that is from 2018/19 provided for under Office Accommodation. In addition, the leases of some photocopy machines were not renewed and in some instances, smaller machine/cheaper machines were leased due to cost containment measures. The lease for the Minister’s vehicles were only provided for during virement as the Department did not originally provide for that.

The allocation for operating payments line item for 2018/19 amounts to R12.990 million and it is expected to increase significantly in the outer two years of the MTEF period to R24.716 million 2019/20 and to R35.161 million in 2020/21.

The Department has effected cost-containment measures in line items such as consultants and business and advisory services, which decreased from R15.297 million in 2017/18 to R8.436 million in 2018/19, agency and support/outsourced services allocation decreased from R2.316 million in 2017/18 to R906 000 in 2018/19, venues and facilities allocation decreased from R8.547 million in 2017/18 to R1.765 million in 2018/19. Other areas where cost-containment measures were effected are contractors and legal services.

**4.3. Overview and assessment of the 2018/19 MTEF budget allocation per programme and 2018/19 performance indicators and targets**

**4.3.1. Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The Programme has six sub-programmes, namely: Ministry, Department Management, Corporate Services, Office of the Chief Financial Officer, Internal Audit and Office Accommodation.

**4.3.1.1.** **Overview and assessment of the 2018/19 MTEF budget allocation**

For the 2018/19 financial year, the programme received a total allocation of R432.3 million. The budget increased by R31.9 million from R400.4 million in 2017/18. The programme’s budget accounts for 0.59 percent of the Department’s total budget excluding the direct charges. The budget is expected to increase in the MTEF period to R461.1 million and R493.7 million in 2019/20 and 2020/21 respectively. The bulk of the budget of the programme, 39.02 percent is allocated to sub-programme 3: Corporate Services, followed by sub-programme 4: Office of the Chief Financial Officer at 21.10 percent. Sub-programme 5: Internal Audit received the highest increase of 37.37 percent in nominal terms, followed by sub-programme 2: Departmental Management and sub-programme 1: Ministry by 13.54 percent and 11.46 percent respectively.

In terms of economic classification, R427.6 million is for current payments, of which R248 million is for compensation of employees and R179.7 for goods and services. The bulk of the budget on goods and services allocation, R68.3 million is allocated for property payments and followed by R37.5 million for computer services.

**4.3.1.2. Overview and assessment of 2018/19 performance indicators and targets**

The programme has three strategic objectives with six performance indicators spread across the strategic objectives. For the 2018/19 financial year, the programme has six targets, namely: to fill 90 percent of the approved positions, to resolve 100 percent of disciplinary cases within 90 days per annum, to reduce the average number of days to fill an advertised position to 180 days per annum, to pay creditors within 30 days, to achieve an unqualified audit and to implement 95 percent of Information Communication Technology (ICT) improvement initiatives.

**4.3.2. Programme 2: Planning, Policy and Strategy**

The purpose of this programme is to provide strategic direction in the development, implementation and monitoring of departmental policies and in the human resource development strategy for South Africa. The Programme has six budget sub-programmes, namely; Programme Management: Planning, Policy and Strategy; Human Resource Development Strategic Planning and Coordination; Planning, Information, Monitoring and Evaluation Coordination; International Relations; Legal and Legislative Services and Social Inclusion in Education.

**4.3.2.1. Overview and assessment of the 2018/19 MTEF budget allocation**

The programme received a total budget of R80.2 million for the 2018/19 financial year. The programme’s budget accounts for 0.11 percent of the Department’s total budget excluding direct charges. The budget has increased by R11.9 million. R76 million of the programme’s total budget is allocated to current payments, of which R65.9 million is for compensation of employees and R10.2 million for goods and services. The budget for transfers and subsidies to foreign governments and international organizations for the 2018/19 financial year amounts to R3.7 million. The payments for capital assets allocation amounts to R0.4 million.

**4.3.2.2. Overview and assessment of 2018/19 performance indicators and targets**

The programme has five strategic objectives with 10 MTSF performance indicators. For the 2018/19 financial year, the targets are: to develop and approve seven monitoring and evaluation reports, to develop and approve a report on student support services plan for the post-school education and training (PSET) sector, to develop and approve a report on management information system (MIS), to approve and publish a report on skills supply and demand bi-annually and to approve and publish a statistical report on PSET annually.

Besides the planned targets, the Department will also prioritise, among others: the development of an Integrated National Career Development System for South Africa, submission of Open Learning Policy Framework for PSET System for tabling at Cabinet, implementation of the Recognition of Prior Learning (RPL) coordination mechanism as required by the Minister’s RPL policy, to implement Articulation Policy and student support plan for RPL candidates, and to implement statutory requirements of the South African Qualifications Authority (SAQA) and the three Quality Councils in terms of the National Qualifications Framework (NQF) Act, Social Inclusion and the Strategic Policy Framework for Disability in the PSET system.

**4.3.3. Programme 3: University Education**

The purpose of this programme is to develop and coordinate policy and regulatory frameworks for an effective and efficient university education system and to provide financial support to universities, the National Student Financial Aid Scheme and national institutes for higher education.

**4.3.3.1. Overview and assessment of the 2018/19 MTEF budget allocation**

The programme’s budget for the 2018/19 financial year amounts to R59.147 billion. This budget increased by 41.1 percent (R17.215 billion) from R41.931 billion allocated in 2017/18. The budget is projected to increase in the two outer years of the MTEF period to R73.295 billion and R80.666 billion in 2019/20 and 2020/21 respectively. The programme budget accounts for 81 percent of the Department’s total budget excluding direct charges against the National Revenue Fund. The bulk of the budget of this programme, R38.579 billion, is allocated to sub-programme 6: University Subsidies. This sub-programme accounts for 65.26 percent of the programme’s budget. The sub-programme is responsible for making annual transfers to universities. The allocation for spending on this sub-programme increased by 22.12 percent (R6.991 billion) from R31.606 billion allocated in 2017/18. The significant increase in the budget is towards the realization of the pronouncement made by the former President Zuma that government spending on universities as per percentage of Gross Domestic Product (GDP) will increase from 0.68 percent to 1 percent over the next five years.

The increase is also towards increasing earmarked grants to universities for the operationalisation of the three new universities (University of Mpumalanga, Sol Plaatje University and Sefako Makgatho University), Infrastructure Efficiency Grants to the 23 universities and increased clinical grants. The increase in subsidies will go a long way in addressing the underfunding of universities, and will improve their financial health. In addition, the allocation would also ensure that expansion of access to universities through infrastructure development is incrementally realised. For the 2018/19 financial year, an amount of R3.692 billion has been allocated for capital expenditure, of which R2.691 billion is allocated for the 23 universities and R638.5 million and R362 million for the University of Mpumalanga and Sol Plaatje University respectively.

