**Report of the Select Committee on Education and Technology, Sports, Arts and Culture on Budget Vote 17: Higher Education and Training, dated 31 May 2022**

The Select Committee on Education and Technology, Sports, Arts and Culture (hereinafter referred to as the Committee), having considered the 2022/23 Annual Performance Plans (APPs) and budgets of the Department of Higher Education and Training (hereinafter referred to as the Department) and the National Student Financial Aid Scheme (hereinafter referred to as the NSFAS), reports as follows:

**1. Introduction**

The purpose of this report is to account for work done by the Committee in considering the Revised Strategic Plan: 2020 – 2025 and Annual Performance Plan (APP): 2022/23 and budget of the Department and that of the NSFAS, in accordance with Section 27(1) of the Public Finance Management Act, 1999 (Act. No 29 of 1999), and as referred by the Chairperson of the National Council of Provinces (NCOP) to the Committee in terms of Rule 338 for consideration and reporting.

The Bill of Rights, states that all South Africans have the right to basic education, including adult basic education and access to further education. It further indicates that the state has an obligation, through reasonable measures, to progressively make education available and accessible.

The Department derives its mandate from section 29 of the Constitution of the Republic of South Africa and the following legislation:

* 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 Select Committee on Education and Technology, Sports, Arts and Culture (the Committee) considered the Budget and the 2022/23 APP of the Department and that of NSFAS on Wednesday, 18 May 2022. The budget review briefing served to acquaint the 6th Parliament Select Committee with the mandate, programmes and priorities of the Department and NSFAS.

This report gives a brief summary of the presentations made by the Department and NSFAS to the Committee, focusing mainly on the 2022/23 Annual Performance Plans and the 2020 Medium Term Expenditure Framework (MTEF) allocations. The report also provides the Committee’s key deliberations and recommendations relating to Vote 17.

**2. 2022/23 Medium-Term Expenditure Framework (MTEF) Budget**

**2.1. Overview and assessment of the Department’s 2022/23 MTEF Budget**

Table 1 below summarizes the 2022/23 overall budget allocation and expenditure estimates of the Department.

Table1:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease** | **Real Increase / Decrease** | **Nominal Percent change in** | **Real Percent change in** |
| **R million** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2021/22-2022/23** | **2021/22-2022/23** |
| Programme 1: Administration | 463,6 | 493,7 | 30,1 | 8,8 | 6.49% | 1.91% |
| Programme 2: Planning, Policy and Strategy | 2 221,9 | 4 912,9 | 2 691,0 | 2 497,4 | 121.11% | 111.59% |
| Programme 3: University Education | 80 161,4 | 88 581,7 | 8 420., | 4 605,8 | 10.50% | 5.75% |
| Programme 4: Technical and Vocational Education and Training | 12 226,3 | 12 623,1 | 396,8 | -146,8 | 3.25% | -1.20% |
| Programme 5: Skills Development | 450,0 | 421,6 | -28,4 | -46,6 | -6.31% | -10.35% |
| Programme 6: Community Education and Training | 2 365,8 | 2 481,9 | 116,1 | 9,2 | 4.91% | 0.39% |
| **Sub-total** | **97 889,0** | **109 514,9** | **11 625,9** | **6 909,9** | **11.88%** | **7.06%** |
| **Direct Charges against National Revenue Fund** | **18 932,8** | **20 619,3** | **1 686,5** | **798,6** | **8.91%** | **4.22%** |
| **Total** | **116 821,8** | **130 134,2** | **13 312,4** | **7 708,5** | **11.40%** | **6.60%** |

Over the MTEF period, the Department’s allocation amounts to R409,445 billion, including direct charges against the National Revenue Fund. For the 2022/23 financial year, the Department received a budget of R130,134 billion, which comprises R109,514 billion of voted funds and R20,619 billion of direct charges. The total budget increased by R13,312 billion or 11.40% in nominal terms. When considering inflation-adjusted, the allocation increased by R7,708 billion or 6.60% the budget is projected to grow at an average growth rate of 7.2% between 2021/22 and 2024/25. The voted funds, excluding direct charges, increased with inflation-adjusted by R6,909 billion or 7.06%.

Programmes 2: Planning, Policy and Strategy and 3: University Education received the highest budget increases at 121.11% and 10.50%, respectively in 2022/23. The increase is attributed to the additional allocation towards NSFAS to address the budget shortfall, new funding amounting to R600 million towards infrastructure for student housing and additional allocation for the Presidential Youth Employment Intervention.

The Department’s budget is dominated by transfers and subsidies, which accounts for 91,18% of the total budget, including direct charges against the National Revenue Fund. For the 2022/23 financial year, the allocation for transfers and subsidies amounts to R118,657 billion, of which R65,403 billion is towards Departmental agencies as follows: R47,354 billion to NSFAS for student bursaries and administration, R21,338 million to Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA); R81 million to SAQA; R74,486 million to the CHE; R28,506 million to the QCTO; R123,972 million for Public Service Sector Education and Training Authority (PSETA); R4,223 billion for the National Skills Fund (NSF) and R16,495 billion for the SETAs. An amount of R48,310 billion is toward Higher Education institutions, universities, TVET and CET colleges.

