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 **Memorandum from the Parliamentary Office**

**NATIONAL ASSEMBLY**

**FOR WRITTEN REPLY**

**QUESTION 27**

**DATE OF PUBLICATION OF INTERNAL QUESTION PAPER: 08/02/2018**

**(INTERNAL QUESTION PAPER NO 1 OF 2018)**

**Ms H Bucwa (DA) to ask the Minister of Higher Education and Training:**

1. (a) Why did the National Student Financial Aid Scheme (NSFAS) fail to spend R2,57 billion of funding for student support in the 2016-17 financial year, (b) what is the detailed breakdown of the plans that the specified funding was supposed to address and (c) what is the total number of potential grant recipients who were affected;
2. why did the NSFAS loan impairment increase to R29 billion in the specified financial year;
3. (a) why did NSFAS fail to give universities half of the upfront payment due to them at the beginning of the 2017 academic year, (b) how were (i) universities and (ii) students affected and (c) what plans have been put in place to prevent this from reoccurring in 2018;
4. (a) why did NSFAS fail to give around 60% of students their living allowances during the specified timeframe in the 2017 academic year and (b) what plans have been put in place to prevent this from reoccurring in 2018?

**NW31E**

**REPLY:**

1. (a) For the 2016/17 financial year, the Department of Higher Education and Training made additional funds available for two new funding categories, i.e.
R2.543 billion for historic debt and R2.039 billion for a funding category named the Kgodiso Fund. The historic debt funding was a once-off funding that was made available to assist approximately 71 000 students who qualified for NSFAS in the 2013, 2014 and 2015 academic years, but were either under- or un-funded. The processing of claims for this funding category required the pre-auditing of claims by verifying student fee statements, previous funding status, proof of registration and the inclusion of the student on the original approved lists from universities. This was to ensure that the funded students met the criteria for funding by NSFAS, and to ensure that no duplicate claims were paid. The Kgodiso Fund was earmarked for the same cohort of students funded through the historic debt-funding category, but was intended to meet their study costs for the 2016 academic year and subsequent years onwards.

 The unutilised R2.57 billion was re-distributed from these two funding categories, due to a number of factors. Firstly, universities were not able to submit loan agreement forms for all the students originally identified as needing funding for their historic debt from 2013 to 2015, despite extensions provided by NSFAS. This was because many of the students were no longer on campus and therefore did not come forward to sign agreements. Where agreements were signed, many of the students did not provide the correct supporting documentation, and therefore could not be processed. This was required to ensure that the funding was being used for its intended purpose. These factors affected the utilisation of both the historic debt and the Kgodiso funding.

 Following a directive sent to all institutions by the Department, there were a significant number of first time entering students (FTENs) that registered at the universities but remained unfunded in 2016. Based on information provided by universities, the under-utilised funds from the historic debt and Kgodiso funding categories were then re-directed to fund these students in November 2016, and was at first only made available to FTENs. However, despite the reported need for this funding, the FTENs funding was not fully utilised, as students either could not take up the funding or did not accept the funding made available within the financial year. There is anecdotal evidence that some students would not sign loan forms, as they believed they should be funded without any obligations.

 In addition to the university funding outlined above, the Technical and Vocational Education and Training (TVET) college funding was not fully utilised as not all colleges had sufficient numbers of enrolled students. This effectively means that some colleges had fewer enrolled students than anticipated and were not able to claim all the allocated funds. These funds were then re-allocated to colleges that required more funding later in the year. The latter colleges then claimed the re-allocated funding in the 2017 academic year as a late payment.

(b) This R2.57 billion was allocated to the following funding programmes:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Funding Programme** | **Received****2016****R’m** | **Disbursed****2016****R’m** | **Underspend****2016****R’m** | **Utilisation****%** |
| **DHET-Historic Debt** | **4 581** | **3 160** | **1 421** | **69%** |
| FTENs | 2 142 | 1 309 | 833 | 61% |
| Historic Debt | 1 294 | 894 | 400 | 69% |
| Kgodiso | 1 145 | 957 | 188 | 84% |
| **DHET General and Other** | **4 656** | **4 542** | **114** | **97%** |
| **TVETs** | **2 434** | **2 109** | **325** | **87%** |
| **Other funders** | **2 449** | **1,732** | **717** | **71%** |
| **Total** |  **14,120** | **12,411** | **2 577** | **87%** |

(c) At an estimated average full cost of study of R49 210 for the 2016/17 financial year, the under-utilisation of R 2.252 billion amounts to approximately 45 760 students. At an estimated average full cost of study of R8 660 for the TVET college funding, the under-utilisation of R325 million amounts to approximately 37 520 students.