The second largest allocation is in sub-programme 3: Institutional Governance and Management Support. This sub-programme monitors and supports institutional governance management, and provides sector liaison services. The allocation for spending in this sub-programme is R20.471 billion, which increased by 99.27 percent from R10.273 billion in 2017/18. This sub-programme accounts for 34.61 percent of the total University subsidies programme budget. The increased investment in this sub-programme is to support the realisation of the fee-free higher education policy as pronounced by the former President Zuma on 16 December 2017, and reiterated by President Ramaphosa during the State of the Nation Address on 16 February 2018, and the former Minister of Finance, Mr Gigaba during the delivery of budget speech on 21 February 2018. The bulk of the budget of this sub-programme, R20.334 billion is allocated to the National Student Financial Aid Scheme (NSFAS) for implementation of the fee-free higher education, especially for the 2018 first-time-entering students at universities. This will support enrolled TVET Colleges and university students from South African households with a combined annual income of up to R350 000 per annum.

TVET Colleges and university students eligible for financial assistance will be subsidised for full-cost of study, including: tuition fees, prescribed study material, meals, accommodation and /or transport allowances. This will have knock-on effects, thus ensuring that these students will not have any outstanding debts and student debts at universities will decrease; unemployment, poverty and inequality will be reduced when the graduates get employed and improve their earnings. The transfers to NSFAS grew at an average growth rate of 51.6 percent between 2017/18 – 2020/21 respectively. This sub-programme is also responsible for making annual transfers to the Departmental agencies: the CHE, the QCTO, SAQA, and the National Institute for the Humanities and Social Sciences (NIHSS).

In terms of economic classification, R79.1 million is allocated for current payments, of which R72.1 million is allocated for compensation of employees and R6.9 million is for goods and services. The allocation for transfers and subsidies for 2018/19 amounts to R59.067 billion, of which R20.451 billion is for the Departmental agencies and accounts and R38.559 billion is for transfers to higher education institutions.

**4.3.3.2. Overview and assessment of 2018/19 performance indicators and targets**

This programme has six strategic objectives and eight MTSF performance indicators. For the 2018/19 financial year, the programme has two planned targets, which are to have 14 monitoring and evaluation reports developed and approved per annum. Beside the two targets, the Department will also focus on, among others: the development of a fee regulatory framework for the Higher Education system, the development of the systems to support the piloting of the planned Central Applications Service, the piloting an expanded financial assistance and support model for funding academically deserving students from poor, working and middle class families, and the development processes to ensure the integration of agricultural, nursing and other public colleges currently under the governance of other National and Provincial Departments into the PSET system as national competencies governed under Higher Education and Training legislation.

This programme is also responsible for overseeing the implementation of the NDP/MTSF targets, which are among others: to enrol 1.7 million students in public higher education studies at universities, to produce 57 000 graduates in engineering sciences from universities, 45 000 graduates in natural and physical sciences, to produce 99 000 graduates in Initial Teacher Education from universities, to achieve 78 percent success rate at universities. With regard to progress in the achievement of these targets, the overall numbers of students enrolled in public higher education studies at universities show a slight decrease between 2015/16 from 985 212 to 975 837 in 2017/18. The deviation was due to the decline in student numbers at the University of South Africa (UNISA). This was firstly noted in 2014/15 financial year and has continued into the 2015/16 and 2017/18 financial year. The decline was partly due to changes in UNISA’s admission policy, but also to their financial policies as students with bad debt could not be registered.

The Committee was informed during its oversight visit to the University of Fort Hare (UFH) that the enrolment targets were not achieved in the agricultural and science related programmes due to low numbers of learners who matriculated with Maths and Science. The Cape Peninsula University of Technology (CPUT) also reported to have not met its 2018 target on first-time entering students. There is a likelihood that the target may not be realised in 2018/19.

With regard to graduate output in engineering sciences, the cumulative achievement between 2015/16 – 2017/18 is 36 914. This is an indication that the Department is on track to achieve the MTSF target of 57 000 graduates in engineering sciences from by 2019/20. The cumulative graduate output in human and animal health sciences and physical and natural sciences achievement between 2015/16 – 2017/18 is 28 920 and 23 000 respectively. The graduate output in these programmes shows that the Department is on track to achieve the MTSF targets of 45 000 graduates in human and animal health sciences from universities and 36 000 in physical and natural sciences. The graduate output in initial teacher education is 61 945 and 7 585 for Doctoral studies. This shows satisfactory progress towards achieving the MTSF targets of 99 000 graduates in initial teacher education from universities and 12 000 doctoral graduates from universities respectively. The Department has already achieved the MTSF of 78 percent of success rate at universities and the 46 percent of universities academic staff with PhDs is also on track. The current achievement is 45 percent.

Of concern to note is the target of students in foundation programmes. The annual target of 36 000 students enrolled in foundation programmes has not been achieved since the beginning of the MTSF in 2015/16. The Department has attributed the under-achievement to the fact that UNISA has not enrolled students in foundation programmes. The Department has since revised down the annual target. The current achievement shows that the MTSF target of 36 000 students enrolled in foundation programmes annually will not be achieved.

**4.3.4. Programme 4: Technical and Vocational Education and Training**

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for technical and vocational education and training. The programme has five budget sub-programmes. The sub-programmes are: Programme Management: Technical and Vocational Education and Training; Technical and Vocational Education and Training System Planning and Institutional Support; Programmes and Qualifications; National Examination and Assessment and Financial Planning.

**4.3.4.1. Overview and assessment of the 2018/19 MTEF budget allocation**

The programme’s allocation for 2018/19 amounts to R10.739 billion. This is the second highest programme allocation, which accounts for 14.71 per cent of the total Higher Education and Training budget (R73.020 billion), excluding direct charges against the National Revenue Fund. The budget increased by R3.279 billion in nominal terms from R7.460 billion allocated in 2017/18. This represents an increase of 44 percent. The programme budget is projected to increase in the two outer years of the MTEF period to R12.982 billion and R14.585 billion in 2019/20 and 2020/21 respectively.

Sub-programme 2: Technical and Vocational Education and Training System Planning and Institutional Support is allocated the bulk of the programme’s budget which amounts to R10.396 billion. This accounts for 96.80 percent of the programme’s total budget. The sub-programme budget has increased by 46.84 percent from R7.080 billion allocated in 2017/18. The high increase is to cater for an additional allocation in subsidies to the TVET Colleges to R4.302 billion in 2018/19, which is an increase from R1.515 billion in 2017/18. The increased subsidy is due to the introduction of the TVET infrastructure baseline funding to refurbish campus buildings, purchase workshop equipment and maintain existing facilities. The increase in the baseline funding responds to the Committee’s recommendation to have additional funding from the voted funds to ensure operationalisation of the new TVET College campuses, which are currently three (3); to address the infrastructure maintenance backlog and modernisation of equipment at the TVET Colleges workshops. Part of the funding will also go towards the 80 percent programme funding. Of the R10.739 billion total allocation for the programme, R6.276 billion is allocated for compensation of employees.

Sub-programme 3: Programmes and Qualifications received an allocation of R13.6 million from R9.5 million in 2017/18. This represents the second highest budget increase of 43.16 percent within this programme. The National Examination Assessment sub-programme received an allocation of R315.6 million, which decreased by 11.22 percent (R39.9 million) from R355.5 million allocated in 2017/18. The budget is projected to increase significantly in the two outer years of the MTEF period to R449.1 million and R650 million in 2019/20 and 2020/21 respectively. Sub-programme 1: Programme Management TVET received an allocation of R3.6 million in 2018/19. The budget decreased by R2.2 million from R5.6 million in 2017/18. This represents a decrease of 35.71 percent. The budget is projected to grow marginally to R3.8 million and R4.1 million in 2019/20 and 2020/21 respectively.

