1. **Report of the Portfolio Committee on Higher Education and Training on consideration of the Budget Vote 15 Higher Education and Training, Dated 10 May 2017**

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee) having considered the Revised Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan (APP) 2017/18 and 2017 Medium Term Expenditure Framework (MTEF) budget of the Department of Higher Education and Training (hereinafter referred to as the Department), reports as follows:

**1. INTRODUCTION**

South Africa has set itself goals through the National Development Plan (NDP), to eliminate poverty and to reduce inequality by 2030. In working towards achieving these goals, Government identified three main priorities, namely: raising employment through faster economic growth, improving the quality of education, skills and innovation; and building the capacity of the state to play a developmental, transformation role. Government developed the Medium-Term Strategic Framework (MTSF) 2014 – 2019, which outlines policy priorities for the five-year Government Administration. These policy priorities guide the allocation of financial resources. The financial resources have to be used effectively, efficiently and economically to implement the policy priorities.

**2. OVERVIEW OF THE RELEVANT POLICY PRIORITIES**

**2.1. National Development Plan (NDP) / Medium-Term Strategic Framework (MTSF) priorities for the Post-School Education and Training (PSET) sector**

For the post-school education and training sector, the NDP envisages that by 2030, South Africans should have access to Education and Training of the highest quality. The education, training and innovation system should cater for different needs and produce highly skilled individuals; and graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society.

Government budget allocation for the PSET sector is geared towards achieving the following targets as contained in the 2014 – 2019 MTSF:

* + 1. **University sector**
* The number of students enrolled at universities will increase from 950 000 in 2013 to 1.07 million by 2019.
* University enrolment in foundation programmes will increase from 16 300 students in 2013 to 36 000 by 2019.
* Evaluation of the current student financial aid system to improve how the funding is disbursed.
* To support the knowledge economy the number of PhD graduates will increase from 1 870 per year in 2013 to 3 000 per year by 2019.
* Increased graduate numbers in engineering science to 57 000 over the five year period.
* Increased graduate numbers in human and animal and health, 45 000 over the five year period.
* Increased graduate numbers in natural and physical sciences, 36 000 over the five year period.
* Increased graduate numbers in teacher education, 20 000 per year by 2019. This is to support Basic Education.
* To support the quality of lecturing, 10 Universities will offer TVET lecturing qualifications by 2019. This is to improve the quality of TVET Colleges by ensuring that the number of qualified lecturers are increased and administration is improved.
* Increased number of lecturers with PhDs, while reducing the student dropout rate.
* To produce the next generation of lecturers by increasing the pool of post-graduate students and research output.

**2.1.2. Technical and Vocational Education and Training Sector (TVET)**

* To ensure more students have access to post-school education and training, there is a need to provide more infrastructure, such as new TVET college campuses and student accommodation.
* The number of students enrolled in TVET Colleges will increase from 670 455 in 2013 to 1.238 million in 2019.
* 30 percent of TVET college lecturers should have work-place exposure every year by 2019.

**2.1.3. Skills Development Sector**

* The number of artisans produced every year will increase from 18 110 in 2013 to 24 000 per annum by 2019, to meet the needs of a growing economy.
* 140 000 work-based training opportunities and experience by 2019.
* Increasing partnerships between SETAs and employers for placements.

**2.2. 2017 State of the Nation Address (SONA)**

On 9 February 2017, during the State of the Nation Address, outlining Government policy priorities for the 2017/18 financial year. For the PSET sector, the President announced that Government provided funds to ensure that no student whose combined family income of up to R600 000 per annum, will be affected by fee increases at universities and TVET Colleges for the 2017 academic year. He said all students who qualify for the National Student Financial Aid Scheme (NSFAS) funding and who have been accepted by universities and TVET Colleges will be funded. The Department of Higher Education and Training has reiterated Government's commitment to funding the 2017 fee adjustments for the poor, working class and missing middle students at universities and TVET Colleges. For the 2017/18 financial year, an amount of R2.5 billion is allocated to cover fee increases for 2017 academic year, up to a maximum of 8 percent, for those students who come from households earning less than R600 000 per annum.

**3. MANDATE OF THE COMMITTEE**

The Portfolio Committee on Higher Education and Training is established by the rules of the National Assembly as enshrined in Section 57(2) (a) of the Constitution of the Republic of South Africa, (Act 108 of 1996), which stipulates that the rules and orders of the National Assembly must provide for the establishment, composition, powers, functions, procedures, and duration of its committees. The Committee is therefore an extension of the National Assembly and derives its mandate from Parliament. The mandate of the Portfolio Committee is as follows:

* To consider legislation referred to it and facilitates public participation;
* To conduct oversight of any organ of state and constitutional institution falling within its portfolio;
* To consider international agreements; and
* To consider the budget of department and entities falling within its portfolio.

**4. PURPOSE OF THE REPORT**

The purpose of this report is to account for work done by the Portfolio Committee on Higher Education and Training during assessment of the Revised Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan (APP) 2017/18 of the Department. The report further makes financial and non-financial recommendations for consideration by the Minister responsible for the Department and the Minister of Finance.

**5. METHOD**

In preparation for the review process, the Committee considered key policy documents that inform the work of the Department, among others, the National Development Plan (NDP), and the 2014-2019 Medium Term Strategic Framework (MTSF). The Committee held briefings with the Financial and Fiscal Commission (FFC) and the Technical and Vocational Education and Training Colleges Governors Council (TVETCGC) on the analysis of the Department’s MTEF budget, the report by the Auditor-General of South Africa (AGSA) on the audit outcomes of the Department and entities APP 2017/18, the Estimates of National Expenditure (ENE) and the speech of the Minister of Finance.

**6. OVERVIEW AND ASSESSMENT OF THE 2015/16 – 2019/20 REVISED STRATEGIC PLAN AND ANNUAL PERFORMANCE PLAN (APP) OF THE DEPARTMNENT OF HIGHER EDUCATION AND TRAINING**

**6.1 Remarks by the Minister of Higher Education and Training**

The Minister noted that the Department remained committed to the strategic goals as set in the Strategic Plan 2015/16 – 2019/20 and it was on course to ensure that PSET sector is governed by a sound legislative framework, provides appropriate teaching and learning support, develops infrastructure and strong stakeholder relations. The PSET system had performed well in many aspects, which include increased enrolment in higher education, which was consistent with the NDP enrolment target of 1.6 million students in higher education by 2030; expansion of the production of new teacher graduates, which was closing the teacher supply gap and increased graduates in the human and animal health sciences.

He stated that the quest to transform the PSET system was on course, through the implementation of the Staffing South Africa’s Universities Framework (SSAUF) and the new Generation of Academics Programme (n-GAP), to achieve the NDP target of 75 percent academics with Doctoral degrees by 2030. The system experienced a huge challenge in the production of PhDs among black South Africans. The Minister expressed a concern about the number of black South Africans graduating with PhDs in universities, which remained low. The Minister indicated that anecdotal information indicated that the majority of black South African graduates exited the university system after obtaining their first degree and this was largely attributed to the socio-economic challenges they faced; gatekeeping where research proposals are rejected many times and the inadequate supervisory capacity. The Minister reported that a Ministerial Task Team (MTT) would be established to investigate the low production of black South African graduates with PhDs, and suggested that Parliament Committee should also look into the matter.

The Minister indicated that efforts were underway to implement the turnaround strategy for the TVET Colleges, with a particular focus on teaching and learning, management and leadership. He cautioned that the gross underfunding of the TVET sector remained a challenge and a big threat to the expansion of the PSET system. The Minister also expressed a concern about additional resources of the Department that have been allocated to universities, and the fact that there had not been an increase in the number of students in TVET Colleges for 2017. The Department was funding TVET Colleges at a 54 percent rate instead of 80 percent rate due to funding shortfall.

