



# **DA Position Paper**

**NSFAS Accommodation Cap**

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## Background

**In the preceding decade, the enrollment of students within public higher educational institutions has increased** by 19.6 percent (892 936 in 2010 to 1 068 046 in 2021).<sup>1</sup> The substantial increase in the number of students pursuing higher education has resulted in a booming demand for quality student accommodation, that is affordable, with a supportive student community and located near their institutions. Traditional accommodation models, such as house-sharing and private accommodation, do not meet these preferences.<sup>12</sup>

**Simultaneously, there has been a 252 percent increase in students benefiting from NSFAS financial aid** (191 372 in 2010<sup>3</sup> to 673 490 in 2019).<sup>4</sup> Additionally, when comparing the difference in the total number of students attending university to those attending university who are funded by NSFAS, the state plays a dominant role in the funding of tertiary education. In 2019, it was announced that the government has set aside more than R80 billion for the next three years to support and transform the higher education and training sector.<sup>5</sup> This complexity has increased the administrative requirement and the volumes of applications and funding decisions required. This has immensely contributed to the significant regression in NSFAS's financial and service delivery performance.

This funding model is highly unsustainable, considering declining levels of economic growth and a subsequent shrinking of the tax base. The drastic increase in enrolment and the subsequent increase in demand for student accommodation has provided a gap in the market, which has been filled by the private student accommodation sector.<sup>6</sup>

## The Problem

Within this context, various challenges emerge, posing considerable hurdles for universities, NSFAS implementation and accommodation providers in effectively addressing the substantial increase in demand. The significant challenges that students experience in relation to accommodation are as follows:

- 1. Student accommodation prices are “unaffordable” due to the unsustainable nature of the NSFAS funding model.** The current fee-free higher education model is where the state provides financial aid (in grants) to poor students to ensure affordable access to tertiary education. The challenge with this model is that it is unsustainable considering that students are not required to pay any of the funds back, which is made worse in the context of poor fiscal

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<sup>1</sup> Private accommodation in this case refers to accommodation that has not been accredited by NSFAS as student accommodation. This can include apartments, house-sharing or homes that are provided by individuals (landlords). Student accommodations in this paper refers to accommodation for students that has been accredited by NSFAS.

management, corruption and a declining economy and tax base to support it. To illustrate poor fiscal management, NSFAS experienced R5 billion in irregular expenditure in the 2019/20 financial year and R3.9 billion in 2018/19.<sup>7</sup> The current nature of student funding has placed institutions in the most unfortunate situation to mostly just provide on campus accommodation to NSFAS beneficiaries, excluding those in the missing middle that would have to rely solely on private accommodation.

2. **A centralised NSFAS operations negatively effects the funding outcomes and application turnaround times.** This is made worse by constraints on the ICT interface between institutions and NSFAS. This ultimately effects student fee and allowance payouts resulting in students being unable to register on time for the new academic year<sup>8</sup> and failing to secure accommodation.<sup>9</sup>
3. **South Africa has a shortage of 500 000 beds available for student housing,** according to the 2021 International Finance Corporation.<sup>10</sup> This is substantial considering that there were only 287 507 total beds available for students in 2020.<sup>11</sup> This shortage, has resulted in a government-led programme called “Student Housing Infrastructure Programme” (SHIP), which aims to provide a total of 300 000 new beds as of 2020. Unfortunately, the program lacks transparency, as it does not publish annual reports, making it difficult to measure its impact. One critical challenge that persists even with an increased number of beds is the ongoing operational costs of these facilities. Scarce resources remain an obstacle in ensuring that these accommodations are not only built but also maintained efficiently. The SHIP does not address this challenge.<sup>12</sup> As of 2023, the Private Student Housing Association offers a total of 52,549 beds for student accommodation, while a significant contribution, still falls short of the excessive demand for affordable and accessible housing for South Africa's students.<sup>13</sup>
4. **The latest figures regarding the true number of public beds available as well as the projected demand for student accommodation, is unknown.** The most recent survey on student accommodation that was conducted by DHET was in 2011.<sup>14</sup> Data available on student accommodation is inconsistent and is only obtainable through private property developers.
5. **There have been allegations into profiteering and price collusion of student accommodation providers.** In 2023, various institutions alleged that private student accommodation providers “increased rent prices for their own personal gain”.<sup>15</sup> NSFAS viewed such a collusion as being a result of unregulated nature of student accommodation costs. The Private Students Housing Association<sup>2</sup> has dismissed the allegations into price collusion

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<sup>2</sup> The Private Students Housing Association is an “independent, non-profit organisation established for stakeholders in the South African private student accommodation sector”. Their aim is to formalise the student accommodation sector as well as offering affordable, well-located accommodation for students.

stating that they are “baseless”. The Association states that they adhere to the minimum norms and standards stipulated by the Department of Higher Education and Training.<sup>16</sup>

6. **In response to the challenge, NSFAS introduced an ‘accommodation cap’.** The accommodation cap has been set at R45 000 regardless of whether a student resides in private or public student accommodation. In a statement released by NSFAS, their proposal aims to “change how bursaries are distributed to make them more accessible to qualified applicants.”<sup>17</sup> A blanket cap has thus been applied. The problem with the cap is that does not make room for a grading system in which a property can be measured (to differentiate the quality of the accommodation) to guide the determination of the rental fees.<sup>18</sup> The reality is that NSFAS aims to stretch scarce resources as far as possible with unfortunate consequences, which are in direct contravention of their intention. The ‘cap’, in fact, excludes many students of being able to find accommodation that falls within this requirement.<sup>19</sup>

Furthermore, the umbrella cap disregards the difference in rental fees within different areas that are subject to different market conditions, or the costs involved in running services within these facilities. According to various estimates, the average cost per bed per month ranges between R3500 to R7000 per month (R42 000 to R84 000 annually).<sup>202122</sup> These numbers fluctuate depending on the location of the tertiary education institution. The accommodation cap falls short of these expenses leaving many without any choice but to be evicted from their accommodations. On the 16<sup>th</sup> of August 2023, 300 students who attend Cape Peninsula University of Technology, were kicked out of their private accommodation due to R6 million of unpaid accommodation bills.<sup>23</sup>

7. **The blanket accommodation cap excludes any rational market-related fee setting by private accommodation providers.**

## The DA Alternative

The most pressing issue confronting NSFAS with regards to student accommodation allowances is a severe shortage of funding. This financial shortfall has dire consequences, as it is the students who bear the brunt of this situation. To ensure the long-term sustainability of the funding system, the funding model needs to fundamentally change. The DA is committed to tackling this challenge head-on by initiating a comprehensive reform of the current funding model. This revamped model will inject additional resources into the system, thereby enabling NSFAS to provide accommodation allowances that fully align with the market-related costs of student accommodation.

1. **The DA will Reform NSFAS and Create a Sustainable Funding Environment**

To achieve this, the DA proposes the implementation of a tiered system for loans and grants, with a primary focus on providing substantial financial support to students hailing from low-income households. The idea is to minimise the dilution of financial aid for these students.

Under the DA's funding model, students will have access to a variety of government loans, each coming with favourable repayment conditions. This differentiated loan scheme suggests the introduction of income bands linked to the portions of awards, and the regular updating of these bands. This approach has the potential to facilitate repayment to the state at a later stage, thus replenishing resources that can then be redirected towards supporting incoming students. This way, we will ensure that loans cover the full cost of study of some eligible students rather than a portion of the costs for a larger group.

- a) **Providing proportional assistance to those in the “Missing Middle” who can afford to pay a portion of their expenses.** By using updated criteria, we will essentially fund NSFAS at a higher level to provide proper support for the poor and “Missing Middle”. We will ensure all applicants from households with an annual income of up to R600 000 have a fair chance to apply for financial aid.
- b) **The Funding Model of loans will also be combined to include scholarships as an option.** Scholarships will be awarded to outstanding students and are non-repayable.
- c) **Converting loans into bursaries will be considered based on the academic performance** of the student. This will ensure that hard work is rewarded, and this approach will be viewed as an incentive measure with the aim to ensure a better throughput rate of institutions.
- d) **Higher Education will not be free for those who can afford to pay their tuition.** Students from high-income households will not receive government financial support for fees or other expenses, as they will either be able to pay for their studies themselves or are eligible for bank loans. A hypothetical example of such a banded system is given below:

*Table 1: Banded Funding Model*

Annual household income	Loan
<b>R0 – R180 000</b>	Full cost of study
<b>R180 001 – R350 000</b>	66% of the full cost of study
<b>R350 001 – R600 000</b>	33% of the full cost of study



Additional types of differentiation could be introduced over time.

- e) **The DA plans to collaborate with the private sector to enhance access to student funding via bank loans and sponsored scholarships.** This partnership aims to provide students with more financial options, potentially with fixed or reduced interest rates on loans.
- f) **The DA will ensure flexible repayment conditions to ensure affordability.** Under this scheme, loan repayment will only be obligatory once the recipient secures a well-paying job, ensuring affordability. Additionally, the repayment terms will be tailored, considering personal factors, such as the number of dependents supported by the recipient.
- g) **The DA intends to establish an effective debt collection system** by collaborating with the South African Revenue Services, the Credit Bureau, and potential employers. This aims to combat the issue of student loan non-payment and guarantee that resources are reintegrated into the system. It will automatically include loan repayments in students' tax expenditures by SARS, for students earning above the pre-set amount. In consultation with SARS, the pre-set amount will be decided on by NSFAS based on principle affordability.

***The DA's alternative and sustainable funding model proposed will ensure that there are more funds available. In this context, budgets for accommodation allowances could be broadened.***

- 2. **Decentralise the administrative functions of NSFAS to institutions.** This would prevent administrative back logs and prevent funding delays.
- 3. **The blanket accommodation cap must be scrapped.** Accommodation allowances must be decided on as a case-by-case basis. Considerations such as a learner's financial circumstance, the location of the university they will be attending, the quality of accommodation available, and the relevant market-related accommodation prices in specific geographical areas must be considered when providing accommodation allowances.
- 4. **Private student accommodation providers prices should not be regulated.** However, prices proposed should be market related. Student accommodation providers that charge fees higher than market-related fees must be addressed.
- 5. **The DA's strategy involves collaborating with private student accommodation providers through the establishment of public-private partnerships.** Recognising that student accommodation is a vital public asset, the DA acknowledges the crucial role played by private providers and developers in meeting the demand for student housing, especially in areas where government efforts fall short. The current NSFAS approach often perceives private service providers as enemies, however the DA aims to enhance this relationship. Under our

plan, private student accommodation providers will be granted the autonomy to develop, own, and manage their facilities.

6. **The DA will consider subsidisations for student accommodations to lower the costs incurred by students for staying in these facilities.**
7. **The DA will conduct an updated national survey on the state of Higher Education** in South Africa, which will include an investigation into the projected demand for student accommodation. This can then guide the policy approach to ensuring quality and affordable student accommodation.
8. **The DA recommends that cases are reported to the competition commission for a market inquiry into the sector<sup>3</sup>** to address the allegations of price collusions with student accommodation providers. The Competition Commission is responsible for “the investigation and evaluation of restrictive business practices and abuse of dominant positions to achieve efficiency in the South African economy.”<sup>24</sup>The Commission is best placed to conduct investigations into these allegations. Regulations to the industry can thus be applied based on the outcome of the investigation.

The commitment of the DA to confront this challenge head-on by initiating a comprehensive reform of the existing funding model is a significant step in the right direction. This proposed model, once realised, promises to infuse much-needed additional resources into NSFAS. As a result, students can look forward to accommodation allowances that accurately reflect the market-related costs of student housing. This not only eases the financial strain on students but also makes higher education more accessible to a broader spectrum of aspirant learners.

## End Notes

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<sup>1</sup> Statistic on post-school education and training in South Africa. [online]. Available at: <https://www.dhet.gov.za/DHET%20Statistics%20Publication/Statistics%20on%20Post-School%20Education%20and%20Training%20in%20South%20Africa%202021.pdf>. Department of Higher Education. South Africa: Pretoria. [Accessed: 16 August 2023]. P. 9.

<sup>2</sup> Laville, A. (2023). The rise of student accommodation: Investing in the future. [Online]. Available at: [https://www.anthonylaville.com/antuition/the-rise-of-student-accommodation-investing-in-the-future/antuition#:~:text=In%20recent%20years%2C%20the%20student,as%20a%20promising%20investment%20option](https://www.anthonylaville.com/antuition/the-rise-of-student-accommodation-investing-in-the-future/antuition#:~:text=In%20recent%20years%2C%20the%20student,as%20a%20promising%20investment%20option.). [Accessed: 17 August 2023].

<sup>3</sup> Department of Higher Education. Annual Report 2010/11. [Online]. Available at: <https://www.dhet.gov.za/Commissions%20Reports/Annual%20Report%202011%20-%202012.pdf>. [Accessed: 17 August 2023]. P.145.

<sup>4</sup> Department of Higher Education. Annual Report 2021/22. [Online]. Available at: <https://www.dhet.gov.za/Commissions%20Reports/Annual%20Report%202020-2021.pdf>. [Accessed: 17 August 2023]. P. 91.

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<sup>3</sup> In order to determine whether any element of a market prevents, distorts, or restricts competition within that market, regulators use market inquiries as a tool to carefully assess the general state of competition within a market for specific goods or services.



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