In terms of economic classification, R6.436 billion is allocated for current payments, of which R6.276 billion is allocated for compensation of employees and R160 million is for goods and services. The bulk of the budget on goods and services, R73.1 million is allocated for spending on travel and subsidies, followed by R35 million on training and development, R15.4 million on computer services and R11.2 million on consumables: stationery, printing and office supplies. The allocation for transfers and subsistence for 2018/19 amounts to R4.302 billion, of which R15.2 million is for Departmental agencies and accounts (transfer to ETDP SETA) and R4.287 billion is for transfers to TVET Colleges.

**4.3.4.2. Overview and assessment of 2018/19 performance indicators and targets**

This programme has five strategic objectives and 18 MTSF performance indicators. For the 2018/19 financial year, eight of the 18 performance indicators have planned targets. The targets are: to have three approved reports on the implementation of steering mechanisms for the TVET sector per annum, to have 16 monitoring and evaluation reports approved per annum, to a have a report on the operationalisation of each completed TVET Colleges campus approved, to have a report on the implementation of a roll-out plan for the construction of nine TVET College campuses approved, to have a report on annual projections of budget estimates and implementation for TVET College infrastructure needs approved, to have a report on the implementation of the national infrastructure maintenance plan for TVET College sector approved, to have a report on the implementation of the national infrastructure asset management for TVET Colleges and to have a report on the South African Institute for Vocational and Continuing Education and Training (SAIVCET) stakeholder engagements approved.

The NDP/MTSF targets is to have 1.2 million students enrolled in the TVET colleges by 2019/20. However, the Department has been underperforming in this target for over 3 years. The under-achievement was attributed to underfunding in terms of programmes and student funding i.e. NSFAS, inadequate physical infrastructure and human resource.

The NDP proposes an increase in the throughput rate of the TVET sector to 75 percent by 2030, in order to have a major impact on South Africa’s skills profile. The certification rates in the NCV Level 4, N3 and N6 have been very low and have not been achieved as expected in the 2015/16 and 2016/17 financial years. A significant improvement has been recorded in the 2017/18 where targets were exceeded in the certification rates of both NC(V) Level 4, N3 and N6. For the 2018/19, the Department has increased the targets for certification rates of both NC(V) Level 4, N3 and N6 to the original MTSF target of 65 percent. This could be attributed to increases in funding towards the 80 percent programme funding and student funding through NSFAS, which it is hoped will address financial challenges that lead to poor performance.

The Colleges still grapple with the challenge of underqualified lecturers and, underprepared students, lack of foundation provision grants, inappropriate or lack of pedagogical training of lecturers and lectures without industry knowledge are found to be the major contributors to the underperformance in this area. Universities receive Foundation Provision Grants to support underprepared student so as to improve their success and throughput rate. Whilst, TVET Colleges also enrol underprepared students, there is no funding for provision of foundation programmes. It should be noted that the Department has revised the 2015/16 – 2019/20 Strategic Plan to bring back the original MTSF target to have 5 000 TVET students enrolled in foundation programmes. For 2018/19, the target is to have 600 students enrolled in foundation programmes.

The Department reported that funding has not been secured to date for student enrolment in foundation programmes. The Department will pilot the offering of foundation programmes in nine (9) TVET Colleges in 2018, and the provision will be funded out of the National Skills Fund (NSF) project funds. The full roll-out is planned for 2019/20 and will factor enrolments for the foundation programmes into the annual enrolment targets. The Department has cautioned that it cannot predetermine at this stage that the MTSF target of 5 000 students enrolled in foundation programmes will be achieved, given the absence of fiscal funding.

Notwithstanding the revision of the Strategic Plan to bring back the MTSF target of 5 000 TVET students enrolled in foundation programmes, from 2018/19, the target to have 50 percent of success rate in foundation programmes remains discontinued. It should also be noted that the significant increase in the baseline funding for the TVET sector has not translated into the increased headcount enrolment. The headcount enrolment is still capped at 710 535, far below the MTSF annual target of 1.2 million.

**4.3.5. Programme 5: Skills Development**

The purpose of this programme is to promote and monitor the National Skills Development Strategy. Develop a skills development policy and regulatory framework for an effective skills development system. This programme has four sub-programmes, namely: Programme Management – Skills Development; SETA Coordination; National Skills Development Services and Quality Development and Promotion.

**4.3.5.1. Overview and assessment of the 2018/19 MTEF budget allocation**

For the 2018/19 financial year, the programme received an allocation of R262.6 million, which represents 0.4 per cent of the total Higher Education and Training budget. The budget increased by R13.2 million from R249.4 million allocated in 2017/18. The budget is projected to increase in the outer two years of the MTEF period to R279.8 million and R297 million in 2019/20 and 2020/21 respectively. Sub-programme 2: SETA Coordination, which supports, monitors, reports on the implementation of the national skills development strategy at sectoral level by establishing and managing the performance of service level agreements with SETAs, and conducting trade test at the Institute for National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) received an allocation of R221.4 million, which accounts for 84.31 percent of the total budget of the Skills Development programme. The sub-programme is expected to grow at an annual average growth rate of 6.6 percent between 2017/18 – 2020/21 respectively.

Sub-programme 4: Quality Development and Promotion received the second largest allocation of R27.4 million, which increased by R0.5 million from R26.9 million in 2017/18. The sub-programme budget accounts for 10.46 percent of the total programme budget. Sub-programme 3: National Skills Development Services received an allocation of R10.2 million, which decreased by R2.3 million from R12 million in 2017/18. This sub-programme manages projects identified in the national skills development strategy, and advises the Minister on the national development policy and strategy.

In terms of economic classification, R127.8 million is allocated for current payments, of which R111.7 million is allocated for compensation of employees and R16.1 million is for goods and services. The allocation for transfers and subsidies amounts to R133.8 million. The payments for capital assets amounts to R1 million.

**4.3.5.2. Overview and assessment of 2018/19 performance indicators and targets**

For the 2018/19 financial year, the programme has four performance indicators/targets. The targets are: to have a report on the implementation of steering mechanisms for skills development approved, to have five SETA monitoring reports approved, to have 80-days average lead time from qualifying trade test applications received until the trade test is conducted and to have a national artisan development information management system approved.

The 2014 – 2019 MTSF set the targets to produce 24 000 artisans per annum in order to meet the needs of a growing economy. This five-year target of 24 000 is working towards meeting the target of 30 000 artisans produced per annum by 2030 as set by the NDP. The target was not achieved in 2015/16, however, there was a significant improvement in 2016/17 where the achievement of the target to have 21 110 new artisans qualified was achieved. Four of the five system targets were achieved in 2016/17, except a target on the proportion of SETAs meeting good governance. However, the target was achieved in 2017/18.

**4.3.6. Programme 6: Community Education Training**

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. The programme has four sub-programmes, namely: Programme Management: Community Education and Training; Community Education and Training Colleges Systems Planning, Institutional Development and Support; Financial Planning; and Education and Training and Development Support.