The Minister noted that the priorities for the 2017/18 Medium Term Expenditure Framework (MTEF) period are: to finalise the National Plan for Post-School Education and Training (NP-PSET); to increase funding for the TVET Colleges; publishing regulations for the implementation of the Higher Education Act; integration of the Agricultural and other public Colleges to the PSET system; expanding the TVET sector for the production of mid-level skills; to provide clarity regarding the role of SETAs Offices in TVET Colleges; securing additional sites for the establishment of pilot Community Education and Training Colleges; providing funding for poor students and expanding financial assistance to support students from lower and middle class families and to provide finality on the issues of student funding by the Heher Commission.

**6.2 Strategic Overview**

The Director-General, Mr Qonde, noted that the Post School Education and Training (PSET) system needs to be an integrated system. He indicated that the Department provides the necessary leadership and resolved to focus on: the provision of a sound legislative framework; teaching and learning support; development of infrastructure and to promote a strong stakeholder network. The 2016/17 financial year marks exactly two years since the Department’s 2015 - 2020 Strategic Plan was tabled in Parliament.

The Department’s Strategic Plan 2015/16 – 2019/20 has been reviewed and the review has revealed that the Department has made significant progress in a number of areas which include: Prioritisation of funding for the marginalised, thereby enabling them to access post-school institutions and fulfil dreams of careers thought to be unrealisable; improving learning opportunities across the post-school education and training sector by expanding and strengthening the post-school distance education landscape through open learning; introduction of a new institutional type, the Community Education and Training Colleges – with a primary objective of promoting education and training opportunities for those young people who cannot access Universities or TVET Colleges; establishment of nine Community Education and Training (CET) Colleges (one in each province), establishment of a branch within the Department to provide a dedicated focus for CET, transfer of TVET Colleges from Provincial Departments of Education to the DHET and other key milestones.

In relation to the system performance, the University system has not grown in accordance with the Ministerial enrolment targets for two academic years (2014 and 2015), 1 000 100 and 1 020 000 respectively, for the first time. The TVET college sector enrolled 14 465 fewer students in 2015 than the targeted 725 000. Preliminary figures also show that enrolments in 2016 were below target.

**6.3. Submissions by stakeholders**

**6.3.1 Financial and Fiscal Commission (FFC)**

The FFC in its submission on the Department’s MTEF Budget 2017/18 noted that Higher Education was moving towards its national development goals. However, the access and education performance was still racially and regionally inequitable with low graduate output. In relation to the TVET sector, the Commission noted that there were few TVET Colleges that had qualified teaching staff with adequate teaching and technical skills and this had implications on the overall output of the sector.

In relation to the APP 2017/18, the FFC expressed a concern that the university system was not growing in accordance with its targets (headcount enrolment increased by 1.7 percent to 985 212 students during the 2015 academic year). There were challenges with enrolment in TVET Colleges as a result of inadequate infrastructure, insufficient funding, shortage of human resources, lack of relevant teaching and learning equipment and the low student access and certification rate.

With regard to the Department’s budget, the FFC indicated that over the 2017 MTEF period, real annual average growth of the Department’s budget was 4.1 percent. As at 2017/18, the University Education programme consumed the largest share of the Department’s budget at R41.9 billion. The second largest driver of the Department’s budget was the TVET programme followed by the CET programme.

In relation to the historical spending performance of the Department from 2013/14 – 2015/16, the Department consistently spent over 99 percent of its total budget. Underspending in 2015/16 was equivalent to roughly R84.5 million as a result of slow filling of vacant posts due to the large volumes of applications and posts that were advertised as part of the TVET and CET function shift. The department achieved 73 percent of its targets, but spent 99.8 percent of its budget, suggesting that the budget and performance outcomes were not aligned, which raises the issue of effectiveness and value for money.

**6.3.2 Technical and Vocational Education and Training Colleges Governors Council**

The TVETCGC in its submission on the Department’s MTEF Budget 2017/18 indicated that TVET Colleges were highly underfunded such that the funding was not commensurate with Government policy position by far. The implications of this was that the NDP targets would not be met if there was no meaningful change in funding levels. The funding made available to Colleges by the Department covered 62 percent of all students in all Colleges and 38 percent of students were not funded.

The TVETCGC noted that the Department used a 80 percent programme-based cost-funding model for allocation to Colleges. The challenge experienced by Colleges was that the allocation was far less than 80 percent because of the full-time equivalent (FTE) concept that reduced funding further. The current gross underfunding for 2016/17 would see Colleges 80 percent allocation being reduced to 46 percent, thus leaving the deficit of 54 percent of the 80 percent allocation.

With regard to the APP 2017/18, the TVETCGC indicated that Colleges should be funded a full R13.6 billion that was determined as a required budget for TVET Colleges for 2017/18 and a further R5 billion should be made available for infrastructure development. The funding for operations and capital projects should be equitable in the whole post-school education sector, while taking into account the historical backlogs of the TVET sector as well as the size of this sector in terms of the NDP targets. The TVETCGC emphasised that the SETAs partnership with TVETs needed to be reviewed.

The TVETCGC proposed the following immediate recommendations to be implemented in the 2017/18 budget of the Department: Full funding of the estimated R13.6 billion for 2017/18 be allocated, refunding of the R388 million taken for salaries, student debt relief for the TVET Colleges as done in universities, funding of Student Support Service, infrastructure, teaching, research and governance capacity development.

**6.4. Overview and assessment of the 2015/16 – 2019/20 Revised Strategic Plan and 2017/18 Annual Performance Plan**

**6.4.1. Revised Strategic Plan 2015/16 – 2019/20**

During the 2016/17 financial year, the Department reconfigured the Vocational and Continuing Education and Training (VCET) Branch by splitting it into two delivery programmes, namely; Technical Vocational Education and Training (TVET) and Community Education and Training (CET). This reconfiguration increased the number of the departmental budget programmes from five in 2015/16 to six in 2016/17. The newly established programme is Community Education and Training, which is headed by a Deputy-Director-General. Subsequent to the split of programme 4, the programme was then renamed Technical and Vocational Education and Training, responsible for all matters related to technical and vocational education and training only. Sub-programme 1: Programme Management: Vocational Education and Continuing Education and Training was renamed Programme Management: Technical and Vocational Education and Training, while a new sub-programme 5: Financial Planning was introduced.

The renaming of programmes and sub-programmes also occurred in programme 2 previously known as Human Resource Development, Planning and Monitoring Coordination. The programme was renamed Planning, Policy and Strategy. This was to avoid confusion that the Programme was responsible for Department’s internal Human Resource matters, while its purpose is to provide strategic direction in the development, implementation and monitoring of Departmental policies and the Human Resource Development Council of South Africa (HRDCSA). Sub-programme 1: Programme Management: Human Resource Development, Planning and Monitoring Coordination had been renamed Programmed Management: Planning, Policy and Strategy to align it with the new name of the Programme.

With the extreme funding challenges impacting on the realisation of both the White Paper for Post-School Education and Training and NDP targets, the Department revised downwards the targets for the remainder of the MTSF period. The Department’s targets are set in terms of direct deliverables, which constitute interventions by the Department envisaged to steer the system during the MTSF period and per year; and indirect deliverables, which are the expected outcomes or performance of the system resulting from the interventions by the Department. For the TVET sector, there are 16 MTSF system targets relating to sub-outcome 2: Increase access and success in programmes leading to intermediate and high learning of the Outcome 5 of the 2014-2019 MTSF. Of the 16 MTSF system targets, five were revised downwards. These include: the headcount enrolments in TVET Colleges (revised from 1 238 000 to 710 535), percentage of NC(V) L4: certification rate (revised from 65 to 40 percent), the percentage of N6: certification rate (revised from 65 percent to 50 percent), the percentage of funded NC(V) L4 students obtaining qualifications within the stipulated time (revised from 60 percent to 40 percent) and the number of qualifying TVET students obtaining NSFAS financial assistance (revised from 1 000 000 to 200 000).

