



BRIEFING TO THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING

Financial and Fiscal Commission

5 April 2016

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Role of the Financial and Fiscal Commission
2. Policy, NDP and Higher Education and Training
3. Budget Analysis: Higher Education and Training
4. Public Entities Reporting to the Department of Higher Education and Training
5. Concluding Remarks

ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
- Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation



Commission must be consulted in terms of the FFC Act



2. POLICY DEVELOPMENTS AND STATE OF HIGHER EDUCATION

MAJOR POLICY DEVELOPMENTS

2009

- Establishment of Department of Higher Education and Training (DHET) with the responsibility of coordinating education and training sub-systems of post-school education - aimed at achieving single coordinated higher education system

2011

- Adoption of NDP as driver for Government policy and resource allocation with specific goals around what needs to be achieved by DHET by 2030

2012

- Further Education and Training (FET) Colleges Amendment Act shifts function of adult learning centres and FET colleges from provincial to national DHET with FFC endorsement

2014

- National Skills Development Strategy III – aimed at integrating workplace training with theoretical learning

2014

- White paper on post-school education and training – aimed at effecting transformation of the entire post-school sector. It sets out a vision of the type of post-school education and training system to be achieved by 2030

NATIONAL DEVELOPMENT PLAN AND HIGHER EDUCATION AND TRAINING

- The National Development Plan (NDP) envisages the higher education and training sector playing an instrumental role in facilitating skills development and innovation
- The 2014-2019 Medium Term Strategic Framework (MTSF) sets out measurable targets aligned to NDP and national policy goals:
 - Increase university student enrolment from 950 000 to 1.07 million
 - Increase Technical and Vocational Education and Training (TVET) (formerly further education and training - FET) student enrolment from 650 000 to 1.2 million
 - Increase number of artisans produced from 18 000 to 24 000 per annum
 - Increase PhD graduates from 1800 to 3000 per annum
 - Increase the number of engineering and science graduates
 - Increase the number of qualified TVET lecturers
 - Reduce student dropout rate

CHALLENGES AND RISKS FOR THE DHET BUDGET

- Government agreed to the 0% fee increase in University fees.
- There are implications with respect to the 0% fee increase for 2016 and considerations around the broader issue of free tertiary education, which has been resolved.
 - **Long term considerations:** revolve around the provision of free education at tertiary institutions which will require a significant amount of additional funding
 - Whilst governments' approach is free education for those in-need,
 - Students have expressed a contrary demand of free education for all.
 - Hence a policy decision for government has to be made regarding free education for all, and whether the state, can afford.
 - A Commission has been established and the FFC will assist based on the work that it has done in the past.

CHALLENGES AND RISKS FOR DHET BUDGET [CONT.]

- Additional pressures presented by limited state funding go further than just universities - the DHET is confronted by pressing contending priority areas, for example, the need to adequately fund colleges (TVET and CET) which have also been historically underfunded
- Commission is aware that there is a task team that is looking at the Financing Options on the White Paper for Post-School Education and Training (PSET).



3. BUDGET ANALYSIS: HIGHER EDUCATION AND TRAINING

DEPARTMENTAL OVERVIEW

- The DHET consists of 6 programmes
 - Administration, HR Development, Planning and Monitoring Coordination, University Education, Vocational and Continuing Education and Training, Skills Development and Community Education (introduced in 2015/16)
- DHET is also responsible for SETAs, National Skills Fund (direct charge on national revenue fund), NSFAS, Council on Higher Education (CHE), South African Qualifications Authority (SAQA) and Quality Council for Trades and Occupation (QCTO).
- Mandate: Expand access to and improve success within the post-school education and training system
- Key strategic goals of the department:
 - Increase number of skilled youth, to increase the number of students successfully entering the labour market, to expand research, development and innovation capacity
 - DHET is responsible for Outcome 5 of Government's Performance Monitoring and Evaluation System
 - A skilled and capable workforce to support an inclusive growth path

FUNDING APPROACH/PRINCIPLES FOR HE

- Funding of higher education in South Africa is underpinned by four principles:
 - Sharing of costs – government and students
 - Autonomy in determining fees – ability to set student fees independently
 - Funding for service delivery – funding linked to teaching and knowledge outputs
 - Funding as a steering mechanism – steer the system in line with social and economic goals

REPRIORITISATION IN THE 2015 VS 2016 MTEF

| 2015 MTEF | 2016 MTEF |
|---|---|
| <p>Priority programmes over 2015 MTEF:</p> <ul style="list-style-type: none"> • University Education programmes: Increased funding to cover costs associated with newly established universities in Mpumalanga and Northern Cape. • Vocational Continuing Education and Training (VCET) programme: Technical and vocational education and training and adult education and training functions shifted from provinces to national DHET. | <p>Priority programmes over 2016 MTEF:</p> <ul style="list-style-type: none"> • University Education programmes: Increased funding (from 32.8 billion in 2015/16 to 39.5 billion in 2016/17) (in part to address no fee increase). • Vocational Continuing Education and Training (VCET) programme: the funding slightly increased in 2016/17 compared to 2015/16. |
| <ul style="list-style-type: none"> • Real annual average growth in allocations to Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF) show stronger growth relative to DHET programme-based expenditure • Emphasis over 2015 MTEF is for SETAs and NSF to drive increased skills training, work opportunities and placements – emphasis is on intermediate level skills. | <ul style="list-style-type: none"> • The real growth in the allocation for NSFAS (to address more beneficiaries and cater for student debt), is stronger in 2016/17 compared to the preceding year 2015/16. • The SETA and NSF real growth in allocation for 2016/17 has declined |

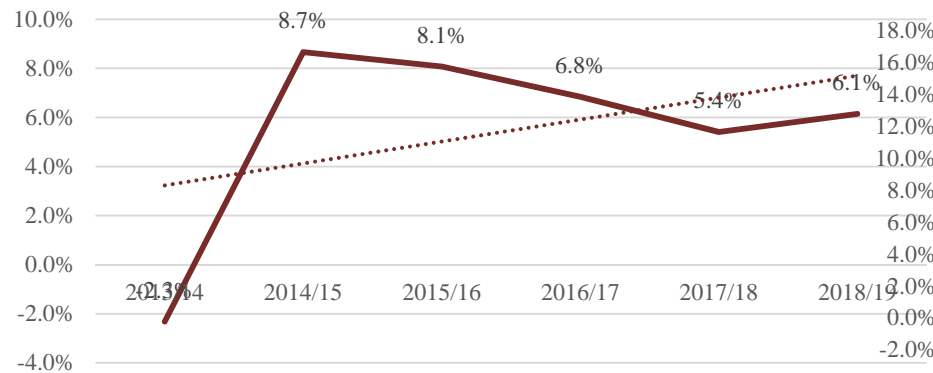
SPENDING AND MTEF BUDGET BY PROGRAMMES

| R million | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Administration | 171.7 | 203.0 | 234.1 | 366.1 | 373.7 | 399.3 | 427.2 |
| 2. Planning, Policy and Strategy | 42.8 | 43.5 | 45.7 | 58.3 | 71.5 | 76.4 | 81.8 |
| 3. University Education | 26 228.7 | 28 299.3 | 30 444.0 | 32 892.0 | 39 531.6 | 41 944.1 | 44 319.9 |
| 4. Technical and Vocational Education and Training | 5 045.9 | 5 686.4 | 6 035.8 | 6 843.0 | 6 917.2 | 7 414.2 | 7 865.7 |
| 5. Skills Development | 93.3 | 99.7 | 106.0 | 206.5 | 224.5 | 244.7 | 260.6 |
| 6. Community Education and Training | | | | 1 563.5 | 2 069.7 | 2 237.3 | 2 379.6 |
| Subtotal | 31 582.4 | 34 332.0 | 36 865.5 | 41 929.3 | 49 188.3 | 52 316.1 | 55 334.8 |
| Skills Levy and Sector Education and Training Authorities | 11 694.5 | 12 090.2 | 13 838.8 | 15 800.0 | 17 639.6 | 19 687.1 | 22 057.5 |
| Total | 43 276.9 | 46 422.2 | 50 704.3 | 57 729.3 | 66 827.9 | 72 003.2 | 77 392.3 |

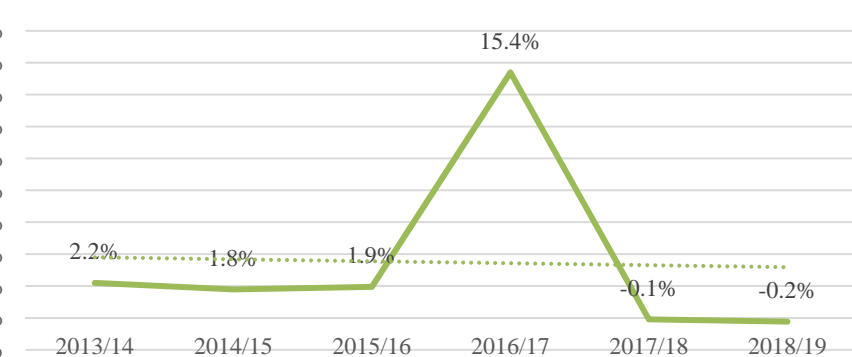
- Priority programmes over 2016 MTEF:
 - University Education programme: increased funding (from 32.8 billion in 2015/16 to 39.5 billion in 2016/17).
 - Continuing Education and Training (CET) programme: the funding increased marginally in 2016/17 (2 billion) compared to 2015/16 (1.5 billion).

REAL GROWTH RATES IN ALLOCATIONS

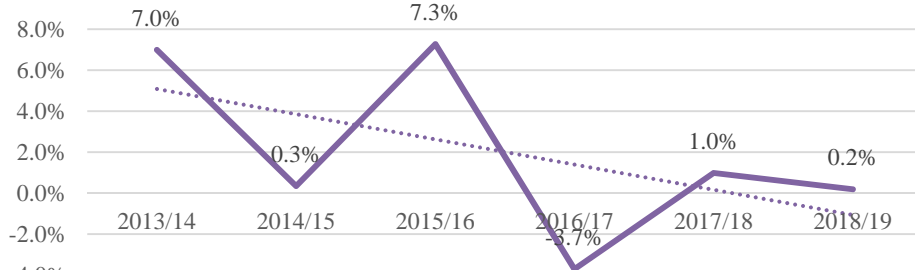
Real Growth Rate: Skills Levy and Sector Education and Training Authorities