**4.3.6.1. Overview and assessment of the 2018/19 MTEF budget allocation**

For the 2018/19 financial year, the programme received a total budget of R2.358 billion. The programme’s budget accounts for 3.23 percent of the Department’s total budget excluding direct charges. The programme experienced a nominal increase of R161.7 million from R2.197 billion allocated in 2017/18. This represents a real increase of R38.7 million when factoring inflation. Sub-programme 2: Community Education and Training Colleges Systems Planning, Institutional Development and Support received the bulk of the programme’s total budget amounting to R2.160 billion. This represents 91.60 percent of the programme’s total budget. Sub-programme 3: Financial Planning receives R176.4 million for the 2018/19. The budget has experienced a nominal increase of R10.2 million from R166.2 million allocated in 2017/18.

R2.244 billion of the programme’s total budget is allocated to current payments, of which R2.183 billion is for compensation of employees and R61.2 million for goods and services. The allocation for spending on compensation of employees increased by R153.2 million from R2.029 billion allocated in 2017/18. The bulk of the budget is allocated for goods and services at R26.3 million for consumables: stationery, printing and office supplies. Though the allocation for this line item is the highest, it has actually decreased by R4.4 million from R30.7 million allocated in 2017/18. The allocation for spending on travel and subsistence is the second highest spending line item at R9.3 million, which increased by R4 million from R5.3 million allocated in 2017/18. The training and development line item received an allocation of R9 million, which decreased by R3.3 million from R12.3 million allocated in 2017/18.

The allocation for transfers and subsidies amounts to R112.7 million. Of this amount, R2.8 million is allocated for transfer to the Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) and R109.9 million is subsidies to TVET Colleges. The subsidy allocation to TVET Colleges increased by R6 million from R103 million allocated in 2017/18. The allocation for subsidies to TVET Colleges is projected to grow to R116.9 million and R122.5 million in the 2019/20 and 2020/21 respectively. The payments for capital assets allocation amounts to R1.9 million.

**4.3.6.2. Overview and assessment of 2018/19 performance indicators and targets**

For the 2018/19 financial year, the programme will implement two performance indicators with the following targets: to have a report on the implementation of steering mechanisms for CET sector approved, and to have five CET monitoring reports approved.

The MTSF has set a target to have 34 000 headcount enrolment in the CET sector. The performance on this target could not be reported on for the 2016/17 financial year due to unavailability of data and the target was not achieved for the 2017/18. The NDP has set a target to have 1 million enrolments in the CET sector by 2030. Certification rate targets of 45 percent in CET formal qualifications have not been achieved. More student support mechanisms should be put in place to address the throughput rate.

**5. COMMITTEE OBSERVATIONS**

The following formed part of the Committee observations:

**5.1. Programme 1: Administration**

* The budget allocated for the Administration programme amounts to R432.2 million, which increased by 8.0 percent in nominal terms. The budget increase is 2.34 percent in real terms, when value has been adjusted to take inflation into account. All the six budget sub-programmes have received budget increases for the 2018/19 financial year, however, the percentage increases are below 4 percent in real terms. The Corporate Services sub-programme’s budget, though increased nominally by R6.3 million from R162.4 million allocated in 2017/18, has decreased by R2.5 million in real terms when considering inflation. This sub-programme provides corporate services management support to the Department and Colleges in support of the attainment of its strategic objectives. Of significance to note is that Cabinet approved budget reductions of R28.2 million in this programme over the medium term. The reduction would be accommodated by cost containment measures on various goods and services items, such as minor assets, outsourced services, travel and subsistence, computer services, and operating payments.
* The programme is responsible for providing strategic leadership, management and support services to the Department. The approved budget reductions of R28.2 million is of concern, given that since its establishment in 2009, the administrative capacity of the Department has been a constraint. There has been a consistent underperformance in meeting the targets to fill advertised posts within 180 days and to resolve the disciplinary cases within 90 days. The underperformance was due to lack of capacity in the Recruitment and Selection Unit. There have been delays in the implementation of the e-recruitment system to reduce turn-around time in the filling of vacancies by the Department and automating other processes that may bring efficiencies within the Department.
* The Department is still experiencing capacity challenges as a direct consequence of staff migration from the provinces and the delays in the approval of the organogram. The key administrative functions of the Department are still centralized at the head office due to insufficient capacity at regional offices. As a result, the Department does not have adequate capacity at the head office to attend to all human resources related queries, particularly from TVET and CET colleges.
* The position of the Deputy Director-General (DDG) for the CET Branch was still filled on an acting basis, while the DDG position for the Policy and Strategy was filled on contractual basis and the delays in finalising the appointment processes were noted with serious concern.

**5.2. Programme 2: Planning, Policy & Strategy**

* The programme’s budget for the 2018/19 amounts to R80.2 million, which increased 11.30 percent in real terms from R68.3 million in 2017/18. Five sub-programmes received budget increases of over 10 percent in real terms, while Social Inclusion in Education sub-programmes received an increase of 3.23 percent in nominal terms, which is a 2.16 percent decrease in real terms when factoring in inflation. Of great concern is that this sub-programme is responsible for promoting access to higher education and participation by all learners in training programmes; managing the development and maintenance of policy, programmes and systems for learners with special needs, and monitors the implementation of those policies. The marginal budget increase will impact negatively on achievement of transformation in the PSET sector.
* The programme is responsible for the creation of a credible institutional mechanism for labour market skills planning and the lack of management information systems (MIS) for the TVET and CET sectors impacted on the performance reporting of the sectors outputs.
* For the 2017/18 financial year, the Department planned to review the National Qualifications Framework Act for tabling in Parliament by end March 2018. However, there have been delays in the finalisation of the Bill.