Four MTSF targets were discontinued for the remainder of the MTSF (2017/18 – 2019/20) period. This includes: the number of additional beds for student accommodation in public TVET Colleges, the number of TVET lecturers undergoing specified hours of work in their industry for a specified period, every two years from 2019, the number of students entering the foundation programmes by March 2017 and the success rate in foundation programmes.

The Department has maintained MTSF system targets in programme 3: University Education, programme 5: Skills Development and programme 6: Community Education and Training.

**6.4.1.** **Overview and assessment of the 2017/18 Annual Performance Plan**

For the 2017 MTEF period, the Department has retained its six budget programmes, namely Administration, Planning, Policy and Strategy, University Education, Technical and Vocational Education and Training, Skills Development and Community Education and Training. All six programmes have also retained their sub-programmes.

**6.4.1.1. 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, and the Office of the Chief Financial Officer, Internal Audit and Office Accommodation.

The Programme has three Strategic Objectives (SO), namely: SO 1: to ensure effective human resource management within the Department through sound human resource management practices, including staff management practices, human resource development, performance management, labour relations and a sound human resource administrative system; SO 2: to ensure effective financial management; ensuring effective financial management through the application of good financial management systems, including management accounting, financial accounting and supply chain management in line with the requirements of the Public Finance Management Act (PMFA); and SO 3: to improve efficiency through the development of approved annual information communication technology (ICT) procurement plans for the implementation of the necessary information technology infrastructure and systems.

The targets for 2017/18 are to fill 90 percent of approved funded positions; to reduce the average number of days to fill an advertised position to 180 days per annum, to resolve 100 percent of disciplinary cases within 90 days, to pay creditors within 30 days, to have a reviewed Human Resource Plan approved, to have a plan to improve HR recruitment and selection process approved and to have improved ICT services implemented.

**6.4.1.2. 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.

The Programme has five Strategic Objectives namely: SO1: to ensure a sound PSET system through the development of appropriate steering mechanisms by the end March 2020; SO2: SO3: to ensure effective oversight of the PSET system by implementing oversight instruments by the end March 2020; SO4: to develop and implement teaching and learning support plans aimed at improving access to quality teaching and learning in the PSET system by the end March 2020, and SO5: to provide student support services in order to promote the success of students within the PSET system by the end March 2020.

For 2017/18 financial year, the programme has 10 targets. The Department planned to have a list of occupations in high demand developed and approved by the Director-General by 31 March 2018; to have a Policy Framework on Disability developed and to be approved by the Minister by 31 March 2018; to have one reviewed steering mechanisms approved; to have a draft National Qualifications Framework Bill developed and to be approved by the Minister by 31 March 2018 for submission to Cabinet for promulgation; to have three annual reports on the implementation of Social Inclusion in PSET developed and to be approved by the Director-General by 31 March 2018, annual report on the implementation of Open Learning in PSET developed and to be approved by the Director-General by 31 March 2018, and annual report on the implementation of Career Development Services developed and to be approved by the Director-General by 31 March 2018; to have status report on International Relations implementation plan developed and to be approved by the Director-General by 31 March 2018; to have a report on investment trends in Post-School Education and Training developed and to be approved by the Director-General by 31 March 2018; to have a communication strategy for student support services developed and to be approved by the Director-General by 31 March 2018; and to have a Management Information System for Public Community Colleges designed and to be approved by the Director-General by 31 March 2018.

**6.4.1.3. 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. This Programme has six budget sub-programmes, namely; Programme Management; University Education; University – Academic Planning and Management; University – Financial Planning and Information Systems; University – Policy and Development; Teacher Education, and University- Subsidies. There were no changes made to the Programme and Sub-Programme classification.

The Programme has seven Strategic Objectives, namely: SO1: to ensure a sound PSET system through the development of appropriate steering mechanisms for University education by 31 March 2020; SO2: to ensure integrated planning in support of an improved collaboration within the PSET sub-systems by 31 March 2020; SO3: to implement oversight instruments on higher education institutions to ensure an effective monitoring and evaluation of the university education sector by 31 March 2020; SO4: to provide teaching and learning support services aimed at improving access to quality teaching and learning in higher education institutions by 31 March 2020; SO5: to provide student support services for higher education institutions in order to promote the success of students within the PSET system by 31 March 2020; SO6: to annually provide management information and statistics on the performance of higher education institutions; and SO7: to ensure a strong university education stakeholder network in support of effective collaboration of stakeholders within the PSET system by 31 March 2020.

This Programme has two types of targets planned for the year, namely; direct deliverables which constitute interventions by the Department envisaged for the system during the financial year, and indirect deliverables which are expected outcomes or performance of the system resulting from the intervention by the Department. There are 36 targets planned for the financial year. These include, 20 targets in the direct deliverables and 15 targets in the indirect deliverables, which are system performance targets. In the direct deliverables the Department planned to have the Central Applications Services Policy developed and to be approved by the Minister by 30 September 2017; to have a Policy framework on collaboration between professional bodies, Government departments and quality councils developed and to be approved by the Minister on 31 March 2018; to amended NSFAS Act developed and to be approved by the Minister by 31 March 2018 for submission to Cabinet; to have the National Plan for PSET developed and to be approved by the Minister by 31 March 2018; to have 15 monitoring and evaluation reports developed and to be approved by the Director-General by 31 March 2018; and to have an updated cohort study report on higher education including the 2016 audited data developed and to be approved by the Director-General by 31 March 2018.

The indirect deliverables are the system targets aligned to the MTSF Sub-outcome 3: Increase access to high-level occupationally directed programmes in required areas. The targets include, among others: 995 000 students enrolled in public higher education studies at universities, 13 000 graduates in Engineering Sciences from universities, 8 300 graduates in Natural Sciences from universities, 2 700 Doctoral graduates from universities, 20 800 graduates in Initial Teacher Education from universities, and 2 200 Doctoral graduates, 7 600 Research Masters graduates, one university offering accredited TVET College Lecturer Qualifications and 205 000 eligible university student obtaining financial aid.

**6.4.1.4. 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 Assessments and Financial Planning.

The programme has six strategic objectives namely: SO1: to develop and review TVET steering mechanisms in support of a sound PSET system by 31 March 2020; SO2: to implement oversight instruments on TVET Colleges to ensure effective monitoring and evaluation of the TVET sector by 31 March 2020; SO3: to provide TVET teaching and learning support plans aimed at improving access to quality teaching and learning in TVET Colleges by 31 March 2020; SO4: to provide student support services for TVET Colleges in support of an improved PSET system by 31 March 2020; SO5: to develop infrastructure for TVET Colleges to ensure optimal geographic spread by 31 March 2020; and SO5: to ensure a strong TVET stakeholder network in support of effective collaboration of stakeholders in the PSET system by 31 March 2020

The Programme has a total of 23 targets for the financial year, 12 direct deliverables and 11 indirect deliverables. In the direct deliverables, the Department planned to have four new steering mechanisms: a performance reporting policy for TVET Colleges developed and to be approved by the Director-General by 31 December 2017, a policy for TVET College finance management developed by the Director-General by 31 March 2018, a policy for the South African Institute for Vocational and Continuing Education and Training (SAIVCET) developed and to be approved by the Director-General by 31 March 2018, a policy for administration/management of student admission for TVET Colleges developed and to be approved by the Director-General by 31 March 2018. The Department also planned to have a reviewed funding framework for TVET Colleges developed and to be approved by the Director-General by 30 September 2017, to have 16 monitoring and evaluation reports approved, to have infrastructure funding model for TVET College sector developed and to be approved by the Director-General by 31 March 2018; to have infrastructure maintenance plan for TVET college sector developed and to be approved by the Director-General by 31 March 2018 and to have a national infrastructure asset management system for TVET Colleges developed and to be approved by the Director-General by 31 March 2018.

For the system performance targets, the Department planned to have 710 535 headcount enrolments in the TVET Colleges, to have 3 months lead time to issue certificates to qualifying candidates, to have a 30 percent NC(V) L4: certification rate, to have a 55 percent N3: certification rate, to have 100 percent of public TVET college examination centres conducting national examinations and assessments in compliance with national policy, to have 200 000 qualifying TVET students obtaining NSFAS financial assistance per annum.

**6.4.1.5. 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.

The Programme has four Strategic Objectives, namely: SO1: to develop and review steering mechanisms for artisan development in support of a sound PSET system by 31 March 2020; SO2: to implement oversight instruments on skills development to ensure effective monitoring and evaluation of artisan development by 31 March 2020; SO3: to ensure effective artisan development assessment services in support of an improved PSET system by 31 March 2020, and SO4: to develop infrastructure/facilities in order to improve artisan development by 31 March 2020.

For the 2017/18 financial year, the programme has a total of 15 targets spread across the four strategic objectives. Of these, nine targets are the Department’s direct deliverables. The Department planned to have a reviewed National Skills Development Plan developed and approved by the Director-General by 31 March 2018, to have five monitoring and evaluation reports developed and approved; and to have a report on the implementation of the security infrastructure development plan at the Institute for National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) developed and to be approved by the Director-General by 31 March 2018, and to reduce the average lead time on trade testing for all qualifying applications from the baseline of 169 days in 2015/16 to 100 days

For the system performance targets, the Department planned to have 130 000 work based learning opportunities, 21 110 new artisans qualified per annum, to have 60 percent of new artisan learners employed or self-employed, to have 21 110 new artisan learners qualified and 27 750 new artisan learners registered.

**6.4.1.6. 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.

The programme has four Strategic Objectives, namely: SO1: to develop and review CET steering mechanisms in support of a sound PSET system by 31 March 2020; SO2: to implement oversight instruments on CET Colleges to ensure effective monitoring and evaluation of the CET sector by 31 March 2020; SO3: to provide CET teaching and learning support plans aimed at improving access to quality teaching and learning in CET Colleges (beginning 2017) by 31 March 2020; SO4: and to develop infrastructure for CET

Colleges to ensure the optimal geographic spread by 31 March 2020.

The programme has six planned targets, which four are Department direct deliverables and two system targets. The Department planned to have the CET service delivery model developed and approved by the Director-General by 30 September 2017, to have a Reporting policy for CET Colleges developed and approved by the Minister by 31 March 2018, to have a Reviewed funding framework for CET Colleges developed and approved by the Minister by 30 September 2017, and to have three monitoring and evaluation reports on CET Colleges developed and approved by the Director-General by 31 March 2018.

For the system targets, the Department planned to have 340 000 headcount enrolment in the CET Colleges and to have a 45 percent certification rate in CET formal qualifications.

**6.4.2. Overview and assessment of the 2017/18 Medium-Term Expenditure Framework (MTEF) Budget**

**6.4.2.1. Overall Budget Allocation and Expenditure Estimates: 2017/18 financial year**

Table 1: Overall budget allocation and expenditure estimates of the Department

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programmes** | **VOTE 15: HIGHER EDUCATION AND TRAINING** | | | |
| **Medium-Term Expenditure Estimates** | | | |
| **2016/17 Adjusted Appropriations** | **2017/18** | **2018/19** | **2019/20** |
| **R million** | **R’000** | **R’000** | **R’000** | **R’000** |
|  |  |  |  |  |
| Administration | 372.7 | 403.4 | 441.0 | 471.6 |
| Planning, Policy and Strategy | 71.6 | 73.3 | 79.7 | 85.7 |
| University Education | 39 532.5 | 41 943.5 | 49 498.6 | 52 344.4 |
| Vocational and Continuing Education and Training | 6 960.2 | 7 408.2 | 8 029.3 | 8 604.5 |
| Skills Development | 181.4 | 244.3 | 266.8 | 284.3 |
| Community Education and Training | 2 069.8 | 2 234.9 | 2 356.4 | 2 530.3 |
| **Sub-Total** | **49 188.2** | **52 307.6** | **60 671.8** | **64 320.9** |
| **Direct Charges against the National Revenue Fund** | **15 462.2** | **16 641.5** | **17 968.2** | **19 454.1** |
| Sector Education and Training Authorities | 12 370.5 | 13 313.2 | 14 374.6 | 15 563.3 |
| National Skills Fund | 3 091.7 | 3 328.3 | 3.593.6 | 3 890.8 |
| **Total** | **64 650.4** | **68 949.1** | **78 640.0** | **83 775.0** |

The budget of the Department increases at an average rate of 9.4 percent annually, from R49.2 billion in 2016/17 to R64.3 billion in 2019/20, excluding the skills levy. The allocation for 2017/18 amounts to R52.3 billion, which is an increase of R3.1 billion (nominal increase of 6.3 percent) on the 2016/17 allocation. The Department’s budget is dominated by Programme 3: University Education, which represents 80.2 percent of the budget in 2017/18, mainly as a result of the subsidy payments to universities and the National Student Financial Aid Scheme. Transfer payments also dominate the budget in terms of the economic classification of expenditure. Normal Departmental services represent R8.855 billion (16.9 percent) of the budget, which consists of compensation of employees and the operational activities of the Department and excludes all transfer payments (such as universities, TVET Colleges, CET Colleges, public entities) as well as earmarked funds (such as for the rental costs of buildings).

For the 2017/18 financial year, compensation of employees amounts to R8.425 billion (95.1 percent) of Departmental services. This leaves the Department with an amount of R429.541 million (0.8 percent) for normal operational activities including earmarked allocations. Resources at the Department are limited (R365 million, excluding earmarked allocations), especially taking into account that examination services as well as the operations of INDLELA are accommodated within this amount. The current funding (2017/18) of both examination services (R95.741 million) and the operations of INDLELA (R10.8 million) is below requirements and it leaves only R259 million for the operations of the rest of the Department including the Regional Offices.

The Department’s baseline adjustments (additional allocations) over the 2017 MTEF period amounts to R5.3 billion in 2018/19 and R5.717 billion in 2019/20. These additional funds are mainly for: National Student Financial Aid Scheme (NSFAS) - Unfunded university students from the 2016 academic year, R2.5 billion in 2018/19 and R2.7 billion in 2019/20; compensation for the carry-through cost of the 8 percent fee increase for the 2017 academic year for Universities 2018/19: R2.6 billion and 2019/20: R2.7 billion; TVET Colleges 2018/19: R168 million and 2019/20: R178.5 million.

The impact of the 8 percent fee increase for the 2017 academic year (during the 2017/18 financial year) is funded through reprioritisation of funds within the PSET system. The funds have been earmarked from the SETAs and National Skills Fund (NSF) surpluses and amounts to R4.9 billion. The Department provisionally received an additional R5 billion for the 2019/20 financial year, and this amount must still be allocated and distributed within the PSET system.