The Allocation for spending on compensation of employees amounts to R10,775 billion. The bulk of the budget for the compensation of employees is allocated to TVET colleges, followed by the CET colleges. The goods and services allocation amounts to R678,0 million. goods and services budget is projected to decrease slightly to R672,817 million in 2023/24.

**2.1.1 Overview and assessment of the 2022/23 MTEF budget allocation per programme**

This section explores budget allocations per programme for the 2022/23 financial year.

**2.1.1.1 Programme 1: Administration**

The programme provides strategic leadership, management and support services for the Department. The Programme has five budget sub-programmes, namely: Department Management, Corporate Management Services, Office of the Chief Financial Officer, Internal Audit and Office Accommodation.

The total budget over the medium-term allocation to Programme 1 amounts to R1.5 billion, of which R493.7 million is set aside for the 2022/23 financial year. The programme’s budget accounts for 0,45% of the Department’s total voted funds. The budget increased by R9,0 million or 1.95% from the previous financial year’s adjusted appropriation allocation of R463 million when considering inflation-adjusted. The allocation is projected to decrease to R489,7 million in 2023/24.

Sub-programme 2: Corporate Management Services receives 49.96% or R246,7 million of the programme’s total budget. The second highest allocation at 23.33% or R115,2 million is in sub-programme 3: Office of the Chief Financial Officer, followed by sub-programme 6: Office Accommodation at 16.85% or R83,2 million. the budget for the Office Accommodation sub-programme decreased nominally by R9,2 million from R88,8 million in 2021/22.

The allocation for spending on compensation of employees and goods and services for the 2022/23 financial year amounts to R268,3 million and R217,9 million, respectively. Both the allocations for compensation of employees and goods and services are projected to decrease marginally to R265,8 million and R215,9 million in 2023/24, respectively. In terms of spending on goods and services per line item, allocation for computer services has increased significantly from R37,3 million in 2021/22 to R62,0 million in 2022/23. The allocation for computer services is projected to decrease in the outer two years of the MTEF period to R52,9 million and R54,9 million, respectively. Notably, allocation for spending on consultants: Business and Advisory services decreased significantly by R20 million from R30,8 million in 2021/22.

**2.1.1.2 Programme 2: Planning, Policy and Strategy**

This programme provides strategic direction in the development, implementation and monitoring of Departmental policies and the Human Resource Development Strategy for South Africa. The programme has six budget sub-programmes, namely, namely, Programme Management; Human Resource Development Council of South Africa; Policy, Planning, Monitoring and Evaluation; International Relations; Legal and Legislative Services and Social Inclusion and Quality.

Over the MTEF period, the programme’s allocation amounts to R13,684 billion, and for the 2022/23 financial year, the allocation amounts to R4,912 billion. The programme’s budget increased due to the shift in infrastructure development functions and budget allocations from University Education and Technical and Vocational Educational and Training (TVET) programmes to programme 2: Planning, Policy and Strategy. The programme’s budget accounts for 4.49% of the Department’s total voted funds. The budget is projected to decrease in the outer two years of the MTEF period to R4,442 billion and R4,328 billion, respectively.

The bulk of the programme’s budget at 95.68% (R4,700 billion) is allocated to sub-programme 3: Policy, Planning, Monitoring and Evaluation. This sub-programme monitors and evaluates the policy outputs of the department; coordinates research in the fields of higher education and training; and ensures that education policies, plans and legislation are developed into systems.

The budget allocation for sub-programme 6: Social Inclusion and Quality decreased by R12,2 million from R162,8 million in 2021/22 to R150,6 million in 2022/23. It is concerning that the sub-programme that is responsible for promoting access to open and e‐learning opportunities, providing career development services, promoting and monitoring social inclusion and equity in the post‐school education and training system and advancing the implementation of the national qualifications framework received budget cuts for the 2022/23 financial year.

Similarly, there is a budget reduction from R9,1 million in 2021/22 to R8,6 million in 2022/23 in sub-programme 1: Programme Management: Planning, Policy and Strategy, whichmanages delegated administrative and financial responsibilities, and coordinates all monitoring and evaluation functions in the programme.

The allocation for spending on current payments in 2022/23 amounts to R141,8 million, of which R108,5 million is allocated for spending on compensation of employees and R33,3 million on goods and services. The allocation for compensation of employees is projected to decrease slightly to R107,9 million in 2023/24. This is a concern given that the Department has planned to establish an Infrastructure Development Coordination Unit. The Department reported that R10,569 million and R21,783 million were reprioritised from Goods and Services, respectively. The reprioritisation was to cater for the South African Qualifications Authority (SAQA)’s automation and digitisation of its manual processes and to Higher Health to cater for addressing preventative activities on Gender-Based Violence in the CET sector.

An amount of R4,767 billion is allocated for transfers and subsidies. The allocation for transfers and subsidies is projected to decrease in the outer two years of the MTEF period to R4,295 billion and R4,174 billion. Of the allocation for transfers and subsidies for the 2022/23 financial year, R81,2 million is allocated to the Departmental agencies: South African Qualifications Authority, and R4,3 million to foreign governments and international organisations (R0,7 million: India-Brazil- South African trilateral and R3,6 million to the Commonwealth of Learning and R20,6 million is allocated to Higher Health.