**5.3. Programme 3: University Education**

* For the 2018/19 financial year, University Education programme is allocated a budget of R59.147 billion for the year 2018/19 and this budget increased by R17.2 billion from R41.931 billion in 2017/18. The bulk of this budget, 65.26 percent is spent on University subsidies. Driving this significant increase is the additional funding towards realising government’s commitment to improve the baseline funding of institutions as per percentage of GDP, which will progressively increase from 0.68 percent to 1 percent over five-years. This will ensure that university operating cost are adequately funded. Furthermore, the additional funding will support the 2014-2019 MTSF priorities to increase enrolments of students in higher education studies at universities to 1.7 million by 2019/20, and graduates in scarce and critical skills, such as engineering sciences, human and animal health, natural and physical sciences, initial teacher education, doctoral and research masters, increasing success rate at higher education institutions. This is to increase mid to high-level skills to support government’s economic priorities. The increased funding will also be geared towards expansion of infrastructure efficiency grants to address the infrastructure maintenance backlog at universities, construction of new teaching and learning facilities, including student housing.
* Significant budget increase is effected in sub-programme 3: Institutional Governance and Management Support received an allocation of R20.471 billion, which is an increase of 99.27 percent from R10.273 billion in 2017/18. The allocation reaffirms government’s commitment to implement fee-free higher education policy. Over 90 percent of this budget is allocated to NSFAS to progressively implement the new funding policy, starting with the first-entering students at universities in 2018. The funding will also support TVET College students from households with a combined income of up to R350 000. The additional allocation is a progressive realisation of the of the constitutional right of access to education and training to the students from poor and working class families.
* The headcount enrolment target of 985 212 and 975 837 students enrolled in public higher education studies at universities has not been achieved in 2015/16 and 2017/18 financial years. The inadequate registration systems at the University of South Africa (UNISA) continues to have a negative impact on the overall enrolment target for the sector. The under-enrolment has also been reported at the University of Fort Hare and the Cape Peninsula University of Technology for the 2018 academic year, and this would impact negatively on the achievement of the headcount enrolment target.
* The annual target of 36 000 university students enrolled in foundation programmes has not been achieved since the beginning of the MTSF in 2015/16. The Department has attributed the underperformance to the fact the UNISA has not enrolled students in foundation programmes. The Department reported to the Committee during an oversight visit to UNISA in January 2018 that the state budget for foundation provision for UNISA was zero for 2018/19, pending approval of its foundation programmes. The projected headcount intake into foundation programmes, subject to the approval of their programmes, is 13 879 students in 2019. This will continue to impact on the achievement of the MTSF annual target of 36 000.
* The graduate output in PhD studies has been growing since the 2015/16 to 2017/18. Of concern to note is the low enrolment of Black South African students and women in the programmes, as was reported at the University of Fort Hare during the Committee’s oversight visit in January 2018. This will in the long run contribute to the slow transformation in the university sector and in the labour market. The undertaking by the Minister to establish a Ministerial Task Team to investigate the challenges is commendable.
* The inadequate number of black academics at senior management positions in universities remains a challenge. The Department’s interventions, such as the Staffing South Africa’s Universities Frameworks (SSAUF) through the New Generation of Academics Programme (NGAP) are welcomed as they are aimed at redressing equity challenges in the staff demographics at universities.
* It is concerning that five universities produce 55 percent of postgraduate qualifications while 21 produce the rest.
* The under-utilisation of e-learning in higher education as an alternative means of teaching and learning remains a challenge given the inadequate spaces at contact learning institutions.
* Whilst the university success rates remain positive at 78 percent, the number of students that complete their three-year programmes within a regulated time remains a concern.
* The recurring student protests in higher education institutions over the delays in the payment of students’ allowances (for transport, accommodation, meals and book) by NSFAS remains a serious concern. The poor coordination and lack of integration of NSFAS IT systems with the universities compounds the situation.

**5.4. Programme 4: Technical and Vocational Education and Training**

* This programme received an allocation R10.739 billion, which increased by R3.297 billion from 2017/18. This represents an increase of 44 percent. The budget is projected to grow to R14.585 billion in 2020/21. The additional increase is to support the NDP mandates to expand access to skills programmes that address labour market’s need. Driving the budget increase is the additional allocation for infrastructure refurbishment and maintenance of TVET Colleges buildings, allocation for purchasing of modern workshop equipment and allocation to increase TVET programme costs from the current 54 percent to the 80 percent by 2022/23. The funding will address inefficiencies in the sector and improve the quality of teaching and learning. Over the MTEF period, additional allocation will be made from R400 million in 2019/20 and R422 million in 2020/21 for the operationalisation of the new three TVET college campuses, and R161.9 million in 2019/20 and R290.1 million in 2020/21 for the TVET college examination services function.
* Notwithstanding the significant increase in the baseline funding for the TVET sector, it should be noted that the baseline increase has not catered for the increase in the headcount enrolment. Headcount enrolment in the TVET Colleges remains capped at 710 535 for the remainder of the MTSF. Consequently, the MTSF target of 1.2 million headcount enrolment will not be realised.
* The Department revised the 2015/16 – 2019/20 Strategic Plan to align the targets with the original MTSF targets in line with the funding increase. The certification rates for the NC(V) Level 4, N3 and N6 were revised upward to the original MTSF target of 65 percent. The targets of 30 percent of TVET College lecturers undergoing specified hours in their industry for specified period every two years, 5000 students entering foundation programmes were revised to the original MTSF targets. The targets on the number of qualifying TVET students obtaining NSFAS financial assistance annually was revised upward to align with the current funding provision.
* Whilst the Department has revised the Strategic Plan to implement the performance indicator of 5 000 students entering foundation programmes to the original MTSF targets, there is no funding from the fiscus to fund the target. For the 2018/19 financial year, the Department will pilot the 600 student enrolment in foundation programmes in nine (9) colleges and this would be funded out of the National Skills Fund project funds. The Department has warned that it cannot predetermine at this stage that the MTSF target of 5 000 entering foundation programmes would be achieved, given the fiscal constraints. The funding of the target through the NSF project fund is not sustainable.
* The programme has received an additional baseline increase to address infrastructure maintenance backlogs at TVET Colleges. The additional funding still does not cater for the MTSF target to have additional 5 000 beds at public TVET colleges by 2019. The target remains discontinued for the remainder of the MTSF period.
* There has been a significant improvement in the reduction of the NC(V) certification backlog. However, the historic backlog of 80 000 NATED certificates and diplomas, as well as the GETC certification backlog remain a serious concern.
* The inability of the State Information Technology Agency (SITA) to assist the Department with a reliable data management system for the TVET sector remains a serious challenge. This has serious implications in the certification and resulting of candidates enrolled in the colleges.
* The inadequate number of suitably qualified lecturers in the TVET sector continues to have serious implications for teaching and learning. As a result, the throughput and certification rates at colleges are low.
* The target of 1.2 million students enrolled in the TVET colleges by 2019/20 has not been achieved 2015/16 and 2016/17 financial years. The underachievement was attributed to underfunding in terms of programmes and student funding, i.e. NSFAS, inadequate physical infrastructure and human resource. The certification rates in the NCV level 4, N3 and N6 have been not been achieved as expected in the 2015/16 and 2016/17 financial years. A significant improvement has been recorded in the 2017/18 where targets were exceeded in the certification rates of both NC(V) Level 4, N3 and N6.
* There is noted disparity in the targets set for the TVET sector and the university sector. The Department specified university sector targets for scarce and critical skills that require improved graduate outputs, while such targets are not set for the TVET sector.
* There has been a significant improvement in the reduction of the NC(V) certification backlog. However, the historic backlog of 80 000 NATED certificates and diplomas, as well as the GETC certification backlog remain a serious concern.
* The backlog in the processing and payment of student allowances by NSFAS remains a critical challenge for the sector. There is an indication of poor integration between NSFAS and colleges IT systems. Compounding the situation are the delays by colleges in submitting student enrolment data to NSFAS for processing their applications.
* The shortage of student residences in the TVET sector remains a serious challenge, including the backlog in infrastructure maintenance.
* The delays in the filling of vacant positions in the TVET sector remains a serious challenge since the human resource functions of the Department are centralized at its head office.
* The delays in the finalization of post provisioning norms for the TVET sector remains a challenge.

**5.5. Programme 5: Skills Development**

* The programme received an allocation of R262.6 million for 2018/19, which increased by R13.2 million from 2017/18. This represents a nominal increase of 5.3 percent, which is a decrease of 0.2 percent in real terms when factoring inflation. Sub-programme 3: National Skills Development Services received a decreased allocation of R10.2 million in 2018/19 from R12.5 million in 2017/18. This sub-programme manages projects identified in the national skills development strategy, advises the Minister on the national skills development policy and strategy. The budget reduction in this sub-programme will have adverse effects on the work of the Branch and the critical advisory function on the skills development policy and strategy.
* The allocation in this programme will enable the Department to focus on improving the public skills development system my managing performance of service level agreements with SETAs more effectively. The funding will also enable the Department to ensure that the NDP/MTSF related targets to produce 21 188 artisans per annum by 2019, and to create 140 000 work-based learning opportunities annually are achieved.
* The Committee was concerned about the duplication of functions among the SETAs, which served interrelated sectors.
* The Committee was concerned that some SETAs developed performance indicators just to enroll learners and not to qualify them.
* The Committee was concerned about the poor monitoring of the SETAs by the Department and the Auditor-General found that the targets set in most of the SETA’ APPs for 2018/19 financial were not well defined and some SETAs had duplicated performance indicators or targets.
* The low uptake of trade assessment at INDLELA remains a concern. The Department should put systems in place to improve the accessibility of INDLELA to the public.
* The target of artisan qualifications has been met over time and qualification output has been high in this regard. However, this raises a new challenge due to the industry’s inability to absorb the high numbers of newly qualified artisans. This significant issue has been mirrored in several sectors and professional qualifications.

**5.6. Programme 6: Community Education and Training**

* The CET programme received an increased allocation of R2.358 billion in 2018/19 from R2.197 billion allocated in 2017/18. It should be noted that 94.7 percent of the increase, R153.2 million is allocated for compensation of employees, while 3.7 percent of the total budget increase, R6 million is for the subsidies to CET Colleges. Furthermore, 92.6 percent of programme 6: CET’s total budget is allocated for compensation of employees. The current inflation adjusted budget for the CET sector will not enable the Department to: standardize the conditions of services of the CET college staff, and to address maintenance needs of the teaching and learning facilities to provide adequate teaching and learning materials, strengthening governance and management.
* The Department has developed the National Senior Certificate for Adults (NASCA) to provide a general educational pathway for adults who have completed the General Education and Training Certificate (GETC NQF Level 1), and for people who have left school without an exit-level qualification, and provides the opportunity to acquire a school-leaving certificate, one which allows for the possibility of access to higher education also. The Department has also developed a General Education and Training Certificate for Adults (GETCA). The Department reported on 29 November 2017 that it has not been in a position to determine the implementation date for the two qualifications as funding has not been allocated, despite the submission of funding bids to National Treasury. This is of great concern because without the required funding, this sector will not be able to realise its full mandate of providing lifelong learning opportunities to the out of school youth and adults.
* There are functions that cut across the SETAs, such as addressing the low-level of youth and adult language and numeracy skills to enable additional training. This seeks to provide all young people leaving school with an opportunity to engage in training or work experience, or improve their employability. The partnerships between the SETAs/NSF and the CET Colleges are grossly inadequate or non-existence in this regard.
* There is still inadequate implementation of skills development programmes to respond to the local economic needs.
* Enrolment rates are not increasing in line with the projected NDP targets and the certification rate target has also not been achieved as planned. The success of the students is crucial and needs to be addressed urgently. There has been a significant increase in the number of learners who need to rewrite their matric as opposed to learners who require short-term skills programmes in the CET sector.
* The Committee noted that the Department has inherited different practices, as well as disparate funding and administrative regimes. This has placed some administrative strain on the Department.
* The delays in the finalisation of harmonization of conditions of service of CET lecturers have noted with serious concern. Funding constraints have also seen rising protest action by CET lecturers’ union for the standardization of conditions of service as well as lack of address of CET infrastructure needs.
* The CET colleges do not have the capacity to administer funds for their operational expenses. The TVET colleges manage the procurement processes on behalf CET colleges. This has a negative impact in the day-to-day management of CET colleges’ operations since they do not have control over their budget.
* The inadequate student enrolment data impacts on student certification in the CET sector, especially the General Education and Training Certificate (GETC) programme.
* Teaching and learning in the CET sector remain a concern. As a result, the certification and throughput rates of the sector remain very low.

**6. SUMMARY**

The Department of Higher Education and Training received a total allocation of R73.020 billion, excluding direct charges from the National Revenue Fund. The budget increased by R20.715 billion from R52.307 billion allocated in 2017/18. The increase in the baseline funding is to cater for the implementation of fee-free education policy to support enrolled TVET Colleges and university students from South African households with a combined annual income of up to R350 000 per annum. TVET Colleges and university students eligible for financial assistance will be subsidised for full-cost of study, including: tuition fees, prescribed study material, meals, accommodation and /or transport allowances. Funding for NSFAS increased from R10.1 billion in 2017/18 to R20.334 billion in 2018/19.

The increase in funding will go towards increasing government spending on universities as per percentage of Gross Domestic Product (GDP) which is expected to increase from 0.68 percent to 1 percent over the next five years, as well to increase earmarked grants to universities for the operationalisation of the three new universities ( University of Mpumalanga, Sol Plaatje University and Sefako Makgatho University), Infrastructure Efficiency Grants to the 23 universities and increased clinical grants.

The TVET College sector has also benefitted from the increase in the baseline funding due to the introduction of the TVET infrastructure baseline funding to refurbish campus buildings, purchase workshop equipment and maintain existing facilities. Notwithstanding the significant increase in the baseline funding, no funding provision has been made towards increasing headcount enrolment in the TVET sector. Headcount enrolment remains capped at 710 535 for the remainder of the MTSF period. The target to have 5 000 additional beds for students in the public TVET Colleges will also not be implemented due to lack of funding.

In line with the baseline funding increase, the Department has revised its 2015/16 – 2019/20 Strategic Plan. The targets that were revised downwards due to underfunding were revised upwards for the remainder of the MTSF. These are: NC(V) Level 4, N3 and N6. For the 2018/19 were revised to the original MTSF target of 65 percent. The following targets which were discontinued due lack of funding: 30 percent of TVET College lecturers undergoing specified hours in the industry for specified period every two years, 5 000 students entering foundation programmes were revised to the original MTSF targets. The targets on the number of qualifying TVET and university students obtaining NSFAS financial assistance annually were revised upwards to align with the current funding provision. New performance indicators were also introduced in the TVET programme, to monitor and report on infrastructure development as a result of the introduction of infrastructure maintenance grants for the sector.

**7. RECOMMENDATIONS**

The Committee recommends that the Minister of Higher Education and Training consider the following:

**7.1. Programme 1: Administration**

* The programme has received a budget reduction of R28.2 million over the MTEF period. Despite the assurance by the Department that the reduction will be accommodated by cost-containment measures, the operational budget of the Department has been constraint and the reduction will further compound the current challenges. Without adequate funding, the Department will continue to experience capacity constraints to implement the planned targets, especially in the Corporate Services sub-programme. Consideration for additional funding should be made towards improving the administrative capacity of the Department.
* The capacity to deal with recruitment and selection challenges need to be addressed. The implementation of the e-recruitment system should be fast tracked to eliminate the processing of the large volume of applications received for advertised posts. In addition, the Department should consider appointing a Director to deal with administration.
* The centralisation of the Department’s HR functions at the head office contributes to the significant delays in resolving queries from TVET colleges and other institutions. The capacitation of regional offices should be prioritised to support PSET institutions at regional and provincial levels.
* The filling of the Deputy Director General (DDG) positions for programmes 3, 4 and 6 should be fast tracked.

**7.2. Programme 2: Planning, Policy & Strategy**

* A credible management information system is critical to inform and create credible and reliable labour market skills planning for the country. The lack of management information systems (MIS) to provide reliable data for the TVET and CET sectors performance outputs should be urgently addressed. The development of a reliable and functional management information system (MIS) for the CET, TVET and Skills Development programmes should be prioritised. This will enable the programmes to plan and for efficient use of resources.
* The marginal budget increase for the Social Inclusion in Education sub-programme, will impact negatively on achievement of transformation in the PSET sector and the goals of equity and redress. Consideration for additional funding should be made towards this programme to support social inclusion policy implementation, including monitoring and evaluation.
* Career development services is critical to ensuring that learners are provided with information to make better career choices. Requisite funding should be made available for the implementation of career development services.
* Career guidance at the high school level needs to be further address and should start earlier in Grade 8 and 9 to support the objectives and targets of the DHET. School career guidance should also be orientated to TVET and CET Colleges programmes.
* The Department must ensure that it schedules to Parliament the National Qualifications Framework Amendment Bill (NQF Amendment Bill).
* The National Student Financial Act should be reviewed to align with the new funding policy, especially that NSFAS is no longer granting loans to students from 2018 onwards.

**7.3. Programme 3: University Education**

* Given the new fee-free education policy and additional funding to progressively increase the university subsidies to 1 percent of the GDP, the Department should finalise the funding framework for the university sector. Furthermore, the Department should expedite the policy development to inform the new funding policy, including the ethical conduct policy for NSFAS beneficiaries to curb the corrupt use of allowances by both TVET College and university students.
* The Department should engage with the student leadership in the higher education sector to clarify the implementation of fee-free higher education for the poor and working class students.
* The sporadic student protests in higher education over the inability of NSFAS to process the outstanding claims from students is a cause of concern. The Department should ensure that the inefficiencies in the administration of student funding in higher education by NSFAS are eliminated to stabilise the sector.
* The student support services in higher education should be expanded to eliminate the low throughput and high drop-out rates.
* The Department should investigate the under enrolment of students in some programmes at universities and put in place mitigation strategies to ensure that that the MTSF headcount enrolment is achieved. Furthermore, the Department should monitor that UNISA develop foundation programmes so as to increase throughput rates of students in distance learning.
* The student support services in higher education should be expanded to eliminate the low throughput and high drop-out rates.
* The University Education Branch should strengthen its monitoring and evaluation function over the higher education institutions to ensure that there is value for the huge investment made in the sector.
* Both universities of Mpumalanga and Sol Plaatje have been opened and construction is ongoing. It is important that the construction process is adhered to ensure that construction targets are met within the set timeframe. This is largely due to the operational costs of the universities being insufficient due to fiscal constraints which is reducing the construction process and targets of the universities. Currently the construction process is nearing the completion of the second phase (meant to have been completed in 2014/15) whereas it is meant to be at the fourth phase (meant to have been completed in July 2017). This is important for both universities contribution to boosting expansion, production of mid to high level skills moving towards the NDPs 2030 target of 1.6 million enrolments and to ensure enhanced access to the public higher education system.
* Lessons and experiences should be drawn from the Health Sciences (medical doctors, nurses and social workers) as well from the Fundza Lushaka bursary programme on the execution of a community service graduate programme. These are practical programmes which the Department can use in its drafting of a community service programme for beneficiaries of fee-free higher education.
* The Department of Human Settlements must be engaged to provide assistance to ensure that additional student accommodation is provided. As in the university sector the TVET sector must also engage in public-private-partnerships as a means of acquiring accommodation for students.

**7.4. Programme 4: Technical and Vocational Education and Training**

* The baseline funding increase of R3.297 billion to the programme is welcomed, including the projected annual average growth rate of 25 percent to the budget and the approved allocations for operationalisation of the new three TVET college campuses and the examination services function. The additional allocation for infrastructure refurbishment and maintenance as well as for purchasing of workshop equipment is commendable, as it would ensure relevancy and alignment of practical work with industry. Notwithstanding the significant increase in the baseline funding for the TVET sector, no funding provision has been made towards increasing headcount enrolment, which would remain capped at 710 535 and additional 5 000 beds in public TVET Colleges to address the shortage of student’s accommodation.
* The commitment to enrol 1.25 million students in TVET Colleges will not be met within the Medium Term Strategic Framework (MTSF) due Department retaining the cap of headcount enrolment 710 535. This hinders the Department from working towards ensuring the NDP target of increasing participation rates in TVETs to 25 percent, which would accommodate about 1.25 million enrolments by 2030. As the Department is working on introducing the revised budgeting, enrolment and strategic planning processes in Colleges, it must address the resource related and efficiency factors inhibiting the desired growth in the sector. It must also ensure the finalisation of the draft policy for administration/management of student admission for TVET colleges.
* Strengthening the governance and management of TVET colleges is at the core of ensuring that the structural challenges the sector confronts are addressed. It is important that there is proper management and governance of TVET colleges. The TVET branch in its development of common standards for governance, management and leadership as well as the framework for monitoring and evaluation of the quality of governance in TVET Colleges must ensure that the College Council Charter is annually reviewed and optimally implemented by Colleges, capacity-building programmes for senior managers are continuously conducted to ensure that they are optimally equipped to perform their responsibilities. Academic boards must also be strengthened so that they are able to contribute qualitatively in improving the college programme offering. Sourcing funding for the South African Institute for Vocational and Continuing Education and Training (SAIVCET) is important in providing support to colleges by upgrading the technical knowledge and pedagogical skills of existing staff in TVET and community colleges, and promoting the professionalization of lecturers, instructors and trainers and developing innovative curricula for the TVET Colleges.
* The Department committed to develop TVET College-based mathematics and science foundation programmes to assist students to take up careers in engineering, science and technology. Progress in realising this commitment has been impacted by a lack of funding, because the TVET sector does not have foundation provision grants unlike the university education sector. The Foundational Learning Programme (FLP) at NQF Level 1 has been conceptualised. The Department needs to discuss and consult the Quality Council for Trades Occupations for it to be developed and implemented.
* The Committee also notes that funding for the implementation of the target to have 5 000 TVET students enrolled in foundation programmes is funded through the National Skills Fund, and the target for 2018/19 to enrol 600 students in the pilot foundation programmes at nine TVET Colleges is not sustainable. The lack of voted funds to support the implementation of this programme poses a sustainability risk to its planned full-scale rollout. Consideration for additional voted funds should be made towards ensuring these MTSF targets are implemented.
* The inability of the State Information Technology Agency (SITA) to assist the Department with a reliable data management system for the TVET sector remains a serious challenge. This has serious implications in the certification and resulting of candidates enrolled in the colleges.
* The Committee has noted disparity in the targets set for the TVET sector and the university sector. The Department should specify targets in terms of scarce and critical skills or graduate outputs in different programmes in order to address areas of severe skills shortage. The Department should use the Labour Market Intelligence Report to inform the target setting for the TVET sector.
* The financial management systems and procurement policies should be strengthened at TVET Colleges given that additional funding will be allocated and for procurement of contractors for infrastructure maintenance.
* The TVET sector should enter into a social contract with the Department to deliver a predetermined output to inform and justify budget allocations and expenditure.
* Apprentices should be utilised to participate in the construction of new college campuses. This will provide a practical learning opportunity and valuable experience. In addition, it should result in a cost saving.
* The eradication of the backlog of 80 000 NATED certificates and diplomas should be prioritised.
* The NATED curriculum is outdated and does not respond to the needs of the economy. The Department working with the QCTO should finalise the reconstruction of the NATED curriculum.
* A progress report on the NC(V) curricula review must be provided and it is important that the Departments of Basic Education is included in this review as it also offers vocational programmes as part of its three streams model.
* The review of the TVET examination cycle should be prioritised to eliminate archaic exam system which is costly.
* Teaching and learning in the TVET sector remain a concern. The Department should fast track the expansion of universities offering TVET lecturer qualifications to improve the quality teaching and learning in the sector.
* The poor throughput and certification rates in the TVET sector is a concern. The Department should support TVET colleges in enhancing their student support services.
* The poor IT systems of TVET colleges hamper on the ability of NSFAS to process the payment of outstanding claims from students due to incomplete student enrolment data. The TVET ICT systems should be improved.
* The finalisation of the staff provisioning norms for the TVET sector should be prioritised.