**6.4.2.2. Programme budget and expenditure estimates: 2017/18 financial year**

**i. Programme 1: Administration**

For the 2017/18 financial year, the programme received an allocation of R403.4 million, which accounts for 0.77 percent of the Department’s budget. The budget increased by R30.7 million from the R372.7 million allocated in 2016/17 financial year and projected to increase to R441 million and R471.6 million in 2018/19 and 2019/20 respectively.

In terms of economic classification, R398 million is allocated for current payments which consists of R222.2 million for compensation of employees and R175.9 million for goods and services. Allocation for spending on compensation of employees constitutes the bulk of the programme’s budget. The budget has increased by R18.8 million from R203.4 million allocated in 2016/17. Of the R175.9 million allocated for spending on goods and services, R60.4 million is allocated for the property payments line item, which increased by R9.3 million from R51.1 million allocated in 2016/17. Allocation for spending on computer services which amounts to R36.8 million is the highest line item, followed by the allocation for travel and subsistence at R19.1 million. Allocation for spending on consultants: business and advisory services increased from R5.2 million in 2016/17 to R7.4 million in 2017/18. Allocation for spending on payments for capital assets is R5.3 million.

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

For the 2017/18 financial year, the programme received an allocation of R73.3 million, which is 0.14 percent of the Higher Education and Training total budget. This budget increased marginally by R1.7 million in nominal terms, which is a decrease of R2.6 million when factoring in inflation. R69.6 million of this budget is allocated for current payments, which consist of R59.8 million for compensation of employees and R9.8 million for goods and services. Allocation for spending on compensation of employees constitute the bulk of the programme’s budget.

**iii. Programme 3: University Education**

The Programme has a total budget of R41.9 billion, from R39.5 billion allocated in 2016/17. This programme’s budget represents 80.19 percent of the total Higher Education and Training budget. The budget allocation is expected to increase to R49.4 billion and R52.3 billion in 2018/19 and 2019/20 respectively. The budget increased by R2.4 billion from R39.5 billion allocated in the 2016/17 financial year, which is 6.1 percent in nominal terms or -0.19 percent in real terms when considering inflation. The budget is projected to grow by the real annual average growth of 5.5 per cent over the MTEF period. Allocation for spending on Sub-programme 6: University Subsidies, R31.6 billion constitute the bulk (75.36 per cent) of the programme’s total budget. The budget increased by R3.6 billion in nominal terms. When factoring inflation, the real increase is R1.7 billion.

Allocations for spending on sub-programme 2: University - Academic Planning and Management constitutes the second highest spending at R10.2 billion. The budget in this sub-programme decreased by R1.2 billion from R11.5 billion allocated in 2016/17. There are budget decreases for Sub-programme 1: Programme Management: University Education (decreased by R0.4 million in nominal terms from R4.7 million allocated in 2016/17 to R4.3 million in 2017/18), Sub-programme 3: University - Financial Planning and Information Systems (decreased by R1.3 million in nominal terms from R12.6 million in 2016/17 to R11.4 million in 2017/18). The allocation of R27.6 million for Sub-programme 4: University- Policy and Development did not increase from what was allocated in 2016/17. When factoring inflation, the budget decreased by R1.6 million in real terms. Allocation for spending on Sub-programme 5: Teacher Education increased by R5.2 million from R14.3 million allocated in 2016/17 to R19.5 million in 2017/18.

In terms of economic classification, R71.8 million is allocated to current payments, of which R65.4 million is allocated to compensation of employees and R6.4 million for goods and services. The allocation for spending on travel and subsistence amounts to R3.6 million.

The allocation for transfers and subsidies amounts to R41.8 billion. Of this, R10.2 billion is allocated to the Departmental agencies, namely: the National Student Financial Aid Scheme (NSFAS), the Council on Higher Education (CHE) and the South African Qualifications Authority (SAQA). R28.08 billion is allocated to the 24 universities, with the two new universities, University of Mpumalanga (UMP) and Sol Plaatje University (SPU) receiving a special funding. Allocations for capital expenditure at universities, including the University of Mpumalanga and Sol Plaatje University amounts to R3.5 billion. The budget is expected to increase to R3.8 billion in 2019/20.

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

For the 2017/18 financial year, the Programme received an allocation of R7.4 billion, which accounts for 14.16 percent of the total Higher Education and Training budget (R52.3 billion), excluding direct charges. The programme budget increased by R448 million in nominal terms from R6.9 billion allocated in 2016/17, which represents an increase of 6.44 percent in nominal terms. The real average annual growth rate for this programme is projected at 1.8 per cent.

Sub-programme 2: Technical and Vocational Education and Training System Planning and Institutional Support received an allocation of R7.08 billion, which constitutes 95.69 percent of the total budget of the programme. This sub-programme provides support to management and councils, monitors and evaluates the TVET system performance 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 the institutional landscape for the rollout of the TVET college system.

Sub-programme 4: National Examinations and Assessment, which administers and manages the conduct of national assessment in TVET and community education and training Colleges received an allocation of R294.8 million, which constitutes 3.98 percent of the total sub-programme budget. The budget increased by R16.3 million in nominal terms. However, when factoring in inflation, the budget has decreased by 0.42 percent in real terms. The Department has previously reported a funding shortfall in the examination and assessment services.

In terms of economic classification, R6.06 billion is allocated for current payments, R1.3 billion for transfers and subsidies and R0.7 million for payments for capital assets. The allocation for compensation of employees, which amounts to R5.9 billion constitutes the bulk of the programmes’ budget, with the remaining R154.6 million allocated for goods and services. The budget’s provision for compensation of employees has increased by R655.8 million from R5.3 billion allocated in 2016/17 financial year to R5.9 billion in the 2017/18 financial year.

The allocation for goods and services in this programme amounts to R154.6 million in 2017/18 up from R118 million in 2016/17. The bulk of this budget, which is R73 million, is allocated to travel and subsistence. This allocation increased by R32.8 million from R40.2 million allocated in 2016/17 financial year. The allocation for spending on training and development, which amounts to R32.7 million constitutes the second highest expenditure on goods and services; followed by the allocation to consumables: stationery, printing and office supplies which constitutes the highest expenditure line item in goods and services at R13.6 million. The amount of R1.3 billion is allocated for transfers and subsidies. Of this, R1.3 billion is for subsidies to TVET Colleges and R14.4 million for the SETAs.

**v. Programme 5: Skills Development**

For the 2017/18 financial year, the Programme received an allocation of R244.3 million, which represents 0.47 percent of the Higher Education total budget. The budget has increased by R62.9 million or 34.7 percent in nominal terms from the R181.4 million allocation in the 2016/17 adjusted appropriation. However, when inflation is considered, the budget has increased by 26.69 per cent. Sub-programme 2: SETA Coordination accounts for the biggest portion of the total allocation which is R207.7 million (85.02 percent) of the programme’s total budget, followed by Sub programme 4: Quality Development and Promotion that accounts for second largest, amounting to R26.9 million, which represents 11.01 percent of the total programme budget. Sub-programme 1: Programme Management: Skills Development received no increase for 2017/18, while sub-programme 3: National Skills Development Services received a budget cut of R0.8 million.

In terms of economic classification, R112.8 million is allocated for current payments. Of this, R97.7 million is allocated for compensation of employees and R15.1 million for goods and services. The allocation for transfers and subsidies amounts to R130.7 million. The allocation will be transferred to the Quality Council for Trades and Occupations (QCTO) (R26.9 million) and Public Service SETA (R103.8 million).