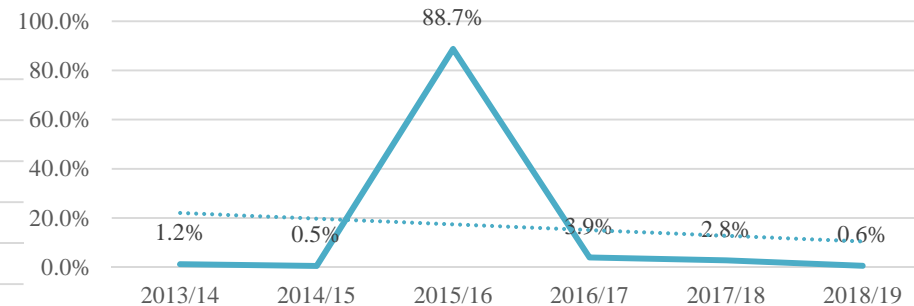
Real Growth Rates: University Education



Real Growth Rates: Technical and Vocational Education and Training

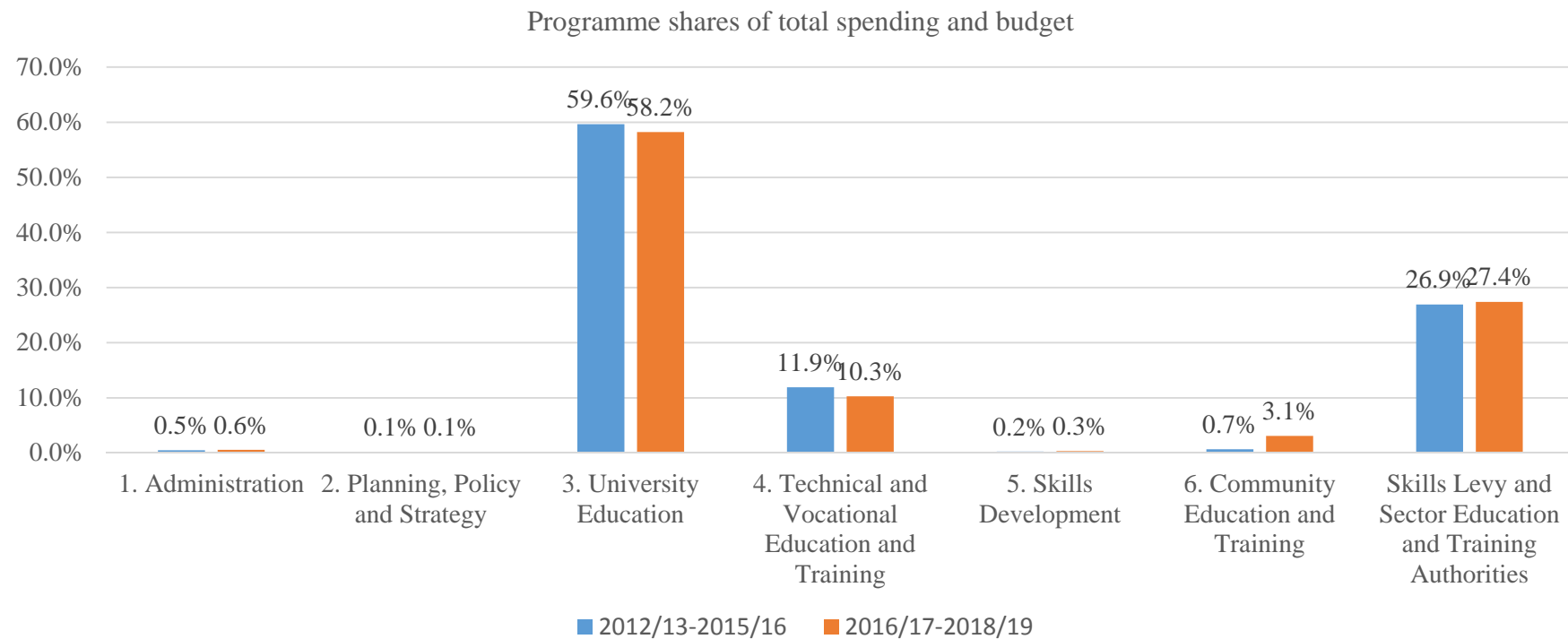


Real Growth Rate: Skills Development



- Strong growth of 13.5% for University Education is recorded for 2016/17 to respond to the 0% fee increase. Thereafter, growth in allocations slow down in 2017/18. Allocations for Skills Levy and Sector Education and Training Authorities decline by 1.3% in 2016/17 and further decline by 1.4% in 2017/18. Similarly, allocations for Skills Development drastically decline by 84.8 % in 2016/17.

PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET



- There is an increase in the share of Community Education and Training 0.7% to 3.1% in the 2016 MTEF.
- However, the share of University Education by 1.4% (from 59.6% to 58.2%) over the MTEF, Technical and Vocational Education and Training, is marginally declining (from 11.9% to 10.3%). Admin share is on the increase. However, the country faces enormous pressure to upgrade human capital skills. As a result, “Higher, inclusive growth, and above all sustained” needs to be

