Government Gazette
Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID-AFRIKA

Vol. 485 Pretoria, 4 November 2005 No. 28205

AIDS HELPLINE: 0800-0123-22 Prevention is the cure

CONTENTS • INHOUD

GOVERNMENT NOTICE

DEPARTMENT OF EDUCATION

No. 1207 **4 November 2005**

FURTHER EDUCATION AND TRAINING ACT, 1998 (ACT NO. 98 OF 1998)

NATIONAL FUNDING NORMS AND STANDARDS FOR FET COLLEGES

CALL FOR COMMENT ON THE DRAFT NATIONAL FUNDING NORMS AND STANDARDS FOR FET COLLEGES

I, Grace Naledi Mandisa Pandor, Minister of Education, after consultation with the Council of Education Ministers, hereby invite comment from the public and interested parties on the proposed policy contained in Annexure A of this document.

All comments should be in writing and must reach the Department of Education no later than 16 December 2005.

Written comments, which should indicate the name and postal, e-mail and telephone contact details (if available) of the person, governing body or organization submitting the comments, may be sent to:

Mr D Hindle
Director-General: Education
Attention: Ms E Lubbe

By post: Department of Education
Private Bag X895
PRETORIA
0001

By fax: (012) 312-5968

By e-mail: lubbe.e@doe.gov.za

G.N.M. Pandor

GNM Pandor, MP
Minister of Education

INDEX

ANNEXURE A: PROPOSED NEW FUNDING NORMS FOR FET COLLEGES

Proposed new funding norms for FET colleges

Funding will be a key instrument for influencing the responsiveness of FET institutions to the achievement of national goals, the enhancement of the performance of the system, and widening the participation and the promotion of equity and redress.

Education White Paper 4

Department of Education discussion document

26 September 2005
Status: Draft for public comment

Contents

1 What this document does

This document provides proposals for funding norms for public further education and training, as required by section 19 of the Further Education and Training Act. The focus is very much on the funding of public FET institutions, the institutions that constitute the main focus of the FET Act.

The document is produced as follows:

- The FET Funding Task Team, comprising key people from a range of stakeholder groups, including PEDs, colleges, and employee organisations, provides overall guidance to the policy formulation process.
- An internal DoE FET Funding Technical Team oversees the technical policy and data analysis work undertaken in the DoE, and organises the meetings of the FET Funding Task Team.
- An economist and a policy analyst in the Planning and Monitoring Branch of the DoE with a background in technical and vocational FET perform the actual policy formulation and data analysis work needed for the development of this document.

2 The FET funding policy history

Of concern in this policy development process is the funding of technical and vocational FET. The funding of general FET in schools is not a direct concern – this funding system is dealt with largely through the National Norms and Standards for School Funding and the so-called Post Provisioning Norms. What is clearly of concern is a range of post-1994 policy proposals relating to the funding of FET institutions, often referred to as the FET colleges.

It is important for both the published and unpublished policy proposals produced to be considered. The unpublished documents often contain details that were too technical to include in the public documents, but are useful in the policy formulation process.

The following policy proposals stand out:

- **Report of the National Committee on Further Education: A framework for the transformation of further education and training in South Africa (1997).** Chapter 8 of this document provides strategic direction and some practical options relating to the funding of FET colleges. Pro-poor funding, a focus on outputs, and a system of 'programme-based funding' received emphasis. The authors borrow fairly strongly from the British system. In the report as a whole, the point is made strongly that FET colleges lack responsiveness to the country's needs. However, because the report lacks an adequate socio-economic framework, it is not made very clear what colleges ought to be responding to.
- **Green Paper on Further Education and Training (1998).** Chapter 5 of this document focuses on funding. This document provides a stronger socio-economic framework than the 1997 Report, though it has been criticised for not adequately linking this framework to the policy options. The Green Paper is much stronger on DoE-DoL linkages than was the 1997 Report.
- **Education White Paper 4: A programme for the transformation of Further Education and Training (1998).** WP4 more or less summarises the 1997 report and the Green Paper with respect to funding.

- **Further Education and Training Act (1998).** Chapter 4 of the FET Act deals with the funding of public FET institutions. The Act is less detailed than WP4 with respect to funding, and it requires the Minister to publish norms and standards dealing specifically with funding.

- **Investing in South Africa's FET system: Financial proposals to implement the national strategy for FET (2003).** This non-public document is intended to serve as an advanced draft of the funding norms for FET colleges. However, its focus is strongly on (important) matters of budgetary increases needed, and very little attention is paid to the details of a pro-poor programme-funding system.

A rather comprehensive overview of the policy history is provided by HSRC (2004).

3 What will change

This section summarises the key differences between the old and new resourcing systems in a matrix that begins on the following page. Some of this is simply a restatement of earlier policy, in particular White Paper 4, but some details are the outcome of new work.

	Outgoing system		*The system we want*
What services are funded	Currently, the programme 5 budgets of PEDs are spent under a programme objective (captured in the chart of accounts) that states funds should be used to provide FET at public FET colleges in accordance with the FET Act. However, there are no further specifications, and the Act provides no details on what services should be funded. White Paper 4 provides important general guidelines, but this is not translated into detailed funding and management imperatives. Colleges provide services largely on the basis of historical practices, with a strong emphasis on the NATED programmes.	➔	The funding norms, whilst steering clear of an overly detailed and impractical 'manpower planning' approach, will take the White Paper 4 guidelines on what services should be offered and link them to the new funding, planning and reporting systems. The emphasis will be on a shift towards training that tackles skills and unemployment problems more aggressively through, for instance, more relevant training content and services outside of the normal college hours. The funding norms will specify how Government, in collaboration with industry stakeholders, will determine what programmes should be offered where and to what extent, and how colleges will receive funding to respond to these needs. The future of the NATED programmes will not be spelt out in the funding norms, though the funding system introduced by the norms will allow for a variety of future curriculum scenarios.
Equity and redress	Although there has been a relatively strong emphasis on increasing the enrolment of historically disadvantaged students across all campuses, partly as a response to White Paper 4, mechanisms for sustaining this trend, and for ensuring that in particular college fees do not present an obstacle for transformation, are weak.	➔	The funding norms will emphasise the importance of concentrating public funds on training that is not being adequately financed by the private sector, and this would to a large extent be training for the historically disadvantaged. Colleges will be required to incorporate targets relating to race, gender and special needs representativity within the three-year strategic plans that they draw up in collaboration with PEDs. A fee subsidy paid by the state will allow poorer students to be partially or fully exempt from the payment of college fees.
The size of the FET college sector	By international standards, the size of the FET college sector is too small for the size and level of development of	➔	Improved management of the sector flowing from the merger process, in conjunction with the new funding norms and an

	Outgoing system		*The system we want*
	our economy. The 15 to 19 age cohort, which should comprise an important target for this sector, has a mere 2% enrolment rate in technical and vocational FET. It can easily be argued that this figure should be increased fivefold.		injection of new public funds into the sector will work together to bring about the necessary expansion, not just because more training is supplied, but also because transformation within the sector leads to stronger demand on the part of youth, employees, employers and the unemployed.
Governance at the national and provincial levels	Currently, DoE and PED strategic plans guide what happens in the public FET colleges sector. However, these mechanisms are inadequate to ensure that the quality and quantity of services offered by the colleges respond to social and economic needs.	➔	The funding norms will assign specific planning responsibilities and powers to the national, provincial and college levels. At all levels, collaboration with relevant government organs as well the private sector will be emphasised. Specifically, dedicated research into the cost of delivering programmes and into the optimal service delivery targets of the college sector as a whole will be the responsibility of the DoE. PEDs will work closely with colleges to develop and implement three-year strategic and performance plans for each college. Through this mechanism, national and provincial priorities will be translated into funded activities run by the colleges.
The funding formula	The bulk of Government's funding of colleges occurs through the Post Provisioning Model, which distributes educator posts from a central pool in each province to individual colleges on the basis of FTE students weighted by one of three weights, where the weight depends on the type of NATED course. In addition, non-personnel funds are allocated to colleges according to simple FTE-based formulas that are different in each province.	➔	The bulk of PED funding of colleges will be in the form of formula funding of programmes, where the formula will take into account a range of service delivery issues, including type of programme being offered (the programme may or may not be a NATED course), FTE students, cost of delivery, need for capital infrastructure, and the ability of colleges to utilise resources efficiently. The funding formula will introduce a system of resourcing that is more sensitive to the actual cost of service delivery and takes into consideration outputs and quality. To

	Outgoing system		*The system we want*
			promote competitiveness amongst public colleges, and to satisfy training needs identified by government which cannot be met immediately by the colleges, a limited portion of the formula funding of programmes may be subject to a bidding process in which any training providers, both public and private, may participate.
Capital investment in colleges	The capital stock of colleges has reportedly been depreciating, and readiness for new challenges clearly hinges on more capital investment.	➔	Capital expenditure needs for the replacement of existing stock will be dealt with by the new funding formula. However, especially during the initial growth period, additional capital funding will be required. As of early 2005, Treasury has earmarked funds for this, representing a many-fold increase to existing capital investment levels. The funding norms will establish a framework for capital expenditure above the replacement level, as well as for college access to capital loans and participation in PPPs.
College fees and fee exemptions	Indications are that college fees could be seven times as high as fees in ordinary school FET. Unlike schools, colleges have no system of fee exemptions for poorer students. This partly explains why colleges are particularly inaccessible for poorer households.	➔	Three measures in the new funding norms will tackle the problem of excessive private cost for poorer students. Firstly, the funding formula and the new college planning frameworks will make a clear link between the public funding that is available and services that must be offered. Better public funding of public priority programmes is thus envisaged. Secondly, fees will be capped at levels that are in tune with the level of public funding and the estimated total cost of service delivery. Thirdly, a fee subsidy will be transferred to colleges to allow them to exempt students who cannot pay all or part of the college fee. The distribution of the fee

	Outgoing system		*The system we want*
			subsidies across colleges will be determined by standardised measures of the income levels of student households.
Services to other clients	Colleges currently charge a variety of organisations, both public and private, for training services provided. However, this is limited to no more than 5% of the total revenue of colleges. There is currently no legal framework dealing specifically with college income from organisations other than the PED. The use of PED-funded capital infrastructure to cross-subsidise services for other clients has been a concern.	➔	Responsiveness of colleges to other clients parallel to the delivery of programmes covered by the funding formula will continue to be encouraged. However, this should support economic development and should not conflict with the core business of colleges to provide training according agreements concluded with the PED. The new funding norms will outline what existing financial management and reporting regulations should be applied in this regard, and new requirements will be established where gaps exist.
Planning and reporting cycles	Although the programme 5 budgets of PEDs are determined for the three years of the MTEF, medium range planning with respect to enrolments and programme diversification occurs in a manner which is piecemeal, and not sufficiently linked to budgets.	➔	A clear set of steps for planning and reporting in the sector that embraces all stakeholders will be established. Moreover, the explicit linking of plans, budgets and service delivery through three-year performance agreements following a basic national format will assist in a more transparent planning process that can involve a greater range of stakeholders.

4 Proposed funding norms

The left-hand column of the two wide columns in the matrix that follows is the proposed policy text. This is what would be published as a government notice, were the proposals accepted. The contents of the right-hand column are intended to provide readers with important background information that will assist in understanding the proposed policy texts. If the policy text is not sufficiently clear, it may be necessary to move some of the background information into the policy text.

	Policy	*Comments*
	CONTENTS *All paragraph number links to be inserted below.*	
	A. INTRODUCTION AND BACKGROUND	
	The purpose of this policy 1	
	People's education rights 5	
	Development of the country and the region 8	
	Trends in technical and vocational FET 10	
	Specific challenges in the South African technical and vocational FET sector 11	
	B. FRAMEWORK FOR THE PUBLIC FUNDING OF TECHNICAL AND VOCATIONAL FURTHER EDUCATION AND TRAINING	
	Positioning public funding of technical and vocational FET 12	
	Role of the public FET colleges 17	
	Research, monitoring and planning 20	
	Policy development in the sector 22	
	C. THE SYSTEM FOR FUNDING PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES	
	Redress principles for public funding 23	
	Types of funding for public FET colleges 25	
	D. FORMULA FUNDING OF PROGRAMMES	
	What the funding system is designed to do 27	
	General definitions 29	
	The national register of core FET programmes 34	
	The in-line part of the formula-funding grid 36	
	The bottom-line part of the formula funding grid 54	
	E. OTHER FUNDING STREAMS	
	Earmarked capital funding 64	
	Earmarked recurrent funding 68	
	College fees 71	
	Student financial aid 77	
	Private fee-for-service income 79	
	Other private funding 83	

	Policy		*Comments*
	F. FINANCIAL MANAGEMENT AT PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES	84	
	G. NATIONAL AND PROVNCIAL PLANNING		
	Maintenance of the national register of core FET programmes	87	
	The national funding base rate and the costing of programmes	88	
	Finalisation of public funding strategies	91	
	H. THE ANNUAL PED-COLLEGE PLANNING PROCESS		
	Basic elements	94	
	Capital investment planning	98	
	Review of past formula funding	101	
	Forward planning of formula funding	106	
	Reporting requirements	108	
	The annual cycle of public resourcing	109	
	I. TRANSITION TO THE NEW SYSTEM		
	The transition challenges and solutions	119	
	Dry runs and implementation dates	121	
	ABBREVIATIONS		
	DoE Department of Education		
	DoL Department of Labour		
	FET Further Education and Training		
	GAAP Generally Accepted Accounting Principles		
	HE Higher Education		
	MEC Member of the Executive Council		
	MTEF Medium Term Expenditure Framework		
	NATED National Education Department Report		
	NBFET National Board for Further Education and Training		
	NEDLAC National Economic Development and Labour Council		
	NQF National Qualifications Framework		
	PED Provincial Education Department		
	PFMA Public Finance Management Act		
	PPP Public Private Partnership		
	SAQA South African Qualifications Authority		
	SETA Sector Education and Training Authority		

	Policy	*Comments*
	SETA Sector Education and Training Authority TVET Technical and Vocational Education and Training	
	TERMS A number of terms dealing with formula funding grid are defined in section D. Other definitions follow below: college — Also referred to as an 'FET college' and 'public FET college'. Unless otherwise stated, this is a public Further Education and Training institution as defined by the 1998 Further Education and Training Act. programme — This is an education and training service offered by a college with a duration not exceeding one year. (See paragraph 29.) national register of core FET programmes — This is a register, maintained by the DoE, of programmes subject to formula funding. (See paragraph 34.) formula funding grid — This is a schema used to determine the level of formula funding of programmes for one college in one year. (See paragraph 31.)	
	A. INTRODUCTION AND BACKGROUND	
	The purpose of this policy	
1	This policy governs funding and expenditure by the Department of Education (DoE) and the Provincial Departments of Education (PEDs) in the area of technical and vocational FET, in particular with respect to public Further Education and Training colleges. Furthermore, this policy establishes certain approaches and procedures that the DoE, the PEDs and public institutions should	

	Policy	*Comments*
	follow to improve alignment between different streams of public and private funding in the area of technical and vocational FET.	
2	This policy emanates from section 19 of the Further Education and Training Act (Act 98 of 1998), which requires the Minister of Education to determine norms and standards for the funding of public further education and training.	
3	This policy is intended to advance a number of the goals of government relating to people's education rights, skills development, curriculum transformation, job creation, poverty alleviation, economic growth, regional cooperation and the building of a free, democratic and equitable South Africa. Some of the key government policy documents that inform this policy are the following: Education White Paper 4: A programme for the transformation of Further Education and Training (1998); A new institutional landscape for public Further Education and Training colleges (2001); Human resource development strategy for South Africa (2001); National skills development strategy (2005).	
4	This policy represents a major consolidation and refining of Government's position on the public funding of technical and vocational FET. However, there are aspects of this policy that must inevitably change and be further refined as the education and training sector in the country evolves and develops. This policy must thus be read as an important milestone in a process of ongoing debate and policy refinement with respect to the public funding of technical and vocational FET.	
	People's education rights	**Motivation:** This section is important, partly in that it addresses a common criticism, which is that TVET is too narrowly focussed on just the needs of industry, whilst the needs on the side of citizens are overlooked. *The new FET professional* (Department of Education 2004, 40) emphasises the importance of a concept of 'responsiveness' that focuses on economic needs, but even other needs.
5	This policy is an important tool whereby Government supports and promotes the education rights of South Africa's people. The policy is explicitly designed to	

	Policy	*Comments*
	tackle the apartheid legacy of unequal access to technical and vocational FET, and inequalities in terms of the quality of the education service.	
6	The Bill of Rights confers on all people in the country the right to further education. The Bill specifies that the state must make further education progressively available and accessible, through reasonable means.	
7	The public funding of technical and vocational FET serves to promote the fulfilment of people's rights to further education. Moreover, this aspect of public funding assists people to realise their full potential in terms of their lifelong learning and their career paths, in particular where history and social inequities have put people at a disadvantage.	
	Development of the country and the region	**Motivation:** This section is aimed largely at outlining the challenges for technical and vocational FET in terms of the quality and quantity of the service required. This section should be seen not as a general blurb, but as a set of specific criteria against which the rest of the funding policy should be evaluated. Nothing in this section contradicts the 1998 White Paper, though there are additional points that are brought in that are not covered in that policy document. The fact that our knowledge of what is needed has improved since 1998 underlines the need for this relatively detailed preamble in the funding policy. **References:** This section borrows extensively from the HSRC's HRD Review (HSRC 2003a).
8	Technical and vocational FET in the country, and policies and strategies for the public funding of this service, must be carefully positioned so that the considerable economic and development challenges of the country can be tackled with maximum effectiveness. Three inter-linked and over-arching challenges stand out:	
	(a) The country has a legacy of high unemployment that has proved difficult to tackle through any simple policy solutions. Labour absorption in the formal economy has been too low, resulting in sustained high unemployment and forced	**Background: Unemployment.** Around 10 million South Africans have jobs in the formal sector, whilst a further 2 million earn some income in the informal economy. Each year between 100,000 and 200,000 new jobs are added to this

	Policy	*Comments*
	participation, sometimes on a purely survivalist basis, in the informal economy. Government's strategy is to sustain a range of policies and programmes on both the supply and the demand sides of the labour market to reduce unemployment and promote a movement from the 'second economy' into the 'first economy'. Education and training on its own cannot solve the problem, though it is an important ingredient in the short-term solutions as well as the long-term strategies. The challenge in technical and vocational FET is both a quantitative one and a qualitative one – more education and training must occur in skills areas that are of greater relevance for the labour market. There is an under-supply of skills to the economy across the board, at the high, intermediate and low skills levels. Skills are needed both to facilitate employment with established employers, and to assist entrepreneurial self-employment. Specific vocational skills must be underpinned by a solid base of general literacy and numeracy skills. The importance of strengthening these general education foundations as an economic imperative should not be overlooked.	stock. Growth in this respect is faster in the informal than the formal sector. The growth has up till now been inadequate to make a substantial dent in the unemployment rate of around 37%. Around 7 million South Africans would like to be employed, but cannot find a job. The worst off age cohort in this regard are the 24 year olds, almost a million of whom have no jobs. With age the situation improves somewhat. There are 400,000 unemployed 35 year olds and 200,000 unemployed 45 year olds.
	(b) Nation-building requires a focus on specific educational activities. In particular, as part of their life skills training students need to learn what rights and duties apply to employers and employees in the workplace, how to interact with others in a diverse multi-lingual environment, and how to deal with health challenges such as HIV and AIDS. People's education should improve the range of life choices they enjoy – this has been shown to be good not just for individuals but for the society and economy as a whole. Nation-building requires a reduction in the extreme income inequalities prevailing in South Africa, to a large degree caused by educational inequalities which lead to exceptionally high incomes for a few, and extremely low incomes for a great number of unemployed people. Technical and vocational FET has an important role to play here.	
	(c) Globalisation brings with it increasing pressure for local producers to be globally competitive, and to remain abreast of new technologies and production processes. The shift in demand has been from unskilled to skilled labour. Moreover, there is increasingly a demand for people who are capable of adapting easily to new technologies and new responsibilities in the workplace. This implies the need for a reserve of 'redundant' human capacity that may not be required	**Background: Skills demand trend.** There is an ongoing shift towards demand for more skilled labour. This underlines the need for skills development. However, the importance of the 'globalised' sectors should not be exaggerated. In absolute terms, the greatest increase during the last few years has been with respect to craftsmen.

	Policy	*Comments*
	immediately, but is necessary for future adaptation and expansion. Traditional training approaches that focus narrowly on one form of production are of limited value in this context, and the challenge for technical and vocational FET is to provide students with a solid base in particular skills, whilst giving them the skill of responding to new production modes. The challenge of production innovation applies not only to the formal economy, but also to the informal economy, which presents important opportunities for short-term income and job generation as part of the formalisation process. Whilst the skills development pressures brought about by globalisation are important, they should not be exaggerated. Training policies need to take cognisance of the fact that there are parts of the economy which are less 'globalised' and that may have more localised and conventional training needs.	
9	Technical and vocational FET has a role to play in the development of the Southern African and African regions. The sector in South Africa should contribute to regional development through inter-institutional linkages, the offering of the service to students from other countries, and through the sharing of governance and policy experience.	
	Trends in technical and vocational FET	
10	Government's funding priorities are informed partly by what best practice around the world and research by bodies such as the ILO and UNESCO tell us about the delivery of technical and vocational FET. The following findings stand out:	**Motivation:** All this is in line with WP4, but important specifics not dealt with in the White Paper get included here. **References:** See above all Atchoarena & Delluc (2002).
	(a) To become more responsive, public institutions must themselves engage with stakeholders in the local economy, collecting, analysing and disseminating labour market data, entering into training agreements with stakeholders, for instance learnership agreements, fomenting entrepreneurship and assisting entrepreneurs to access financial credit. Whilst research activities at the college level should be regarded as important, this should not detract from the importance of developing tools and training programmes at the national and provincial levels to facilitate the college-level work, or from the importance of national and provincial research	**Background: Existing labour market analysis initiatives at colleges.** The 2004 report *The new FET professional* provides some description of existing trends in colleges with respect to local labour market analysis, the establishment of college marketing departments, and so on.

STAATSKOERANT, 4 NOVEMBER 2005 No. 28205 21

	Policy	*Comments*
	work as described in paragraph 20.	
	(b) Making public institutions responsive is not just a matter of diversifying the range of services offered. The quality of teaching across the board, in practical and theoretical fields, needs to improve. Incentives should be in place to underpin this.	
	(c) The relative sizes of budgets destined for technical and vocational FET, purely general FET and Higher Education needs closer scrutiny. The various budget options need to be weighed up carefully, and, where necessary, budgetary shifts should be phased in. Alignment between public funding and private funding in the interests of equity and redress is important.	
	(d) Diversification in the range of services offered must go hand in hand with the development of clearer national curriculum frameworks, which at a macro level can serve as a basis for planning, costing and budgeting. Portability of credits is important.	
	(e) Technical and vocational FET tends to be more costly to deliver than general FET. However, this should not detract from the possibility of more efficient service delivery in certain programmes.	
	(f) Good governance of the sector is best served by a mix of bottom-up and top-down processes. It is important for government to establish and maintain the national curriculum framework, a set of public funding priorities, financial and other accounting rules that accommodate the multitude of services required, and regulations governing the involvement of public institutions in partnerships, especially where these partnerships involve income generation. Unnecessary complexity in these rules and frameworks should be avoided. Institutions need to feed upwards their best practices so that these can be assessed and possibly taken to scale. Good governance also involves ongoing formal and informal interaction with employer and employee organisations, from the national level down to the level of institutions.	

	Policy	*Comments*
	Specific challenges in the South African technical and vocational FET sector	
11	Specific challenges in the South African system that inform this funding policy are the following:	
	(a) Due to the curriculum offered, user fees and mode of service delivery, FET colleges are not attracting or facilitating access for key target groups that need the service, including the unemployed, the under-employed, survivalists in the informal sector and women. A key challenge in this regard is the participation of FET colleges in more learnership agreements.	**Background: Definitions and numbers in our learnership system.** Key information in this regard, and recommendations relating to increased involvement by colleges are provided in Appendix D. **Background: Involvement so far by colleges in the learnership system.** Participation by FET colleges in the learnership system has been way below expectation. It is difficult to obtain precise figures on the number of learners per college or for the sector as a whole, but indications are that Western Cape colleges have been the most involved. **Discussion: Current problems experienced in offering learnership programmes in colleges.** This matter is obviously a crucial one, given that the offering of more SETA-funded learnership programmes in colleges is viewed as a key to the expansion of the college sector. College stakeholders report that working with the SETAs on the delivery of learnerships is not cost effective. The SETAs become actively involved in the programme design undertaken by the colleges, and this makes the process unduly long, it has been reported. Moreover, SETAs occasionally require improvements to the infrastructure of colleges before training can begin, and this is reportedly a hurdle. **Background: NATED and non-NATED.** There seems to have been a marginal shift in the right direction in terms of services offered by colleges, though this shift has been far from dramatic or terribly promising. Engineering seems to gaining on business studies, and there has been an increase in non-NATED courses, which is seen as a sign of responsiveness, partly because these non-NATED courses tend to attract older students with specific employment goals. However, mode of delivery has barely changed (though the 2004 *The new FET educator* report mentions that there has been some distance mode delivery of NATED training), and it is not clear that the non-NATED trend is really an

	Policy	*Comments*
		optimal trend (these courses are actually not that different from the old NATED courses). No clear data could be found on college involvement in servicing learnerships. Some of this is happening, but it appears to be on an extremely small and experimental scale. *The new FET educator* also describes the category 'skills programmes' as more or less crash courses requested by Government to deal with immediate employment creation issues. Unfortunately, information on the volume, management and funding of this training could not be found. **Background: Incubator programmes.** Such programmes promoting entrepreneurship and coaching trainees through the whole process from business planning to applying for a loan, have become a reality in FET colleges. It is not clear how extensive this is, and not all colleges offer this service. One college reported having 120 trainees in incubator programmes. It is not clear how the funding of these programmes currently occurs. The fact that only about 1% of college graduates become self-employed after leaving the college (Cosser et al 2003) is an indication that this kind of work is still in its infancy.
	(b) Quality problems, both real and perceived, are a serious issue in the education and training offered by FET colleges. This problem has been particularly prominent in NQF levels 2, 3 and 4. This impacts on the ability of graduates to find employment. Apartheid legacies are still evident in racially based differences in the quality of the service received and pass rates of students. This matter needs urgent attention.	**Background: The cost benefits of TVET.** A hotly debated issue in the economic analysis of TVET colleges in developing countries, is whether they are a worthwhile investment for a developing country. The dominant conclusion has been that they are not. We should remember that because TVET is invariably more costly than non-technical secondary schooling, the benefits accruing from TVET must be especially high to justify the investment. Analysts such as Ziederman (1997) argue that the data does not allow us to say conclusively that the cost benefit of TVET is low. It is argued that with good planning of relevant programmes, TVET in developing countries does yield high returns. Whilst no fully fledged cost benefit analysis has been undertaken with respect to South Africa's FET college training, some analysis of Labour Force Survey data has indicated that contrary to the trend in other countries, our colleges clearly demonstrate a superior cost benefit ratio relative to general schooling. This finding stands even if we control for race and gender. An important proviso must be made however. This LFS data analysis rests on the assumption that N1 in colleges corresponds to 10 years of education, that N2 corresponds to 11 years of education, and so on. In reality, a large number of students complete Grade 12 in

	Policy	*Comments*
		the schooling system before they proceed to their college training – Cosser et al (2003) finds that 81% of N2 students have a Matric pass. The same study also finds some evidence that FET college leavers are at an income disadvantage relative other equivalent participants in the labour market. **Background: Career guidance.** A study found that only 71% of FET college graduates had received some career guidance (Cosser et al 2003).
	(c) The country is said to have an inverted pyramid problem in the sense that technical and vocational education and training is too loaded at the HE level relative to the FET level, and in the sense that general education is over-emphasised relative to technical and vocational education. Shifts in public spending are needed, though these must be undertaken with full cognisance of the various consequences. Trends in private investment in education and training need to be taken into account when public spending priorities are determined.	**Background: The inverted pyramid problem.** The 'inverted pyramid problem', whereby university education covers more students than technikon education, which in turn covers more FET college students, is commonly referred to. It is argued that the pyramid should be inverted. Of the three 'sectors', the FET college sector should be the largest, the theory goes. Clearly, shifts are needed, but whether the pyramid inversion theory can be fully defended perhaps remains to be seen. The growth in college enrolments has been relatively dramatic. Headcounts increased by 33% 1998-2002, whilst FTEs went up by 17% (suggesting more part-time courses). **Background: Demand and supply for FET college places.** This is a critical issue. It cannot be assumed that creating more places in colleges will automatically lead to higher enrolment. There is no detailed study on these supply and demand factors, but college stakeholders report that overall there is no under-supply of places in the sense that colleges seldom have to turn prospective students away. The problem may arise with respect to particular high-demand courses, in which case colleges often succeed in convincing students to enrol in alternative courses. But overall, there is no shortage of FET college places. This suggests that expanding the college sector on the basis of the way the sector currently works will not lead to the enrolment increases we would want to see.
	(d) The curriculum frameworks need strengthening if FET colleges are to offer education and training that is portable and enjoys recognition in the labour market. The planning processes and funding system for colleges will be greatly streamlined by a clearer alignment of the various training services needed with the NQF. FET colleges themselves have a crucial role to play in the curriculum	**Discussion: NQF level 5 in colleges.** Several policy documents raise the problem of post-FET training occurring in FET colleges. The last *Quantitative Overview* report implicitly says that N4 to N6 courses constitute Higher Education. This seems somewhat far-fetched, if one takes into account the duration of the N courses (see discussion in Appendix C). More recent arguments state that only N6

	Policy	*Comments*
	development process. There are articulation problems between FET in schools and FET in colleges and between FET in colleges and HE in other institutions as well as problems relating to recognition of prior learning (RPL) that can result in inefficient repetition and duplication. These problems need to be addressed through the relevant NQF processes.	courses fall within the HE band. The problem seems to be that the N courses have never been properly assessed in terms of the NQF, and there is no formal placement by SAQA of these courses within the NQF. **Discussion: International accreditation.** Accreditation of certain courses in FET colleges with international bodies has occurred. Presumably this is in addition to accreditation with SAQA, so no special mention of such accreditation would be necessary in the funding policy. **Background: HE versus FET in colleges.** If we follow the argument that all N4 to N6 enrolments fall under the HE band, then in 1998 53% of FTEs were studying within the FET band. By 2002, this figure had risen to 62%. If we consider only N6 courses to be within the HE band, then clearly a higher proportion of students are truly FET students, though the precise figure could not be found. **Background: Accreditation of NATED.** SAQA has accredited on a provisional basis the old NATED courses of the FET colleges. Presumably, a more permanent future for courses such as the business and engineering courses of the colleges is yet to be determined (this is assuming that these courses have a future at all). **Background: The strategic curriculum choices.** Around the world, the fundamental curriculum choices for technical colleges are a hotly debated matter. We are by no means unique in experiencing logjams in the college curriculum development process. Key issues in the debates include (1) the extent to which government and industry maintain control over the curriculum, (2) the extent to which training should be full-time (or semester based) and the extent to which it should be modularised and (3) the level of emphasis to be placed on general theory and general learning areas such as languages. In the South African context, there is tension between the use of the more industry-aligned SAQA unit standards and NATED (or some updated version of NATED). Some college educators reject the SAQA unit standards approach arguing that it is 'not education'. Gamble (2003) provides an account of some of the curriculum issues

	Policy	*Comments*
		in a South African context.
	(e) Effective educators at the FET colleges are key to bringing about the transformation of these institutions. The development of the educator corps to deal with new challenges needs to go hand in hand with greater flexibility in terms of the timing, mode and location of the service offered. Physical facilities at the institutions should be more extensively utilised.	**Discussion: Employment contracts of FET educators.** There is clearly a need for more flexible employment patterns in colleges than in, say, schools. 'Flexibility' here can be understood in a number of ways, and need not lead to job insecurity amongst educators. The issues are discussed in considerable depth in the 2004 report *The new FET professional.* The following are some key proposals or implications of that report: (1) Salaries should be more competitive; (2) Employees should be much freer to take do additional contract work, such as curriculum development work; (3) Job descriptions and bargaining chamber agreements should allow for more flexible working hours and calendars so that colleges can respond more adequately to demand; (4) The management and perhaps formal employment of educators (and non-educators) should reside with college management, and not PED management.
	B. A FRAMEWORK FOR THE PUBLIC FUNDING OF TECHNICAL AND VOCATIONAL FURTHER EDUCATION AND TRAINING	
	Positioning public funding of technical and vocational FET	
12	Technical and vocational FET is clearly a joint responsibility of government and the private sector. It is important that public and private funding of this activity should complement each other. Two major public areas of responsibility stand out. One is the promotion of widespread and appropriate technical and vocational FET for the historically disadvantaged, who are usually not in a position to purchase these services privately. Another is the development of skills in industries, including niche industries offering special opportunities for the country, where the private sector is clearly not investing adequately in the necessary human resources development.	
13	The goal of prioritising the historically disadvantaged in the public funding system is to be balanced with an approach, similar to the approach followed in the FET schooling system, that promotes broadly inclusive public institutions that are representative of society in general. This balance is required in the interests of	