For the 2022/23 financial year, an amount of R4,661 billion has been allocated for spending on capital expenditure. Of the R4,661 billion allocations, R1,105 billion is for the University of Mpumalanga: R663,0 million and Sol Plaatje University: R442,0 million; University infrastructure and efficiency grant: R2,245 billion; TVET infrastructure and efficiency grant: R710,5 million and R600 million for infrastructure for student housing at the Tshwane University of Technology, the University of KwaZulu-Natal, Gert Sibande and Majuba TVET colleges. Notably, the TVET infrastructure and efficiency grant is projected to decrease in the outer two years of the 2022/23 MTEF period from R710,5 million to R541,9 million and R566,3 million in 2023/24 and 2024/25, respectively. Similarly, the University infrastructure and efficiency grants are also projected to decrease marginally from R2,245 million in 2022/23 to R2,179 million in 2023/24.

**2.1.1.3 Programme 3: University Education**

The programme develops and coordinates policy and regulatory frameworks for an effective and efficient university education system and provides financial and other support to universities, the National Student Financial Aid Scheme, the Council on Higher Education and national institutes for higher education. The programme has six budget sub-programmes, namely, Programme Management, University Planning and Institutional Funding, University Governance and Management Support, Higher Education Policy Development and Research, Teaching, Learning and Research Development and Universities Subsidies.

Over the medium term, the programme’s budget allocation amounts to R279,779 billion. For the 2022/23 financial year the allocation amounts to R88,581 billion. The budget increased by R8,420 billion (10.5% nominal percentage change or 5.75% real percentage change) from R80,161 billion allocated in 2021/22. The significant increase is due to additional funds allocated toward the National Student Financial Aid Scheme to cater for the budget shortfall to fund students from poor and working-class families. The Minister of Finance, Mr E Godongwana, announced during the budget speech on 22 February 2022, that the Government will make an additional allocation of R36,6 billion for financial support to current bursary holders and first-year students under NSFAS.

Sub-programmes 3: Institutional Governance and Management Support, which is responsible for monitoring and supporting institutional governance management and provides sector liaison services and sub-programme 6: University Subsidies received the bulk of the increase at R44,493 billion and R44,012 billion, respectively.

The allocation for spending on compensation of employees for the 2022/23 financial year amounts to R90,6 million and 8,8 million for goods and services.

The bulk of the programme’s budget, R88,481 billion or 99,8% is for transfers and subsidies, of which R44,429 billion is transferred to Departmental agencies and accounts as follows: R44,042 billion to NSFAS, R312,6 million to NSFAS: Administration and R74,5 million to the Council on Higher Education.

Notably, the allocation to the NSFAS Administration decreased from an adjusted budget of R367,8 million in 2021/22 to R312,6 million in 2022/23. The allocation for spending on Administration is projected to increase marginally to R313,8 million and R327,9 million in 2023/24 and 2024/25 financial years. For the 2022/23 financial year, subsidies to higher education institutions amount to R44,010 billion.

**2.1.1.4 Programme 4: Technical and Vocational Education and Training**

The programme aims to plan, develop, implement, monitor, maintain, and evaluate national policy, programme assessment practices and systems for TVET colleges. It also provides financial and other support to TVET colleges and regional offices. The programme has six budget sub-programmes, namely, Programme Management: TVET, TVET System Planning and Institutional Support, Programmes and Qualifications, National Examinations and Assessment, Technical and Vocational Education and Training Financial Planning and Regional Offices.

The programme’s budget over the medium term amounts to R38,520 billion. For the 2022/23 financial year, the programme is allocated a budget of R12,623 billion. The allocation increased nominally by R396,9 million from the adjusted budget of R12,226 million in 2021/22. When factoring in inflation, the programme budget has decreased by 1.20%. The programme budget is projected to grow at an average growth rate of 2.5% between 2021/22 and 2024/25. The programme’s budget accounts for 11.53% of the Department’s total voted funds.

Sub-programme 2: TVET System Planning and Institutional Support are apportioned the largest budget amounting to R11,663 billion. This sub-programme provides support to management and councils, monitors and evaluates the performance of the TVET system against set indicators, develops regulatory frameworks for the system, manages and monitors the procurement and distribution of learning and teaching support materials, provides leadership for TVET colleges to enter into partnerships for the use of infrastructure and funding resources, and maps out the institutional landscape for the rollout of the TVET college system. The sub-programme’s budget increased nominally by 2.43% from R11,387 billion in 2021/22.

An amount of R644,2 million, which is the second-highest allocation, is apportioned to sub-programme 4: National Examinations and Assessment, followed by sub-programme 6: Regional Offices at R266,5 million.

The current payments are allocated a budget of R8,296 billion, of which R7,902 billion is for compensation of employees and R393,3 million for goods and services. The allocation for compensation is projected to grow to R8,003 billion and R8,361 billion in 2023/24 and 2024/24, respectively, whilst allocation for goods and services is projected to decrease slightly to R389,9 million in 2023/24 and increase to R408,4 million in 2024/25. The bulk of the goods and services allocation amounting to R96,7 million is apportioned to subsistence and travel, followed by R84,4 million for computer services and R65,7 million for consumables: Stationery, printing and office supplies.

The allocation amounting to R4,318 billion is allocated for transfers and subsidies, of which R18,1 million is allocated to Departmental agencies and accounts: Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) and R4,300 billion, of which R3,877 billion is subsidies to TVET colleges and R423,4 million for the operationalisation of new TVET college campuses. Notably, the allocation for subsidies to TVET colleges is projected to decrease slightly to R3,819 billion in 2023/24.

**2.1.1.5 Programme 5: Skills Development**

This programme promotes and monitors the National Skills Development Strategy (NSDS). It develops skills development policies and regulatory frameworks for an effective skills development system. The programme has five budget sub-programme, namely, Programme Management: Skills Development, National Artisan Development, Sector Education and Training Authority Coordination, National Skills Authority Secretariat and Quality Development and Promotion.

Over the medium-term, the programme’s budget amounts to R1,178 billion. For the 2022/23 financial year, the allocation amounts to R421,6 million, which accounts for 0.38% of the Department’s total voted funds. The allocation decreased by R28,4 million or 6.3% in nominal terms from the R450,0 million in 2021/22. The budget allocation is projected to increase to R427,5 million in 2023/24 and to decrease significantly to R328,9 million in 2024/25. Overall, the allocation is projected to decrease by 9.9% between 2021/22 and 2024/25.

Sub-programme 2: Sector Education and Training Authority Coordination receives the bulk of the programme’s budget at 61.97% (R261,2 million). The sub-programme supports, monitors and reports on the implementation of the national skills development strategy at the sectoral level by establishing and managing the performance of service‐level agreements with SETAs and conducting trade tests at the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA). The second highest allocation of R108,7 million, which accounts for 25.79% of the programme’s total budget, is apportioned to sub-programme 5: National Artisan Development. This sub-programme manages and monitors the development of artisans. Notably, this sub-programme got a huge budget decrease amounting to R45,6 million or 29.55% in nominal terms from R154,3 million in 2021/22 adjusted appropriation. The budget cuts are very concerning given that the Department will implement the National Skills Development Strategy to support the Economic Reconstruction and Recovery Plan (ERRP) through producing relevant skills.

The allocation for current payments amounts to R166,9 million, of which R149,4 million is allocated to the compensation of employees and R17,5 million for goods and services. Notably, the allocation for compensation for employees is projected to decrease to R146,8 million in 2023/24 and to increase marginally to R150,5 million in 2024/25. The allocation for goods and services decreased significantly from an adjusted appropriation of R55,2 million in 2021/22 to R17,5 million in 2022/23 and it is projected to grow marginally to R18,1 million and R18,9 million in 2023/24 and 2024/25, respectively.

The allocation for spending on transfers and subsidies amounts to R252,5 million, which increased slightly by R3,3 million from an adjusted appropriation of R249,2 million. The allocation is projected to increase to R260,2 million in 2023/24 and decrease to R157,0 million in 2024/25. An amount of R28,5 million is allocated to the Quality Council for Trades and Occupations (QCTO) and R124,0 million is allocated to the Public Service Sector Education and Training Authority (PSETA) and R100 million to the National Skills Fund.

**2.1.1.6 Programme 6: Community Education and Training (CET)**

The programme aims to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. Provide financial and other support to community education and training colleges. The programme has four budget sub-programmes, namely, Programme Management: Community Education and Training; Community Education and Training Systems, Planning, Institutional Development and Support; Community Educating and Training College Financial Planning and Management; and Education, Training and Development Assessment.

The CET programme’s budget over the MTEF period amounts to R7,735 billion. For the 2022/23 financial year, the programme’s budget amounts to R2,481 billion, which constitutes 2.27% of the Department’s total voted funds. The budget increased by R9,3 million, or 0.39% when considering inflation-adjusted, from an adjusted appropriation of R2,365 billion in 2021/22. The budget is projected to grow at an average growth rate of 4.3% between 2021/22 and 2024/25.

Sub-programme 2: Community Education and Training System Planning, Institutional Development and Support is apportioned the bulk of the budget at 89.96% (R2,232 billion). The sub-programme is responsible provides support to management and councils, monitors and evaluates the performance of the CET system, develops regulatory frameworks for the system, manages and monitors the procurement and distribution of learning and teaching support materials, provides leadership for CET colleges to enter into partnerships for the use of infrastructure for college site‐hosting centres and the funding of these partnerships, maps an institutional landscape for the rollout of the CET system, and is responsible for the planning and development of CET infrastructure. The sub-programme budget is projected to grow at an average growth rate of 4.6% between 2021/22 and 2024/25.

Sub-programme 3: Community Education and Training Colleges Financial Planning and Management receives the second highest allocation, amounting to R228,8 million or 9.22% of the programme’s total budget. This sub-programme sets up financial management systems; develops the financial management capacity of CET colleges; manages and determines the fair distribution of funding to CET colleges in accordance with funding norms and standards; monitors compliance with supply chain management policy; and ensures the timely submission of audited performance information, annual financial statements, and quarterly and annual reports.

The allocation for spending on current payments for the 2022/23 financial year amounts to R2,263 billion, of which R2,256 billion is for the compensation of employees and R7,2 million for goods and services. The allocation for spending on compensation of employees accounts for 90.89% of the CET programme’s total budget. The budget allocation for compensation of employees is projected to increase in the outer two years of the MTEF period to R2,349 billion and R2,454 billion in 2023/24 and 2024/25, respectively. Notably, the budget allocation for goods and services is projected to decrease in the outer two years of the MTEF period to R4,6 million and R4,8 million in 2023/24 and 2024/25, respectively. The decrease in the allocation for goods and services is due to the reprioritisation of funds to Higher Health to cater for addressing preventative activities on Gender-Based Violence (GBV) in the CET sector.

An amount of R218,4 million is allocated for transfers and subsidies, of which R215,2 million is for CET colleges and R3.2 million is for Departmental agencies and accounts: ETDP SETA.

The Department reported that an amount of R2,548 million was reprioritised toward the CET funding model.

**2.2. The National Student Financial Aid Scheme (NSFAS)**

The Committee also considered and assessed the 2022/23 Annual Performance Plan and the MTEF Budget allocation of the NSFAS.

The mandate of the NSFAS is informed by the Constitution of the Republic of South Africa, 1996, section 29(1) (b) of the Bill of Rights of the Constitution, the National Student Financial Act, 1999 (Act No. 56 of 1999 as amended), the Higher Education Act, 1997 (Act No. 101 of 1997 as amended), the Continuing Education and Training Act, 2006 (Act No. 16 of 2006), Public Finance Management Act, 1999 (Act NO. 1 of 1999), Treasury Regulations, 2005, Public Audit Act, 2004 (Act No. 25 of 2004), and the National Credit Act, 2005 (Act No 34 of 2006). In addition to the core legislative mandate, the work of the Entity is informed by key government policies; namely, the NDP, the White-Paper for PSET, and the MTSF 2019 – 2024.

The NSFAS’s main responsibility is to administer loans and bursaries and allocate these to eligible students, developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education (the Minister), raising funds, recovering loans, maintaining and analysing a database, undertaking research aimed at better utilisation of financial resources and for advising the Minister on matters relating to student financial aid.

The NDP commits the NSFAS to provide all students who qualify for the NSFAS with access to full funding through loans and bursaries to cover the costs of tuition, books, accommodation and other living expenses. In terms of loan recoveries, the NDP enjoins the NSFAS to recover through an arrangement with the South African Revenue Service. Furthermore, MSTF has identified Seven Apex Priorities, including Priority 3: Education, Skills and Health. There are four outcomes; namely, expanded access to PSET opportunities, improved success and efficiency of the PSET system, improved quality of the PSET provisioning and a responsive PSET system. The NSFAS directly contributes to Outcome 1: Expanded access to PSET opportunities. The MTSF commits the NSFAS to fund 420 000 and 400 000 University students and of TVET college students by 2024, respectively.

NSFAS has two budget programmes, namely: Administration and Student-Centred Model. For the 2022/23 financial year, the two programmes have a combined 17 targets. The Administration programme aims to conduct the overall management, administration, and governance of the entity and to provide efficient and effective support services to sustain the student-centred operating model. The Student-Centred Model programme aims to increase access to funding for eligible students by raising funds, maximising loan recoveries and creating student-centred loans and bursaries through improved communication support for students and the central application process. The programme further aims to improve the provision of financial aid to an increasing number of eligible students and to improve the efficiency of the application and funding of students.

**2.2.1. Overview and assessment of the NSFAS 2022/23 MTEF budget allocation**

NSFAS is funded through parliamentary grants (voted funds) and also generates other revenue from loan recoveries from previous beneficiaries and management fees from managing funds from other funders. The NSFAS budget for the 2022/23 financial year amounts to R48,968 billion (the budget includes approved use of recovered funds for debt collection and administration fees from other funders). The budget comprises the Entity’s revenue of R1,436 billion or 2,9%, R45,854 billion or 93.64% from DHET Grant and R1,677 billion or 3.42% from other grants. The overall budget increased significantly by R6,983 billion from R41,985 billion in 2021/22. The increase is due to additional allocated to cater for the shortfall in the NSFAS budget. Similarly, the DHET Grant allocation to the NSFAS increased from R38,561 billion in 2021/22 to R45,854 billion in 2022/23. The DHET grant allocation to the NSFAS is projected to grow in the two outer years of the MTEF period to R47,942 billion and R51,954 billion in 2023/24 and 2024/25, respectively. Notably, the allocation from other grants decreased marginally from R1,964 billion in 2021/22 to R1,677 billion in 2022/23.

In terms of projected expenditure for the 2022/23 financial year, the bulk of the projected expenditure of the NSFAS, R49,252 billion is apportioned to programme 2: Student-Centred Model, which is the core mandate of the NSFAS and has 10 targets for the 2022/23 financial year. The Administration programme is allocated R309,408 million and R1.461 million for capital assets.

The NSFAS projected expenditure is dominated by transfers to institutions (universities and TVET colleges) for student bursaries. for university and TVET college students, at 96.42% or R47,219 billion. Compensation for employees is allocated R246,567 million and goods and services R165,472 million. Accounting expenditure is allocated R1,307 billion.

**3. Committee Observations**

The Committee, having considered and deliberated on the Annual Performance Plans 2022/23 of the Department of Basic Education made the following key observations and findings:

**3.1. The Department**

* Members wanted to know how many international agreements for international scholarships the Department had in place and how many countries they would sign agreements with. Also, how the international agreements that the Department had signed with other universities assisted the students stuck in Russia and Ukraine in returning home to South Africa and how the International Relations Office’s mandate has facilitated this process. Furthermore, they asked what the mandate of the International Relations Office entailed, who benefitted from the international scholarships, and what values do the beneficiaries of the international scholarships bring back to the institutions.
* Members pointed out their serious concern regarding the incident that occurred at the University of Stellenbosch and appreciated the Minister’s reassurance that the Department was busy addressing the matter. They indicated that they were shocked at the whole incident, adding that it was not the first time that such a racial discrimination incident had occurred, especially at that University. They emphasized the fact that racial issues were something that needed to be addressed seriously by the Department.
* Members further raised their grave concern over some of the university policies, especially the policy on accommodation. They indicated that they had received many complaints at the start of the first semester from first-year university students who had no accommodation at student residences. They highlighted that traditional residences only allocated accommodation rights to certain racial groups, especially at the University of Stellenbosch. They, therefore wanted to know how the Department planned to address this issue.
* Members were concerned that a high percentage of the Departmental budget was allocated to universities as compared to TVET Colleges.
* They were further concerned that the Department was funding the University of Stellenbosch University, yet there had been little or no transformation at all at that institution.
* Members argued that the Department had made little progress in ensuring that students have access to tertiary education institutions. Many institutions lacked the necessary infrastructural development, such as Taung and Potchefstroom Agricultural Colleges in the North West Province. They questioned how much of the budget has been set aside for those universities.
* Members raised their concern regarding high unemployment rate in the country. They noted with concern the slight increase in the budget for the CET programme in community colleges. The budget increased from R2.3 billion in the 2021/2022 financial year to R2.4 billion in the 2022/23 financial year. They felt that the country’s youth unemployment could be tackled through community colleges.
* Members were gravely concerned that CETs in most provinces did not have permanent premises. They enquired when will these provinces get permanent premises, as some programmes were still being held in schools after hours. They asked whether the budget that has been allocated for CETs would be adequate to ensure that unemployed youth get access to the facilities so that they could have the opportunity to be employed.
* Members also questioned the status of the 54 Pilot centres across the country.
* They requested more information on the CET programmes and wanted to know whether they were doing what they are expected to do.
* Members observed that there had been articles in the newspapers about ongoing protests at UNISA. They asked what the cause of the protests was and requested progress on the matter. They also wanted to find out whether the Department had tried to determine what was happening for purposes of coming up with possible solutions.
* Regarding the issue of student placements, Members felt that for several years, TVET Colleges struggled to form networks and engage with workplaces where students could be placed after graduating to gain work experience. They commended the Minister for holding principals accountable for forming the necessary networks and engaging with workplaces as this is essential. Students went out of colleges and wanted to apply for jobs but they did not always have access to the necessary tools to do so. A question was, therefore, whether principals will receive any form of training on how to network and engage with workplaces.
* The Minister mentioned that 94% of learners who start grade one ended up not going to university, and this remained a concern and only highlighted the systemic problems in basic education. Many learners are not receiving a quality basic education and, in turn, they are not equipped with the basic skills and attributes to be able to go to any higher education institutions. Members enquired how the Department planned to collaborate with the Department of Basic Education for purposes of finding solutions to lower the statistics and get learners from grade 10 up to matric into higher education institutions and training.
* Members requested the Department to provide feedback on the pass rates at universities and TVET Colleges and enquired plans in place to increase the pass rates. They mentioned that they had received complaints from students in TVET Colleges who had completed their NCV courses and had been unable to go and do their trade tests.
* Members wanted to know if the Department have been engaging with the new ICT system or if they have decided to continue using the current system.

**3.2. NSFAS**

* Members requested NSFAS to provide the Committee with details of the budget cut and what effect would these have on eligible students. Members indicated that they had been receiving various letters from students who did not receive their grants and their devices and these were forwarded to NSFAS. They were, therefore interested in knowing whether there were any possible increases in the budget and whether National Treasury would be willing to provide the entity with the extra funds they needed.
* Members queried how NSFAS planned to monitor the money allocated to the institutions to ensure that the beneficiaries receive adequate accommodation.
* Members wanted to know when NSFAS would be establishing a national centre to deal with applications and the dispersal of students' allowances.
* Members requested feedback on the distribution process of devices, whether laptops were sent out, and how many were still pending.
* Members pointed out that there were no targets on the number of complaints or queries from the NSFAS students and asked the rationale behind the decision not to include these as targets for the 2022/23 financial year.
* Members queried how NSFAS was dealing with the debt that tertiary institutions owe, whether the entity have any mechanisms in place. Also, whether NSFAS had informed the Department about the institutions in debt to them and what the Department's response was on this matter.
* NSFAS has indicated that they dispersed upfront payments to institutions at the beginning of the academic year to enable eligible students to register and to be able to receive allowances, as the financial year commenced in April. However, this was done without any registration data from the institutions to confirm the number of eligible students to receive financial aid. It was then possible that some institutions could have received more money than they needed. The Committee has previously raised the delays from the institutions in submitting registration data to NSFAS. A question raised was, therefore, whether the delays in submitting registration data and transferring the money back to NSFAS were intentional and used as a strategy for institutions to generate revenue from interest while the money is in their bank accounts.
* Members indicated that students of the Ingwe Colleges protested because they did not receive any funds from NSFAS and requested an update on the matter.
* A question was also raised on what happens to the interest accrued on the money that NSFAS pays out to the universities as the funds stayed in their accounts for over three months. Members felt that universities were doing this intentionally in order to accumulate more money to serve other interests where they do not have the available funds.

**4. Responses**

The Department and NSFAS gave the following responses:

**4.1. NSFAS**

* Just like all the other departments, NSFAS received a budget cut, which started in the previous financial year. However, since then, they have been able to deal with the budget cuts with the help of National Treasury and the Department. This has enabled them to cover all student funding for the past two years and they are adequately covered as far as student funding goes.
* The projections of the current trends determined the amount of the budget that National Treasury covered.
* On the matter of the laptops and devices that have been distributed to students, NSFAS distributed devices to students, and they followed two methods before the NSFAS tendered the process. One process was where institutions within themselves were asked to distribute laptops to students, and most of the institutions did so. When the process was completed, NSFAS ordered 175 000 devices, mainly for TVET students and university students, and then distributed them to the colleges and universities. NSFAS followed the process as to how many devices were to be distributed to TVET colleges and universities. It was a once-off intervention for TVET students, responding to the lockdown in 2020 due to the COVID-19 pandemic. Of all the devices that were ordered, 165 000 of them were reserved for TVET College students. Of the 165 000 devices, NFAS had been able to distribute 155 000 of them to eligible students. For university students, they followed a different process. The students could log on onto a portal and indicate whether or not they needed a laptop. NSFAS would then place an order for a laptop, and then the laptop was distributed to the student who applied for a device. NSFAS has delivered approximately 6 000 devices, through this method, to university students. The portal has been opened again to allow the current cohort of students to access devices again. Therefore, NSFAS is on track with this.
* On the issue of student accommodation, NSFAS provided allowances for accommodation and relied on the institutions to accredit the accommodation that was conducive to study. Through engagements they had with students and visits they have had to the institutions, they have realised that they cannot just provide the necessary funds anymore, but rather that they need to be involved with the entire accommodation process. NSFAS had spent approximately R12 billion on student accommodation and therefore needed to be part of the process to ensure that students have access to accommodation. NSFAS will be involved with the student accommodation processes at institutions from this point onwards. They are already creating a portal that will allow landlords who want to provide accommodation to NSFAS beneficiaries to be accredited. NSFAS will ensure that the accommodation is suitable before assigning a grading and a cost to the accommodations. NSFAS will have some degree of power over the total amount that they will be spending on student accommodation. Thereafter, they will assign students accommodation based on where they are from and where they will be studying. They would want tertiary institutions to also sign up on the portal to follow the same processes when assigning NSFAS beneficiaries to institution-owned accommodation. In this way, issues of racism will be eliminated and in doing so, NSFAS will be able to monitor student accommodation placements, and they will be able to assess the impact of student accommodation that is not conducive to students. They agreed that some institutions' accommodations are not conducive to NSFAS students.
* On the issue of the NSFAS establishing a central system for dealing with applications, placements and disbursements, NSFAS is already a centralised scheme. The issue is more about the systems that have aged and they are working on developing and updating the systems. They are improving the portal to enhance real-time funding decisions for all students. For example, when students submit their applications to NSFAS, they will be informed immediately if they are eligible for funding or not. The issue could also be resolved when their IT systems are updated. The budget to update all their systems was estimated at approximately R322 million, including support systems and student funding systems. The Department funded NSFAS with R65 million at the beginning of this year to improve its systems; the entity has started to improve some of the systems with the money that was allocated to it. The entity is currently busy with the application portal and other systems still require funding, which is why there is a standstill. They are engaging with the public sector to acquire funds outside the state.
* On why there were no targets set on complaints from students, targets are normally set at a strategic level, and it does not necessarily mean that complaints are not a part of NSFAS's operational plans. It may not have been stated as one of their APP targets, but it is part of their operational plans to improve students' call waiting time when they call the NSFAS call centre. They have recently completed a feasibility study to see how they operate their call centre, and they are busy with improvements of that.
* The main issue that will reduce complaints would be when they can deploy the systems improvements. Many of the students' queries are about being unable to see when they have been funded or when there are delays in processing the funding appeals. All these issues will be dealt with when the system improvements have been implemented.
* On the issue of collecting money that institutions owe, there is a project called the Close-Up Project that NSFAS has developed to deal with this matter; they have almost concluded the reconciliation. It is quite a process as there are instances where they owe institutions money and institutions owe them money. The project was created to aid in reconciling the amounts owed between the institutions, and its first phase was completed. Some information is still missing, but they hope to conclude the process in June 2022.
* On the upfront payments, NSFAS is no longer able to provide any upfront payments to institutions as they do not have the available funds to do so. The process of using upfront payments was used in the past to manage the time difference in the registration data from institutions, for NSFAS to have a rough estimate of the number of students who required funding, and to allow the students that were in need to have their funds paid to them on time. There will be no need for upfront payments through the systems improvement project. They aim to develop a system that will allow NSFAS to determine the number of students who need funding long before the start of the academic year. They are engaging in integrated systems with other institutions and departments to avoid transferring data from one institution to the next.
* The registration data delays are because there is a lack of capacity in the financial aid offices of TVET Colleges compared to the established financial aid offices of universities. NSFAS has tried to enhance the capacities of the TVET financial aid offices through various interventions to provide some forms of support. They are looking at placing interns in the TVET Colleges to help process registration data. NSFAS contacts the TVET institutions through their service agents when they observe a delay in their registration data. In certain instances, NSFAS would send out teams to help TVET Colleges to submit their registration data on time. Data submitted is not always compliant, which hinders NSFAS from making any payments.
* There were delays at the beginning of the year and the incident at Ingwe College happened because there was a delay in paying students' allowances, and NSFAS did not have the necessary funds available at that time. However, they have the money now to be able to pay student allowances, although there are still outstanding payments. The outstanding payments are only because they do not have the necessary compliant data available, but they work closely with the institutions to resolve this problem.
* On the interest that is accrued through interest by universities, NSFAS has no empirical data to suggest that that is the case, but they are in the process of appointing service providers who will assist them in paying out the allowances to the students directly. This process will be concluded at the end of this month, and then the pilot period will be rolled out for three months.
  1. **The Department**
* On the Pilot Centres' status, these have been very useful to the Department because they have been able to drive the city colleges. They have 54 pilot centres, and 17 of them have been accredited to offer skills and occupational programmes. They are aiming to have 35 additional centres this year. They have used the Pilot Centres to establish key partnerships with municipalities and other government departments. They were in contact with Microsoft to form a partnership also targeting the pilot centres.
* On questions about the work placements of TVET Colleges, the Department had signed a performance agreement with all the college principals and regional managers and they will be having a TVET Summit. They will be following up with the training band regarding capacitation of the TVET principals to ensure that they are well equipped to build and strengthen industry partnerships to place as many of their students into workplaces. They would be working closely with SETAs, hoping that they would have access to other industry partners through them.
* Regarding the issue of improving the pass rates of TVET colleges, the Department had been working with the Department of Basic Education on the input side – entry into the system. There are ongoing engagements with a specific focus on vocational and occupational programmes. The Department provides career guidance through one of its programmes, which provides career guidance to certain students.
* Regarding the issue of the students in Ukraine, the Minister indicated that they had a meeting with Universities South Africa (USAF), where a programme was set up to deal with this matter. He did not have all the details with him at that point in time. He confirmed that there are agreements between some South African universities and Ukrainian universities, and the Department would make use of those agreements. The Minister said that they were trying to rescue some of the students, however, it was rather difficult in other cases, as their systems do not align with South African systems.
* On the issue of the incident that occurred at Stellenbosch University, the Department was addressing the matter and they will go through a deeper process if necessary. The Minister said that the issue of racism remained a huge challenge in South Africa as a whole; and as government, they needed to re-evaluate the issues surrounding it. Racism is not just an issue in universities but in workplaces as well, and dealing with it required a societal intervention.
* The Department would be providing the Committee with the report of the Summit where Members will receive a lot of information on what the Department did and how much progress was made. The Department needed to look at the entire education system, and not just higher education.
* The Minister conclude by indicating that the Department needed an integrated system with NSFAS, other departments, and relevant institutions to work together to provide the necessary services.

**5. Committee recommendations**

The Committee, having considered Budget Vote 17: Higher Education and Training, together with the Annual Performance Plan of the Department of Higher Education and Training as well as that of the National Student Financial Aid Scheme, recommends the following:

**5.1.** **The Department**

* The Committee acknowledges that the Department is under resourced, however attempts should be made to prioritise monitoring of governance related issues across the sector i.e. monitoring and evaluation of institutional statutes to ensure effective and sound governance and management standards.
* The Department should provide necessary oversight and support to curb yearly student uprising related to admissions and registration.
* The Department should provide necessary support to ensure capacity in the TVET and CET sector so they can move swiftly as recognised programmes.
* Funding for the entire PSET sector is insufficient and needs attention to ensure that the NDP targets are not compromised due to unequal funding distribution between programmes. For instance, skills and artisan development is at the top of government agenda however the funding for the CET and FET sector is a drop in the ocean.
* Programmes offered across the sector should be monitored and ensure that they remain responsive and accredited to avoid the WSU qualification saga as per media headlines.

**5.2**. **NSFAS**

* Allowance discrepancy between TVET and University students is a course of concern. There is a need to ensure that the funding model affords equally all eligible NSFAS recipients.
* The entire PSET sector funding model need to be reviewed as the NSFAS budget is not sustainable going forward. Conversations should be held and look at funding model and the missing middle challenges to ensure that the provision is made between the poor and the middle class. The COVID pandemic exposed that even the missing middle are struggling to make ends meet and government should look at that to ensure that all benefit.

**6. Conclusion**

Having satisfied itself in its engagement with the Department of Higher Education and Training on their Annual Performance Plan and the Budget, the Select Committee on Education and Technology, Sport, Arts and Culture recommends that Budget Vote 17: Higher Education and Training be adopted and that the House approves Budget Vote 17.

**Report to be considered**.