1. It should be noted that the R29 billion is not the impairment value, but the gross carrying amount of the student loan book before impairment. The gross carrying amount increased from R24 billion in the prior year. Valuation adjustments were R16.9 billion compared to R14.9 billion in the prior year.

NSFAS met its collections target during the 2016/17 financial year, accordingly there was no impairment loss recorded in the 2016/17 financial year. The valuation adjustments referred to above reflect what is called the “social benefit component” of the NSFAS loans. It is effectively the value discounted on the loans through the offering of an interest holiday, the concessionary interest rate and flexible repayment terms.

1. (a) NSFAS’s financial year starts on 1 April and this is when the first tranche of funding is received from the Department. However, institutions start their academic year in January. NSFAS has therefore, for the last few years, made upfront payments to institutions between January and March, out of its own reserves (recoveries and interest income) before it receives its first tranche from the Department. The upfront payments allow NSFAS students to enrol without paying registration fees and to assist institutions with their cash flow.

 There has been a significant increase in allocations to NSFAS during the 2015 and 2016 academic years. This meant that the commitment to pay 30% of the allocations as upfront payments could no longer be funded from current reserves. NSFAS paid an initial 15% of the allocation to institutions on 16 January 2017 and then a further 15% upfront payment in April 2017, as soon as the first tranche of funding had been received from the Department.

 (b) Assurances were made to universities that the upfront payments would be paid, and further to the commitment made by the Minister and NSFAS Chairperson, students that were provisionally funded by NSFAS were not required to make registration deposits as these were offset by the upfront payments.

 (c) NSFAS is working hard on increasing the revenue from the recoveries in the 2017/18 financial year. These recoveries will then be used to make the upfront payments in the 2018 academic year.

1. (a) Of the NSFAS students who signed their Loan Agreement Form (LAF) or Schedule of Particulars (SOP) and who were eligible for allowances through sBux in the 2017 academic year, 75.2% received these allowances within seven days after signing. The main reasons for allowance delays were as follows:
* NSFAS system processes failed to trigger the funding processing cycle, which resulted in LAFs or SOPs not being processed and loans and bursaries schedules not being fully completed;
* Institutions processed student loan adjustments to include allowances after the tuition and residence amounts had already been processed;
* A substantial increase in the volume of “top-up” allowances was processed in the 2017 academic year. Due to delays in the submission of registration data to NSFAS, institutions were frequently encouraged to send data for processing;
* The frequency of “top-up” allowance processing for the pre-funded students by Funza Lushaka, Department of Social Development and Department of Military Veterans; and
* Students, especially at TVET colleges, continue to share cell phone numbers to try to speed up SOPs acceptance. This practise allows students (siblings, family and friends) to sign their SOPs using a central phone number. However, this negatively impacts on sBux disbursement performance as the owners of the shared cell numbers reflect as not being disbursed within the 7-day window period.

(b) In order to prepare for the 2018 academic cycle, NSFAS embarked on various initiatives and projects to stabilise core business processes. These include the following:

- Refreshing the operational value chain to ensure that the full scope of the 2018 operational programme is attended to as part of the strategy to stabilise core business processes and systems;

- Significant emphasis has been placed on improving the end-to-end NSFAS payment process efficiency, through the establishment of a specific task team of technical specialists and subject matter experts;

- Through a rigorous supply chain management process, two additional disbursement providers have been appointed for the 2018 academic year, i.e. Standard Bank and VBS Bank;

- Improving the efficiency of the ranking and provisional funding process so that students can be funded on/before registration and can therefore sign for their LAF or SOPs earlier in the academic year; and

- Streamlining and automating the process of funding preselected students.

**COMPILER DETAILS**

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**RECOMMENDATION**

It is recommended that the Minister signs Parliamentary Question 27.

MR GF QONDE

DIRECTOR–GENERAL: HIGHER EDUCATION AND TRAINING

DATE:

PARLIAMENTARY QUESTION 27 IS APPROVED / NOT APPROVED / AMENDED.

COMMENTS

PROF HB MKHIZE, MP

MINISTER OF HIGHER EDUCATION AND TRAINING

DATE: