Box 3 The inclusion of technical and vocational education and training colleges in national extra-budgetary institution statistics[1, 2]

South Africa established technical and vocational education and training (TVET) colleges in 2002[3] to provide for quality skills development and practical training to address the need for artisans in the country. This followed various interventions, such as the introduction of learnerships through the Skills Development Act 97 of 1998, which were funded by the sector education training authorities (SETAs), whereas traditional apprenticeships were not government funded. Government has since initiated the Joint Initiative on Priority Skills Acquisition (JIPSA) to address workplace-based apprentice training through the National Artisan Development Project located in the Department of Higher Education and Training, and introduced grants for employers. Effective from this edition of the South African Reserve Bank's *Quarterly Bulletin*, the statistics of national extra-budgetary institutions[4] have been extended to also include TVET colleges, as from fiscal 2015/16. This box reflects on the cash flow statistics of TVET colleges and introduces an enhanced presentation of national extra-budgetary institution statistics.

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1 This box relates to the statistics published on page S–68 in this edition of the *Quarterly Bulletin.*

2 The compilation of government finance statistics adheres to the guidelines of the *Government Finance Statistics Manual 2014 (GFSM2014)* of the International Monetary Fund. See https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf

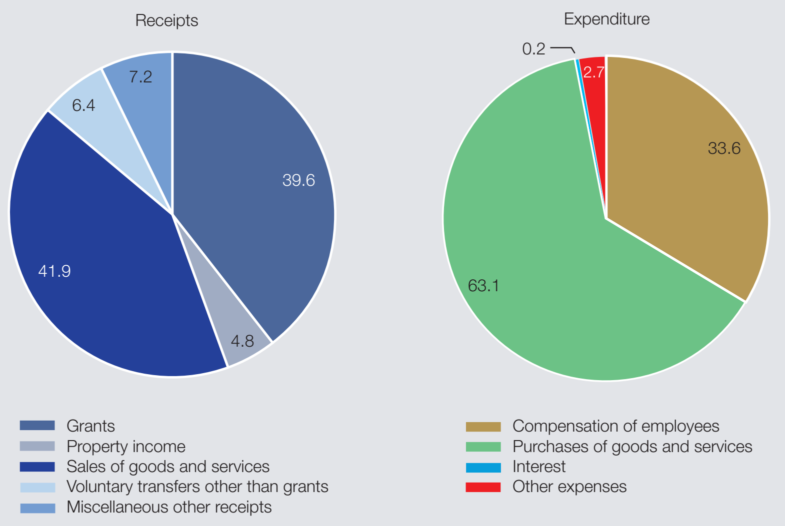
3 TVET colleges were established in 2002 in terms of the Further Education and Training Act 98 of 1998, when 150 technical colleges were merged into 50 multi-site colleges across the nine provinces, namely: Eastern Cape (8), Free State (4), Gauteng (8), KwaZulu-Natal (9), Limpopo (7), Mpumalanga (3), North West (3), Northern Cape (2) and Western Cape (6). In 2012, the TVET colleges moved from being classified under Further Education and Training, which included grades 10 to12 and with a focus on vocational as well as occupation and career-orientation training, to the Department of Higher Education and Training.

4 National extra-budgetary institutions are independent government entities, with their own financial statements, operating under the authority or control of national, provincial or local governments. These entities may have their own sources of revenue, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, like that of budgetary accounts, they have discretion over spending. Such entities may be established to carry out specific government functions, such as road construction, the collection of taxes, or the delivery of non-market health or education services.

The TVET colleges are mainly funded through grants received from national government and further through the sale of goods and services. Cash receipts include funding for training from the Department of Higher Education and Training as well as other funding from private donations, tuition fees paid by learners, and financial aid from the National Student Financial Aid Scheme (NSFAS). Most cash payments indicated are for the purchase of goods and services, the compensation of employees and the net investment in non-financial assets.

Composition of cash receipts and expenditure from operating activities of technical and vocational education and training colleges*

Per cent



* Average: fiscal 2015/16 - fiscal 2019/20
Source: SARB

As from this edition of the *Quarterly Bulletin*, the statistics of consolidated national extra-budgetary institutions[5] will include aggregated statistics of the TVET colleges. This will enhance the quality and coverage of the statistics, as previously only the transfer payments from national government to TVET colleges were recorded as other payments as part of cash payments. The impact of the changes on the statistics published on page S–68 of the *Quarterly Bulletin* is shown in the table below.

