

Effective use of BBBEE in Universities & Schools

With many people expressing misgivings about the ability of the current black economic empowerment policy to lead to real broad-based black economic empowerment (BBBEE), which has not provided any meaningful empowerment, and only a few have benefited from it. There has been apprehension among companies and businesses about the effect of the updated codes of good practice, with fears that companies will lose BEE ratings under the new codes, which put increased emphasis on supplier, enterprise and skills development.

The amended BBBEE Act has reduced the number of compliance categories from seven to five. Employment equity and management control have merged, while preferential procurement and enterprise development are now one category.

Effective BBBEE.

Through institutions in the Public School and Tertiary sector, The Saville Foundation has seen how schools or Universities that are correctly structured can assist companies with their BEE challenges and show how BEE can in reality be a positive initiative that benefits all parties.

Basically, it allows Corporates to gain maximum scores on company BBBEE scorecard's, whilst at the same time make a significant contribution to the sustainability of the entities they chose to support – an exciting approach that could provide schools with financial support and contribute to the upliftment of South Africa.

The background is that in SA every company over a certain size has to make BEE contributions, focusing on the following three BEE contributions:

1. Socio Economic Development:
 - The value of this contribution is 1% of NPAT.
 - The only requirement is that 75% of the beneficiaries are black.
 - One approach for schools is to create an Educational Trust with the beneficiaries of the trust Coloured, Indian or Black African scholars.
2. Enterprise Development:
 - The value of this contribution is 3% of NPAT.
 - The BEE requirement is that it is made to a Company that is black owned.
 - An approach to this would be to create a company which is 100% owned by the trust whose beneficiaries are the black scholars. The primary function of The Company is to identify, cultivate and mentor entrepreneurs.
3. Skills Development:
 - The value of this contribution is 3% of payroll on unemployed learnerships.

A simple summary of the above is: SED 1%, ED 3%, Skills 3%.

Finally

The objective behind this approach is to implement BBBEE as it was really intended to enable Corporates to meet their BBBEE requirements, while providing funds to schools, universities or other suitably structured entities, and by so doing benefit better public education overall.