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

For the 2017/18 financial year, the programme received an allocation of R2.2 billion, which represents 4.27 percent of the Department’s total budget, excluding direct charges against the National Revenue Fund. The budget increased by R32.6 million, which represents 0.04 percent in real terms. Of significance to note is that the budget is projected to grow by a real annual average of 0.5 percent over the 2017 MTEF period. The projected slight increase will mainly cater for the increase in the cost of living. The bulk of the budget of this programme, which amounts to R2.05 billion, goes to sub-programme 2: Community Education and Training College Systems. This represents 91.96 per cent of the programme’s total budget.

The allocation for sub-programme 3: Financial Planning constitutes the second highest spending sub-programme provision with an allocation of R166.3 million. This allocation has not increased from the 2016/17, which represents a decrease of 5.93 per cent in real terms, when factoring in inflation. The allocation to sub-programmes 1: Programme Management: Community Education and Training has decreased from R2.9 million in 2016/17 to R1.7 million in 2017/18. This represents decrease of 44.85 per cent in real terms. The allocation to sub-programme 4: Education and Training and Development Support has decreased from R17 million in 2016/17 to R11.6 million in 2017/18. This represents a decrease of 35.81 percent in real terms.

In terms of economic classification, R2.1 billion is allocated for current payments, R104.7 million for transfers and subsidies and R1.8 million for payments for capital assets. The allocation to compensation of employees, which amounts to R2.06 billion, constitutes the bulk of the programmes’ budget, with the remaining R58.6 million for goods and services. The allocation to consumables: stationery, printing and office supplies constitutes the highest spending line item in goods and services at R31.5 million, followed by the allocation to training and development at R14.4 million.

**6.4.2.3. Key budget pressures facing the Department**

The Department received a substantial baseline increase in the funding of the estimated shortfalls, especially for universities. Despite this fiscal injection, there are still some serious service delivery requirements that cannot be addressed. The Department remains unable to attain the growth requirements within the PSET system in terms of enrolments, infrastructure development, increased operations and student support. Three targets reflected in the APP will not be met due to lack of funding. These targets are: Student accommodation, Lecturer Industry Exposure, and TVET Foundation Programmes and success rate.

The Department is also at risk of not meeting the targets set in the NDP especially in terms of enrolments. Limitations are placed on departmental operations such as the rolling out of the new organizational structure, ensuring appropriate regional presence and examination services. Institutional as well as grant monitoring and evaluation is limited to the most critical areas. The Department relied on the NSF and other donor support for career guidance initiatives, Higher Education AIDS programme and activities of the National Artisan Moderation Body (NAMB). The reliance on the NSF is jeopardising the ability of the NSF to support artisan development adequately and to increase student funding through NSFAS at universities and TVET Colleges.

**7. OBSERVATIONS**

The following formed part of the key observations:

**7.1 Department of Higher Education and Training**

7.1.1. The Department experienced challenges in filling vacancies within the regulated time, owing to large volumes of applications. The Department will develop an e-recruitment system to expedite recruitment process.

7.1.2. The meeting sympathised with the Department about the inadequate funding to fulfil its constitutional mandate adequately, in particular for the key delivery programmes, such as University Education, TVET and Community Education and Training. The underfunding of the DHET would have serious implications on the meeting the NDP targets for 2030 set for the PSET system.

7.1.3. The Department was commended for its investment in the construction of the University of Mpumalanga (UMP), which had state of the art infrastructure, ICT and facilities for teaching and learning.

7.1.4. The meeting advised the Department to review some of its key performance indicators, especially in the core delivery programmes, as they were too modest.

7.1.5. In relation to the production of artisans, the country was expected to produce 30 000 artisans per annum by 2030. However, the training and development of artisans by the Department was concerning, due to capacity related challenges at INDLELA.

7.1.6. It was noted that the scarce and critical skills produced by the PSET institutions should take the country forward in terms of development and economic growth, and they should respond to the 4th industrial revolution.

7.1.7. It was highlighted that the country was in a dire shortage of health care professionals in particular medical doctors, and a province such as Mpumalanga did not have an Academic Hospital. The Department was requested to explore the possibilities for expansion of medical schools, especially in universities serving largely rural areas.

7.1.8. The Department was advised to fast track the legislation that needs to be amended for the proper functioning of the PSET system and review of the skills levy.

7.1.9. The decline in the subsidies for TVET Colleges was noted as a serious concern. The TVET Colleges were funded at 54 percent instead of the 80 percent. The funding shortfall had a negative impact on the growth of the sector, resulting in the capping of enrolments for 2017 and for the remainder of the MTEF period. The TVET Colleges were also not funded for infrastructure development, since there was no budget item for this function in the Department. The infrastructure in the TVET Colleges was decaying due to lack of sufficient funds for maintenance and refurbishments.

7.1.11. The quality of teaching and learning in TVET Colleges was noted as a serious concern. This was mainly due to fewer qualified teaching staff with adequate pedagogy and technical skills. Meanwhile, there were delays in the accreditation of universities which offer TVET college lecturer qualifications.

7.1.12. The decline in research grants for universities was noted as a concern since research formed part of the core business of universities. It was noted that the target for academic staff with PhDs at universities should be revised, since the PhDs qualifications were key contributors to high-level skills required in the knowledge economy and for innovation.

7.1.13. The importance of the CET sector in the expansion of the PSET system was emphasised. It was noted that the sector catered for out of school youth and adults with lower education or skills levels. However, the insufficient funding for the sector compromised its ability to deliver on its core mandate.

7.1.14. It was noted that the curriculum offered by TVET Colleges is outdated and not relevant to industry needs. The Department was requested to speed up the curriculum review process of the TVET sector.

7.1.15. It was noted that the Department was should explore the possibilities of using underutilised factories and vacated schools as Community Learning Centres to expand the footprint of CET Colleges and TVET Colleges.

7.1.16. It was noted that the Department should improve on its administration and procurement processes to move towards a clean audit.

7.1.17. It was noted that the legislation excluding the public sector from paying the skills levy should be revisited.

**7.2 Financial and Fiscal Commission**

7.2.1. It was noted that the submission of the FFC lacked concrete recommendations on the budget and overall funding of the entire PSET system.

**7.3 Technical and Vocational Education and Training Colleges Governors Council**

7.3.1. The Committee shared the sentiments of the TVETCGC on the gross underfunding of the TVET sector to meet its objectives of producing mid-level skills needed by the economy.

7.3.2. It was noted that the TVETCGC was an important stakeholder in the PSET system and the Department and Minister should improve its communication and relationship with this body.

7.3.3. It was noted that the TVET sector was at risk to face student protests similar to those experienced by universities owing to underfunding of the sector.

7.3.4 The meeting noted the submission of the TVETCGC that the full R13.6 billion budget as initially determined by the Department should be made available for TVET Colleges for 2017/18. Also that an additional R5 billion be allocated for physical infrastructure development, ICT, student support services and teaching, research and governance capacity development of the TVET sector.

7.3.5 The meeting noted the proposal of the TVETCGC for Government to consider tapping into the unclaimed pension fund of R42 billion to address the funding needs of the TVET sector.

7.3.6 The meeting noted the TVETCGC’s proposal that the Government should fund student debt relief for the TVET sector.

**7.4. Other observations**

**7.4.1. Programme 1: Administration**

7.4.1.1. The meeting noted that the budget allocation for sub-programme 5: Internal Audit had been cut by R1 million, from R9.2 million in 2016/17 to R8.2 million. The Department had planned to achieve a clean audit by 2019/20 and there were audit findings to be addressed. The Department had to put systems in place to address these audit findings to ensure there is no recurrence. The reduction in the budget for this sub-programme may impact negatively on the work of the Internal Audit.