National extra-budgetary institution[1] statistics for fiscal 2019/20[2]

R millions

	Before: excluding TVETs	After:[3] including TVETs	Difference
Cash receipts from operating activities	295 916	305 458	9 542
Of which: Grants[4]	158 523	163 729	5 206
Other receipts[5]	133 778	138 115	4 337
Cash payments for operating activities	239 135	246 217	7 082
Of which: Compensation of employees	88 134	90 302	2 168
Purchases of goods and services	108 977	113 731	4 754
Interest	4434	4 445	11
Other payments[6]	37 591	37 740	149
Net cash flow from investment in non-financial assets[7]	-23 317	-24 081	-764
Memo: cash expenditure[8]	*262 452*	*270 298*	*7 846*
Cash surplus (+)/deficit (-)[9]	33 464	35 160	1 696

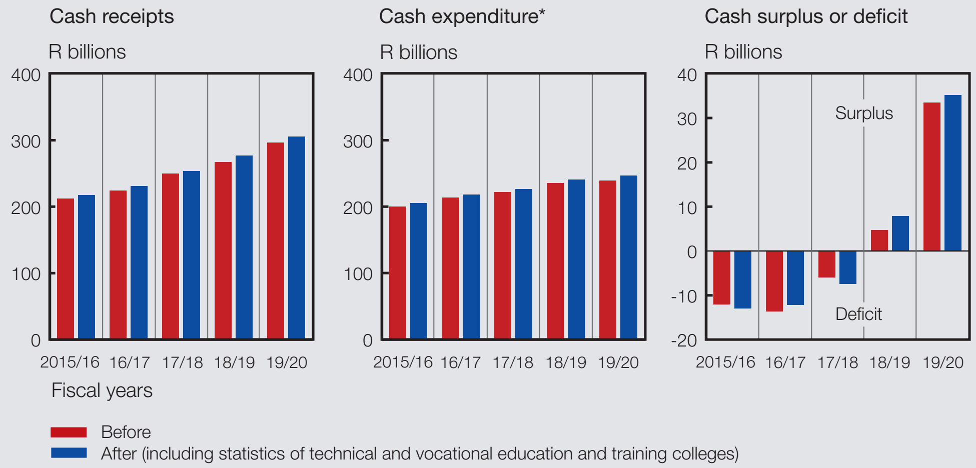
1 Comprising other national government extra-budgetary institutions such as constitutional and regulatory institutions, universities, universities of technology, sector education and training authorities and TVET colleges
2. Statistics for the fiscal year 2019/20 referenced here are subject to revision as the most recent two years are preliminary
3. Consolidated, comprising aggregated TVETs and other national extra-budgetary institutions
4. Comprising transfers received from foreign governments, international organisations and other general government units
5. Comprising property income (including interest and dividends), the sale of goods and services, fines, penalties and forfeits, and other non-tax cash receipts
6. Comprising miscellaneous other current and capital expenses (including transfers to non-profit institutions serving households for non-social benefits) and property expenses other than interest
7. Net of acquisition and the disposal of non-financial assets. Inflow (+)/outflow (-)
8. The sum of cash payments for operating activities (expenses) and net investment in non-financial assets
9. Cash receipts from operating activities *minus* the sum of cash payments for operating activities and net investment in non-financial assets

Sources: SARB and National Treasury

5 Based on TVET colleges' financial data as sourced from their audited annual financial statements.

The impact of the change in the reporting format reflects an increase of R9.5 billion in total cash receipts from operating activities and R7.8 billion in total cash expenditure, as well as an increase in the cash surplus of R1.7 billion in fiscal 2019/20. The grants paid by national government to the TVET colleges, which were previously recorded as other payments on page S–67 of the *Quarterly Bulletin*, are now reclassified on page S–68 as grants paid and grants received by TVET colleges, and are then consolidated at central government level on page S–70, which offsets both the grants paid and received between these two levels of government. The new statistics reporting format better reflects the expenditure of the grants and other receipts of the TVET colleges.

National extra-budgetary institutions' statistics before and after consolidation



* Total cash expenditure comprises total cash payments for operating activities and net cash flow from investment in non-financial assets

Source: SARB