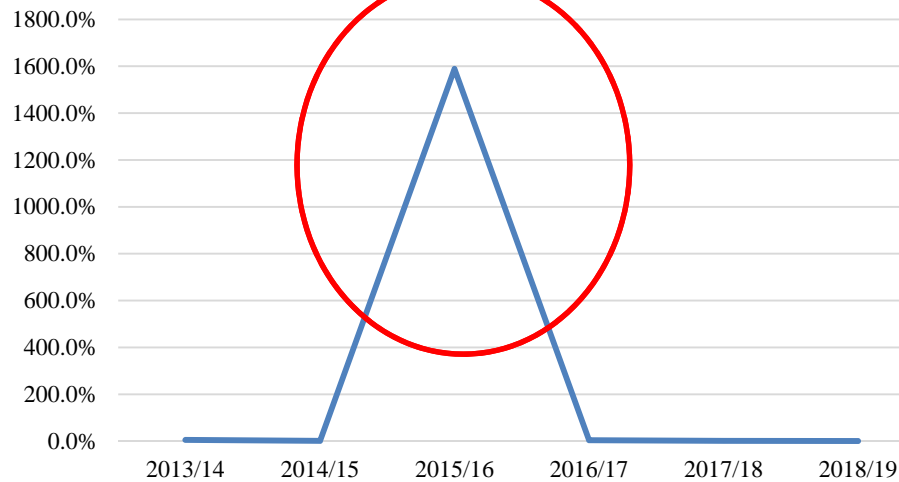
SPENDING AND MTEF BUDGET BY ECONOMIC CLASSIFICATION

| R million | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Compensation of employees | 360.4 | 398.5 | 426.9 | 7 236.2 | 7 839.9 | 8 429.8 | 8 961.8 |
| Goods and services | 157.2 | 178.1 | 190.9 | 369.4 | 375.3 | 424.0 | 447.9 |
| Transfers and subsidies | 42 753.8 | 45 840.5 | 50 081.4 | 50 113.3 | 58 605.0 | 63 140.2 | 67 973.2 |
| Payments for capital assets | 5.5 | 5.1 | 5.1 | 10.5 | 7.7 | 9.2 | 9.5 |
| Payments for financial assets | 0.0 | - | 0.0 | - | | | |
| Total | 43 276.9 | 46 422.2 | 50 704.3 | 57 729.3 | 66 827.9 | 72 003.2 | 77 392.3 |

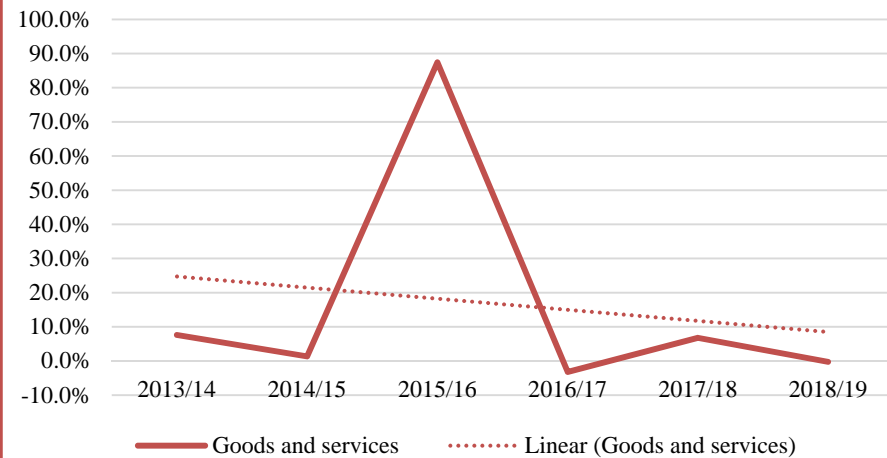
- The compensation of employees and goods and services budgets are still growing positively over the 2016 MTEF, by bigger amounts compared to 2012/13 – 2015/16. Which is a risk, given the current 0% increase in the University fees.
- Transfers and subsidies are significant due to DHET being a transferring agent for universities, colleges and various entities. Transfers and subsidies are still growing positively over the 2016 MTEF.

REAL GROWTH RATES: ECONOMIC CLASSIFICATION

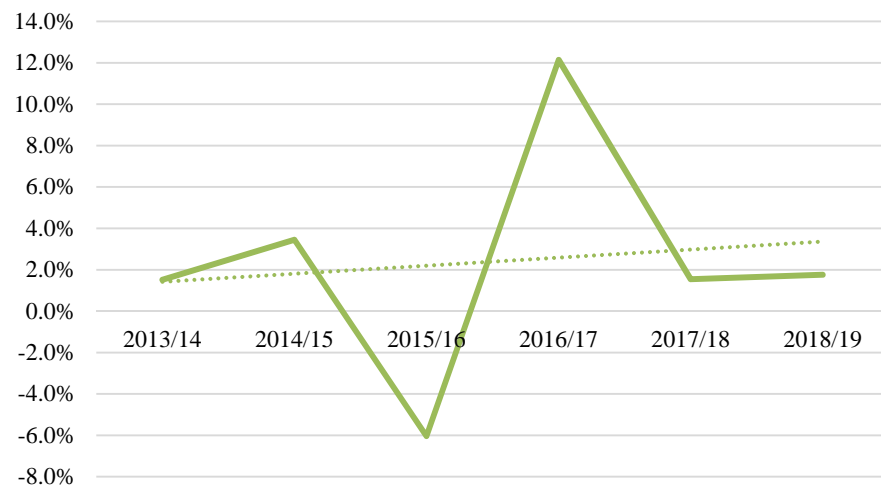
Real Growth Rate: Compensation of employees



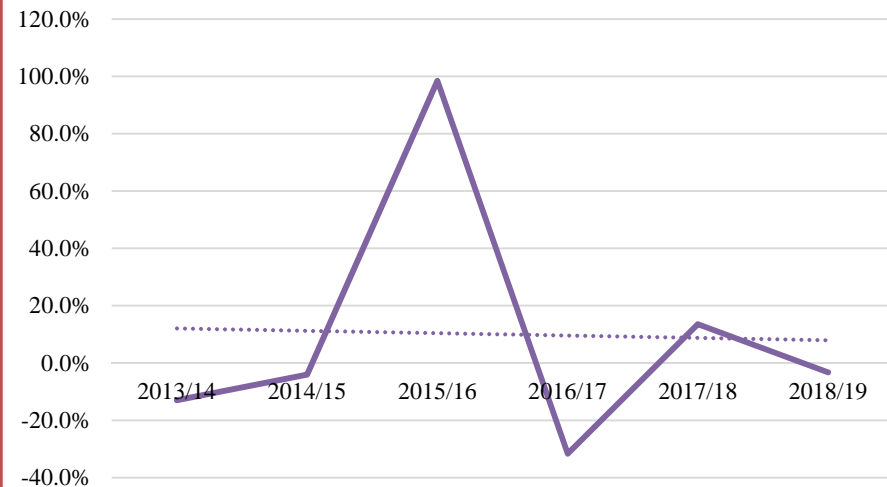
Real Growth Rate: Goods and services



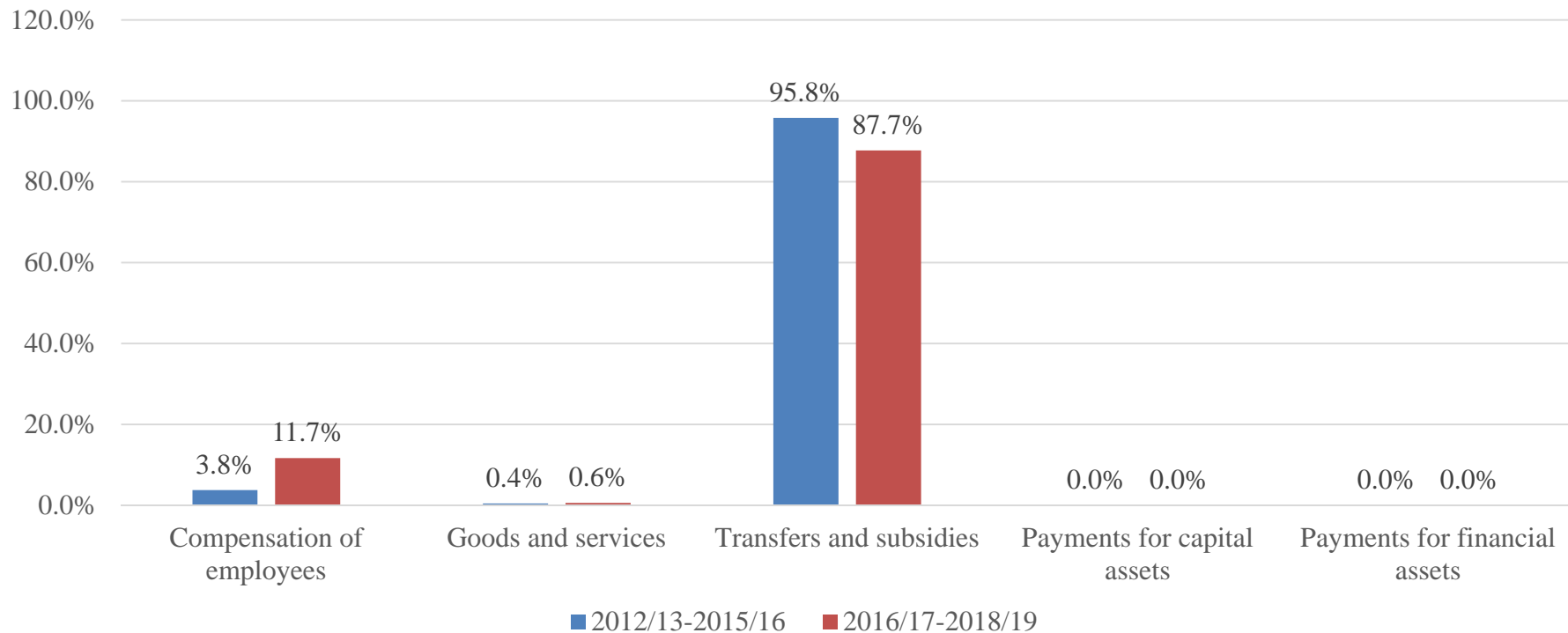
Transfers and subsidies



Real Growth Rate: Payments for capital assets

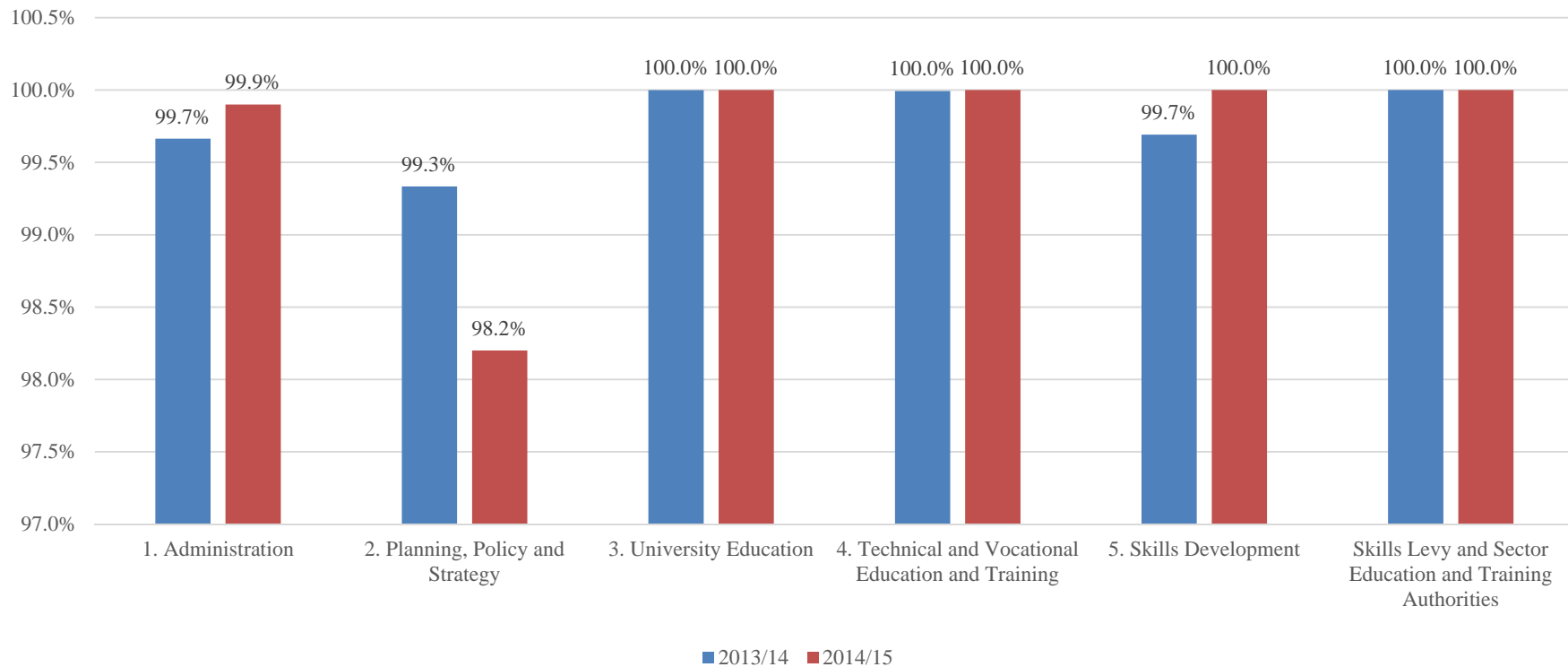


COMPOSITION OF SPENDING OVER THE MTEF



- The share of transfers and subsidies (compared to other line items) shows a decline.
- Comparatively, the share of Compensation of Employees is increasing.
- Good and Services are increasing.

DEPARTMENTAL SPENDING PERFORMANCE



- DHET is consistently able to spend allocated funds (the spending is continuously above 95%),
- However in Planning, Policy and Strategy, there is a slight decline from 99.3% in 2013/14 to 98.2% in 2014/15, hence there is under spending.



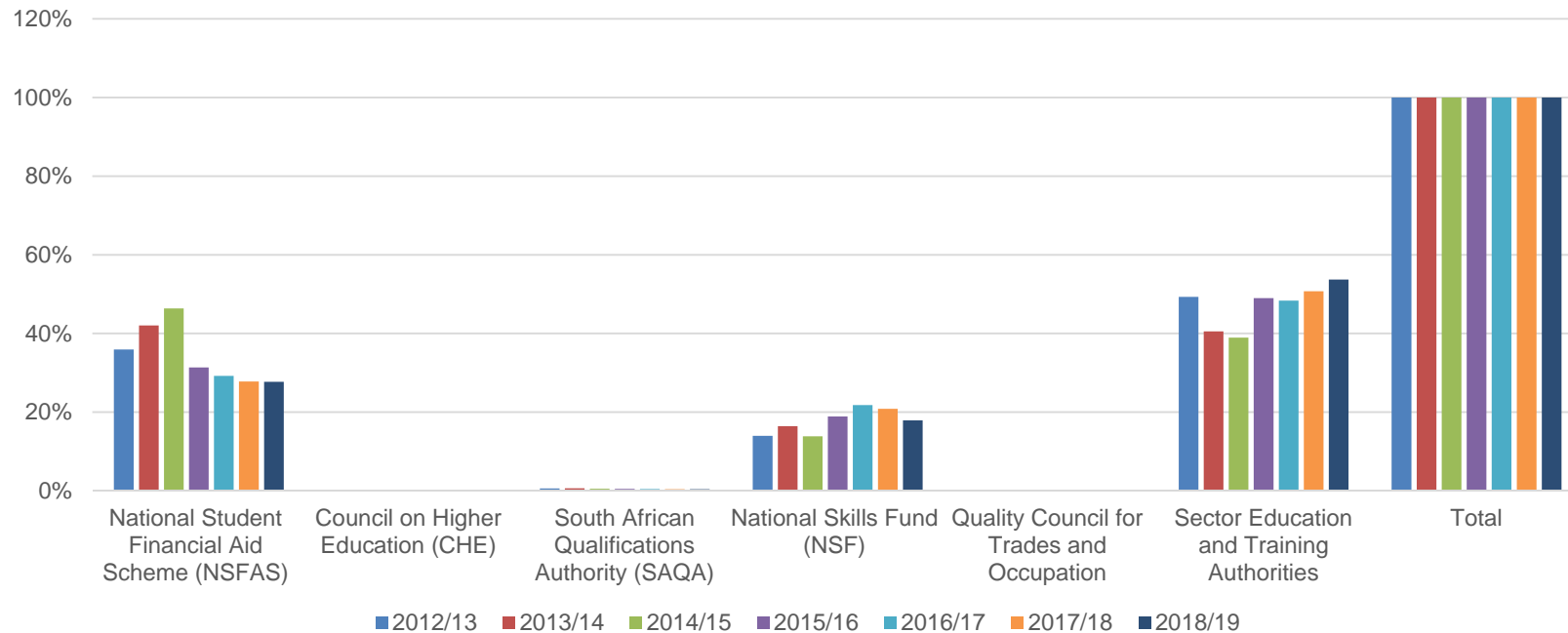
4. ENTITIES REPORTING TO THE DHET

ENTITIES REPORTING TO DHET

| R Thousands | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Audited outcome | | | Revised estimate | MTE | | |
| National Student Financial Aid Scheme (NSFAS) | 6 836 195 | 7 871 010 | 10 850 331 | 7 439 583 | 7 814 456 | 8 179 379 | 8 596 653 |
| Council on Higher Education (CHE) | 40 586 | 50 762 | 49 740 | 47 846 | 46 285 | 52 796 | 55 576 |
| South African Qualifications Authority (SAQA) | 111 053 | 119 583 | 123 245 | 107 336 | 116 502 | 119 176 | 126 085 |
| National Skills Fund (NSF) | 2 659 920 | 3 073 795 | 3 241 243 | 4 483 298 | 5 827 529 | 6 130 705 | 5 547 927 |
| Quality Council for Trades and Occupation (QCTO) | 20 352 | 21 747 | 23 167 | 21 848 | 23 138 | 26 920 | 28 481 |
| Sector Education and Training Authorities | 9 388 814 | 7 590 301 | 9 112 462 | 11 623 648 | 12 937 632 | 14 930 360 | 16 656 947 |
| Total | 19 036 588 | 18 727 198 | 23 400 188 | 23 723 559 | 26 765 542 | 29 439 336 | 31 011 669 |

- In 2016/17, the Entities are allocated a budget of R26.7 billion which increases to R31 billion in 2018/19.
- Over the 2016 MTEF period, NSFAS to receive R24.5 billion.

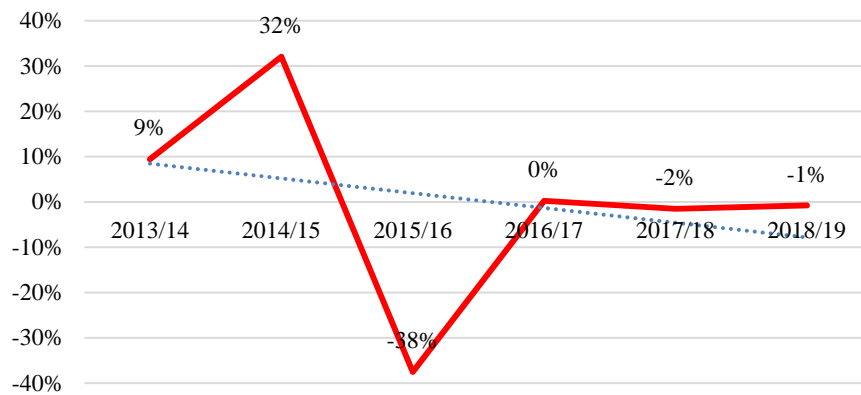
ALLOCATION SHARES (%) PER ENTITY



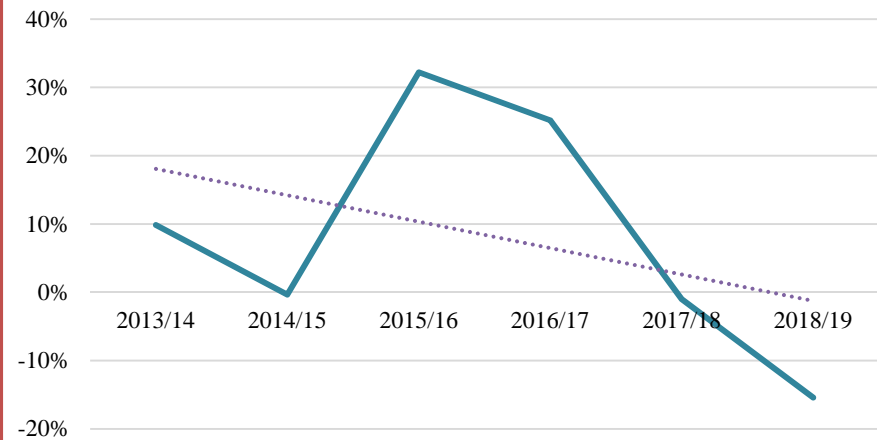
- The allocation shares for SETAs, NSFAS and National Skills Fund are much higher than other Entities.
- NSFAS, allocation shares in 2016/17 has declined by 2% and will further decline in 2017/18. Prior from 2012/13 to 2013/14 the allocation share increased by 6% and further by 4% from 2014/15 to 2015/16.
- SETA allocation share in 2016/17 has declined by 1%, but will increase in 2017/18 and again in 2018/19.
- NSF allocation share in 2016/17 has increased by 3%, but will slightly decline in 2017/18.

REAL GROWTH RATES IN ALLOCATIONS TO ENTITIES UNDER HE

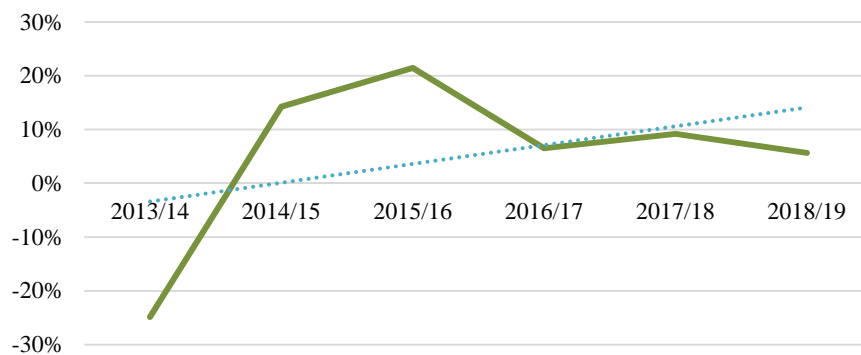
Real Growth Rate: National Student Financial Aid Scheme (NSFAS)



Real Growth Rate: National Skills Fund (NSF)

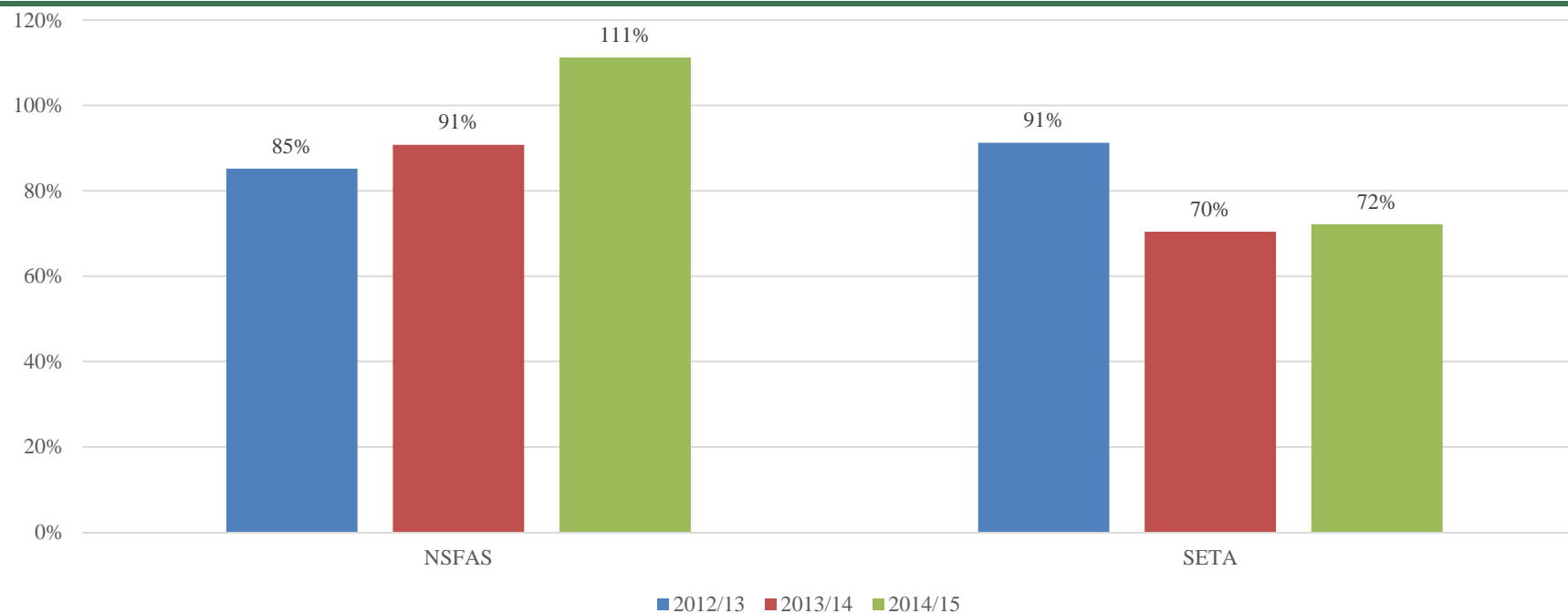


Real Growth Rates: Sector Education and Training Authorities



- The growth rate in the allocation for NSFAS, in 2016/17 is increasing compared to the preceding year 2015/16. However, it will decline in 2017/18, but slightly increase in 2018/19.
- SETA growth rate in allocation for 2016/17 has declined, but will increase in 2017/18.
- NSF growth rate in allocation for 2016/17 show a decline. It will further decline in 2017/18.

SPENDING PERFORMANCE FOR NSFAS AND SETAs



- The spending performance for NSFAS is continuously improving. There was over expenditure in 2014/15 yet the growth rate in allocation for the following year 2015/16 regressed but improved in 2016/17.
- In contrast, the spending performance for SETAs declined in 2013/14 but improved in 2014/15. The growth rate in allocation for 2014/15 improving and again improved in 2015/16, but regressed in 2016/17.

CONCLUDING REMARKS

- More resources have been put on University Education
- The funding for Skills Levy and Sector Education and Training Authorities, TVET and Skills Development has declined in 2016/17.
- The spending performance of NSFAS has improved in 2013/14 compared to the preceding year 2012/13.
- Given the challenges within the higher education sector, the Commission will be available to support the work of the Presidential Commission.

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