7.4.1.2. The Department has not been adequately funded for its internal operations, and its organisational structure could not be implemented to improve human capacity. This has impacted on the filling of vacancies as well as the target to resolve disciplinary cases within set time frames.

7.4.1.3. The ability of the Department to implement its oversight role was also being seriously compromised due to inadequate funding.

**7.4.2. Programme 3: University Education**

7.4.2.1. The meeting noted a significant progress had been made annually in working towards achieving the MTSF targets by 2019/20. Significant achievements for the 2015/16 – 2016/17 include: increased graduate numbers in Engineering Sciences: 24 528; Human Health and Animal Health: 18 833; Natural and Physical Sciences: 15 176; Initial Teacher Education: 39 822; Research Masters: 13 729 and Doctoral graduates: 6 509.

7.4.2.2. The construction of the two new Universities, University of Mpumalanga and Sol Plaatje University had been underway since 2014. The Department had allocated R3.02 billion over the 2017/18-2019/20 medium term for funding of infrastructure development projects at these universities. The full development of the institutions requires significant further investment over the next ten-years. Total capital and operational costs were estimated to be about R6.6 billion for the Northern Cape (5 000 Full Time Equivalents students) and about R10.3 billion for Mpumalanga (15 000 FTE students).

7.4.2.3. Though the University Programme received an increase of R2.4 billion (from R39.5 billion allocated in 2016/17 financial year), which was a 6.1 percent increase in nominal terms or 0.19 percent in real terms, the budget allocation is not sufficient. It is evident that this scenario will continue until other means of funds are identified. The existing budget cuts within the three sub-programmes equating to R1.2 billion will impact negatively on service delivery within the programme. It is critical to note that R41.8 billion of the allocation goes to transfers and subsidies to institutions of higher learning and departmental agencies. Of concern is that the Department, only has R6.4 million allocated for good and services, of which R3.6 million is for travelling and subsistence. The restricted budget will impact negatively on the operations within this sub-programme and may compromise the monitoring and evaluation function of the branch, in particular site visits to institutions of higher learning to conduct qualitative verification of infrastructure development projects as well as the effective use of the earmarked grants. During the recent oversight visit to the University of Limpopo and the University of Venda, the Committee was informed of poor workmanship with regard to some infrastructure projects which could have been identified earlier in the construction process.

**7.4.3. Technical and Vocational Education and Training**

7.4.3.1. The MTEF target is to have 1.238 million students enrolled in the TVET Colleges by 2019/20. However, the Department has been underperforming in this target for over 3 years. The underachievement was attributed to underfunding in terms of programmes and student funding i.e. NSFAS, inadequate physical infrastructure and human resource capacity. For example, in 2016/17, the Department required R11.2 billion for funding the sector and was only allocated R6.9 billion, resulting in a shortfall of R4.6 billion. Equally, funding allocated for students who qualified for NSFAS in 2016/17 was R2.4 billion and the required budget was R4.8 billion to cover the target of 80 percent of college students with bursaries. This represents in a shortfall of R2.4 billion. For the 2017/18 financial year, the projected shortfall will be R5.5 billion for 80 percent programme funding if enrolment is capped at 2016 baseline without any growth is R5.5 billion. For NSFAS, the projected shortfall for 2017/18 is R2.7 billion. The implication is that the MTEF commitments will not be achieved.

7.4.3.2. The NDP proposes an increase in the throughput rate of 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 has not been achieved as expected. The challenge of underqualified lecturers and, underprepared students, lack of foundation provisioning 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 a foundation provisioning grants to support underprepared students so as to improve their success and throughput rate. TVET Colleges also enrol underprepared students, and there is no funding for provision of foundation programmes. The Department planned to have 5 000 TVET students enrolled in foundation programmes and to have 50 percent of success rate in foundation programmes. The targets were unfunded for the previous two years of the MTSF. The Department discontinued these targets due to lack of funding.

7.4.3.3. The Department managed to achieve a target of 200 000 qualifying students obtaining financial assistance, the target was exceeded by 98 457. Evidence from oversight visits points to the practice of top slicing in terms of NSFAS funding by the Colleges. Colleges have sacrificed student allowances (transport, accommodation and meals) so as to fund tuition fees for as many students as possible. This target was achieved not because there was adequate funding for it, but because student allowances were sacrificed in the process. The implication of non-payment of allowances contributes to poor attendance and consequently affects the 80 percent attendance requirement for examination admission. This results in poor success and low certification rates.

7.4.3.4. The Department planned to build student residences at TVET Colleges so as to have an additional 5 000 students accommodated by 2020. Due to budgetary constraints, the target was not funded, and therefore could not be implemented during the first two years into the MTEF period. The target has been discontinued for the remainder of the MTEF period. The commitment to have 30 percent of TVET college lecturers undergoing work place exposure every year by 2019 is not funded and has consequently been discontinued.

7.4.3.5. The Department’s subsidies for TVET Colleges has declined by R206.7 million for the 2017/18 financial year. This decline in subsidies will impact on the achievement of the commitments made by Government:

* To increase enrolment in line with the commitments of the NDP and White Paper for Post-School Education and Training to increase headcount enrolment at TVET Colleges to 1.25 million so as to transform the current size and shape of the post-school education and training and to build a sustainable skills profile of the country, by increasing mid-level skills. The disjuncture between the targeted enrolment and available funding defeats the goal.
* The ability of the Colleges to refurbish, update and address the infrastructure maintenance backlog of the existing facilities. Findings from the oversight visits revealed that the lack of funding for college infrastructure development has resulted in maintenance backlog of the existing infrastructure. At the Coastal KZN TVET College, the Committee was informed of a report from qualified engineers that highlighted that sprawling had been noted at various campuses and if not attended to, could cause the collapse of some parts of the buildings at different campuses. The Capricorn TVET College reported having workshops which were dilapidated.
* The ability to replace and update the outdated equipment in the workshops and simulation rooms, so as to ensure that students are provided modern equipment similar to the one in the industry when they do practicals. Students are currently trained on outdated equipment and this will affect their employability.
* The Department will not be able to build additional beds for student accommodation in public TVET Colleges.
* The review of Report 191 and NC(V) curriculum to make it responsive to industry needs may also be affected.

**7.4.5. Programme 5: Skills Development**

7.4.5.1.The Committee noted that the Department has achieved most of its targets in this programme. However, there is still a need to meet the target towards attainment of 24 000 artisans produced per annum by 2019. Though the Department has been exceeding its annual targets on work placement for students, preliminary findings from the oversight visit shows that there is a need to the increase targets and strengthen partnerships between SETAs and employers to provide more placement opportunities. The Committee was informed by the Mining Qualifications Authority (MQA) and some Colleges like Sekhukhune and Waterberg TVET Colleges that the mining industry is not opening up their workplaces for students. Inadequate work placement will impact negatively on students completing their qualifications as well as the skills-base required to grow the economy of the country.

7.4.5.2. The human resource capacity at INDLELA as well as outdated machinery for certain occupations, in particular high demand trades, impacts on the average lead time from trade test application received until trade test conducted. Therefore, there is a need for additional funding to capacitate INDLELA with artisan assessors for high demand trades and occupations as well as to convert workshops for low demand trades into the high demand trades to expedite trade testing.

**7.4.6. Programme 6: Community Education and Training Colleges**

7.4.6.1.The NDP committed Government to increase youth and adult participation in the CET sector to 1 million by 2030. This is to expand access to and success for post-school youth and adults who wish to raise the bar for further learning, improve skills to bolster employability and/or facilitate progression to opportunities in the TVET college and university education sectors. The Department achieved the target to establish nine CET Colleges in 2015. The sector has to become differentiated and more responsive to geographic and sectoral needs and challenges. The offering of appropriate and quality programmes needs to be supported by appropriate infrastructure in order to achieve the NDP targets. The MTEF targets for this programme is to have a headcount enrolment of 340 000 students by 2019/20.

7.4.6.2. For the 2017/18 financial year, the budget allocation of this programme is R2.2 billion. Of this R2.1 billion is allocated for compensation of employees and R58.6 million for goods and services. The allocation for goods and services has decreased by R 4.7 million from the 2017/18 financial year. The Department inherited the challenge of this programme from the Provinces. As a result of the underfunding, Colleges were faced with challenges of lack of leaner teacher support material (LTSM) which undermines the quality of teaching and learning. The current allocation to the CET Colleges will not help to alleviate these challenges. An increase in the demand for matric rewrite programmes at these Colleges also puts additional pressure in the already constrained budget. The infrastructure challenges impact on the quality of teaching and learning as some centres can only operate for three hours per day. Due to lack of funding, the CET sector has not yet realised its legislative mandate which is to provide “for further learning, improve skills to bolster employability and/or facilitate progression to opportunities in the TVET college and university education sectors; as well as to be responsive to geographic and sectoral needs and challenges”. The Department has not been able to harmonise the conditions of service of lecturers in the CET sector, which varies from permanent, fixed term contracts to temporary employment positions. There are no standard employment practices amongst the Department’s regions.

**8. Summary**

The 2017/18 Annual Performance Plan of the Department marks the third year of implementation of the Strategic Plan 2015/16 – 2019/20. The Department has revised the current Strategic Plan 2015/16 – 2019/20 although most of the system objectives remained unchanged. The Department is responsible for Outcome 5 of Government Priorities (a skilled and capable workforce to support an inclusive growth path) which also highlights the need to expand access to programmes that address the labour market needs for intermediate skills and include a practical component.

Over the MTEF period, the Department plans to continue working towards the realisation of the White Paper for Post-School Education and Training objectives by continuing to expand access to post-school education and training institutions as well as improving their performance. The largest portion the Department’s budget is transferred to the PSET institutions such as universities, TVET and CET Colleges mainly to expand access to education and training opportunities for young people and adults in and outside of the schooling system.

Whilst it is broadly acknowledged that the entire PSET system requires expansion and sufficient funding to contribute to the developmental needs of the economy and society at large, significant progress has been made in the key delivery programmes of the Department, namely University Education, TVET, Skills Development and Community Education and Training.

In expanding access to higher education, the Department’s contribution to the National Student Financial Aid Scheme (NSFAS) increased from R9.2 billion in 2016 to 10.6 billion in 2017 supporting approximately 262 00 students in 2017. The transfer of subsidies to universities increased from R27 billion in 2016/17 to R31 billion in 2017/18. This is the Department’s largest spending item and over the MTEF period, it is expected to increase to R38 billion by 2019/20. An amount of R2.5 billion is allocated to cater for the University fee increases and for the missing middle students. The investment made in higher education contributed to increase the number of graduates produced by universities, especially in the scarce and critical skills programmes.

In expanding access to the TVET sector, the National Skills Fund committed R2.5 billion for the construction of the new TVET college campuses. Two new TVET college campuses had already been completed (Waterberg TVET college Thabazimbi Campus and Umfolozi TVET College Nkandla Campus), and the process is underway for construction of the remaining campuses. The allocation to the TVET sector increased from R6.9 billion in 2016/17 to R7.4 billion in 2017/18 although the largest portion of this budget is for compensation of employees. The TVET sector was severely underfunded and this had implications for its expansion.

The Department continues to support the training and development of artisans over the medium term period, and the budget for the skills development programme increased from R181.4 million in 2016/17 to R244 million in 2017/18. This is projected to increase to R284 million by 2019. The Department plans to increase the capacity of INDLELA and the National Artisan Moderation Body as these institutions are vital to increase the number of qualified artisans.

In relation to the CET sector, the Department has already established nine Community Education and Training Colleges in all the nine provinces. The budget for the CET sector has increased from R2 billion in 2016/17 to R2.2 billion in 2017/18. This programme could experience a funding shortfall as R2.1 billion is allocated for compensation of employees in 2017/18.

**9. Recommendations**

The Committee having considered the Revised Strategic Plan 2015/16 – 2019/20 and Annual Performance Plan 2017/18 recommends as follows:

9.1. To the Minister of Higher Education and Training to consider the following:

9.1.1 The Department should expedite its recruitment processes to ensure that all funded vacant positions are filled within the required timeframes.

9.1.2. The Department should look at what alternative capacitation is required for INDLELA to accelerate trade test processes.

9.1.3. The Department has not met its targets on the number of students in foundation programmes for two consecutive years, and the number of students enrolled in public higher education studies at universities. This was attributed to changes in the admission policy by the University of South Africa (UNISA). The Department should ensure that UNISA enrols students in terms of the approved enrolment plan.

9.1.4. The Department should consider reviewing upwards some of the targets, that are too modest. These include: Universities offering accredited TVET College Lecturer Qualifications, percentage of university academics with PhDs, proportion of SETAs meeting standards of good governance.

9.1.5. The Department should strengthen its monitoring and evaluation function over the universities, in particular, to conduct site visits to institutions of higher learning to conduct qualitative verification of infrastructure development projects as well as the effective use of the earmarked grants. This will prevent reported poor workmanship on infrastructure development projects undertaken by universities to ensure value for money and effective and efficient utilisation of earmarked grants.

9.1.6. The delays in the finalisation of the procurement process of the Department for the construction of the nine remaining new TVET College campuses and the cost implication thereof, was noted with concern. The Department should expedite these processes to ensure that the target is met as per the Presidential pronouncement.

9.1.7. The Department should strengthen its oversight function over the TVET Colleges to address governance and management deficiencies in the internal controls, compliance with legislation, human resources, reporting on their achievements against strategic plans including student academic performance; to ensure that the sector is managed effectively and efficiently.

9.1.8. The Department should speed up the TVET curriculum review process to ensure responsiveness of TVET College programmes to industry needs and a progress report be submitted to the Committee.

9.1.9. The Committee noted the National Skills Accord and the commitments made to make internships and placement opportunities available within the workplaces. The Committee recommend that the Organised Labour, Business Unity South Africa, Community Constituents at NEDLAC and Government should ensure that industry opens up workplaces for student placement and lecturer work exposure as agreed in the social accord, NDP and National Skills Development Strategy (NSDS) III.

9.1.10 The Department should take appropriate steps to ensure that the Departmental organogram is approved without further delays.

9.1.11 The Department should ensure that its strategic planning includes proactive steps to monitor the financial sustainability of public universities and Colleges.

9.1.12 The Department should improve its oversight over entities such as NSFAS and other role players including public Colleges and universities so as to ensure that deserving students have access to Government financial support to complete their studies.

9.2. The Committee will undertake further engagements with the Standing Committee on Appropriations and Finance to address the constant underfunding of the PSET System towards an improved adjustment process, as well as further engagements on progress in responding to the 2016 Budgetary Review Recommendations.

9.3. The Committee noted the challenges arising from the underfunding of the PSET system, in particular, funding shortfalls for the TVET Colleges programme funding and for NSFAS TVET College bursaries as well as the Community Education and Training sector, as contained in the findings above; and further noting the implications of the underfunding on the PSET system as a whole in meeting the Government’s MTSF commitments consequently recommend to the Minister of Finance and Higher Education and Training that consideration is given both in relation to funding and steps to be taken to ensure that commitments in the NDP/will be achieved by 2019/20.

Report to be considered.