**7.5. Programme 5: Skills Development**

* The budget reduction in sub-programme 3: National Skills Development Services of R2.3 million in 2018/19 is of concern, given the critical role of the sub-programme to manage projects identified in the national skills development strategy, advises the Minister on the national skills development policy and strategy. The budget reduction will have adverse effects on the work of the Branch and the critical advisory function on the skills development policy and strategy. Consideration for additional funding should be made to ensure that the sub-programme achieves its mandate.
* The workplace training and the work- integral learning (WIL) must be at the core of the training system. Partnerships remain central to Workplace training, measures should be put in place to encourage more universities to build strong partnerships with TVETs, industry and SETAs as highlighted in the third National Skills Development Strategy. There is a need to improve the data supply to assess the accuracy of reporting mechanisms and impact of the mandatory grant that SETAs give to employers.
* The Department must complete its finalisation process of the SETA Workplace Based Learning Programme Agreement Regulations.
* Consideration must also be taken on the contribution that the Human Resource Development Strategy is making towards skills development.
* All spheres of government should take a lead in providing training in the public sector. More needs to done by government departments in recruiting graduates not only to provide training but as a means to address skills shortage.
* The training systems requires a close cooperation between educational institutions and industry. It is therefore of importance that amongst other components of such a system the training of artisans through apprenticeships and learnerships (as part of work integrated learning) is prioritised so that by 2030 the country is producing 30 000 artisans per an annum. Furthermore, to ensure the success of these artisans, it is important to ensure that proper systems or partnerships are in place to create sufficient workplaces to absorb certified artisans. It is important that the public sector increases the availability of training spaces. The National Artisan Development Strategy remains central in contributing to the growth of the economy.
* The Department should provide an update on the examination process that it has embarked on to ascertain the appropriateness and adequacy of the legal framework for the enforcement of compliance by all government departments to the provisions of the Skills Development Act (SDA) and Skills Development Levies Act.
* The Departments of Higher Education and Training and Public Service and Administration need to develop a working document on how they will collaborate to ensure that there are efforts to significantly increase internships and work-based opportunities in the public sector. This primarily because the coordination of internships in the public service is the responsibility of the Department of Service and Administration as directed by the Human Resource Development Strategy of South Africa.
* An impact assessment must be produced on the contribution of the NEDLAC partners to workplace to Commitment one to five of the National Skills Accord.
* Regular stakeholder workshops with workforce strengthening programmes (i.e. Harambee and others) to foster private and civil society engagement and partnerships and also to gain insight into the impact and outputs of the DHET and PSET initiatives in terms of its ultimate objective: *“A skilled and capable workforce to support an inclusive growth path”.*
* SETAs need to assist in finding options within their sectors to report on non-funded employer training as these numbers are not validated and captured for artisan data reporting.
* A partnership needs to be established wherein the private and public sector are able to collaborate on issues related to skills development and employability. The Human Resource Development Council is a best-practice space for such partnership development and its role in identifying and supporting the Department targets and outputs need to be further strengthened, including the Labour Market Intelligence Partnerships.
* SETAs should be contracted to produce the skills identified as being required by the economy, i.e. 3/6/12 month courses that have an output of specific skills that will address skills shortage linked to the skills development targets.
* The low national artisan pass rates remain a concern. The Department should put mechanisms in place to improve the national artisan pass rates.
* The low uptake of trade assessment at INDLELA remains a concern The Department should put systems in place to improve the accessibility of INDLELA to the public.
* The finalisation of the new SETA landscape should be prioritised to address the uncertainties regarding the future of the SETAs and the duplication in their skills development programmes.

**7.6. Programme 6: Community Education Training**

* In order to meet the targets of the NDP of 1 million headcount enrolment, the CET colleges need to be responsive to the needs and challenges of the communities that they service by offering appropriate and quality programmes. This requires that there should be requisite funding and proper infrastructure to support colleges. The CET branch should look at innovative ways such as expanding its partnership networks to ensure that it prioritises the challenge of infrastructure so that it progressively turnover around its ability to deliver quality teaching and learning. CETs should also look into forming partnerships with business and other sectors within the area that they are located in an effort to provide appropriate skills.
* Consideration for additional funding should be made towards funding functions that cannot be funded through the NSF/SETA partnerships as they are not a once-off projects and require sustainable funding. These are the standardization of conditions of services of the CET college staff, the maintenance needs of the teaching and learning facilities, provision of adequate teaching and learning materials, strengthening governance and management.
* The Minister of Finance in the response to the 2017 BRRR indicated that the Department should use all available resources allocated for the CET sector, including the funding from the skills development levy institutions to improve delivery as efficiently as possible within the available resources over the medium term. In light of this, the Department should work together with the SETAs and the National Skills Fund to reprioritize funding from the skills levy to improve the role and performance of the CET Colleges as they do with the TVET Colleges.
* There are functions that cut across the SETAs, like the addressing the low-level of youth and adult language and numeracy skills to enable additional training. This seeks to provide all young people leaving school with an opportunity to engage in training or work experience, or improve their employability. Partnerships between the SETAs/NSF and the CET colleges should be encouraged in this regard.
* The establishment of financial management systems and procurement management at CET Colleges should be expedited.
* The poor certification rates of CET colleges should be improved by improving teaching and learning in the sector.
* The harmonization of the conditions of service of CET educators should be prioritised.
* Progress on the post-establishment for CET Colleges should be reported to the Committee.
* The identification of under-utilised public infrastructure country wide to be used as public community learning centres (PCLC) to address infrastructure challenges must be prioritised.
* CET Colleges should enter into a social compact with the Department to deliver a predetermined output to inform and justify budget allocations and expenditure.

Report to be considered.