	Policy	*Comments*
	nation-building.	
14	Research indicates that private funding of technical and vocational FET in South Africa is high, probably higher than public funding. At the same time, private spending directed at on-the-job training has declined substantially during the last ten years. It is imperative that public funding should be positioned in such a way that it complements private funding in the achievement of the country's development goals. Specifically, this involves a few key imperatives:	**Discussion:** The private FET college sector is very large, according to the data we currently have. Knowledge on private FET colleges is obtained mainly from the DoE's registry of private colleges, and from an HSRC examination of around 300 of these institutions. Some indications point to there being some 700,000 students in private FET institutions – there are around 400,000 students in the public colleges. On the other hand, there has been a dramatic decline in private spending on on-the-job training (even when learnerships are taken into account). It is crucial that government take these trends into account when planning the public funding of FET.
	(a) The current practice in public FET colleges of offering public services whilst also selling services to the private sector should continue, and is in fact encouraged by this policy as a way of making these institutions more responsive and innovative. This echoes the position of White Paper 4. However, this policy also lays down certain guidelines and restrictions in this regard. In particular, it is important for there to be a clear accounting division between publicly funded and privately funded services in colleges in order to avoid a situation in which public funding is used to cross-subsidise privately offered services. This can put the quality of the public service at risk, and results in prices for private services that are below the market value, because they do not capture the full cost of the service.	
	(b) Some public resources should be dedicated towards the monitoring and regulation of private providers within the technical and vocational FET sector. This can provide government with important information that is needed in the planning of public funding in public FET colleges. Moreover, regulation of private providers is an important public service that can combat illegal and unethical practices in the training market.	
	(c) Whilst the Further Education and Training Act of 1998 does not envisage public funds flowing to private FET institutions, it is important for government to consider this as one potential way of advancing the development goals of the	

	Policy	*Comments*
	country. Many countries with strong and vibrant public college sectors earmark a limited portion of public funding for private institutions in order to fill training gaps and encourage healthy competition in the sector. This policy, in particular the formula funding of programmes (described from paragraph 27), could be adapted in order to allow for the public funding of private providers. Moreover, nothing in this policy precludes the use of standard tendering processes for the procurement of training services required at particular points in time by government.	
	(d) South Africa has a well-developed legal framework for public-private partnerships (PPPs). Options such as PPPs where private providers utilise public facilities to offer training that is needed by the economy should be explored as part of the PED-college planning process referred to in paragraph 94 onwards.	**Background: PPPs.** Treasury regulations spell out the basic framework for PPPs. Moreover, a set of PPP implementation manuals has been developed by Treasury. They are available on the Treasury website.
15	In the interests of quality FET services in the public sector, and in order to minimise inefficient utilisation of funds, it is important that the new funding system should be sensitive to the outputs achieved by public colleges. There are two ways in which the new system deals with the matter of efficiency and outputs. Firstly, the system allows PEDs to expand enrolment in colleges that prove to be efficient, and to decrease enrolment in inefficient colleges. This is made possible through the PED-college planning process. Secondly, the system includes an output bonus, which should be considered a performance incentive that eligible colleges can utilise to improve their facilities, conduct further research, or for some similar developmental activity. Importantly, the system is not designed in such a way that lower performance results in lower funding per student. The output-related aspects of the system are obviously dependent on the credible measurement of college performance, both in terms of successful completions (or the throughput rate) and in terms of the labour market performance of graduates.	
16	Whilst there are good reasons to regard public schools falling under the South African Schools Act as institutionally and educationally distinct from FET colleges, there are also good reasons to promote a degree of mixing in terms of funding and in terms of the curriculum. Nothing in this policy precludes the existence of school education programmes in FET colleges.	

	Policy	*Comments*
	Role of the public FET colleges	
17	Following the position of preceding policy documents, this policy considers public FET colleges to be critical for the delivery of cost-effective public services that make a real difference to skills development, labour market readiness amongst our youth and the growth of the economy. The role of the college councils, as laid down in the Further Education and Training Act, is the premise of much of this policy. At the same time, the funding system described here establishes new roles and responsibilities for the college councils and college management. What is strongly emphasised in this policy is a collaborative planning approach involving the college stakeholders, government and employer and employee organisations from the private sector. To a large degree, public funding of public FET colleges is envisaged as the procurement of specific training services by government, linked to a clear and annual PED-college planning cycle that considers local, provincial and national demands, as well as the adequacy of the physical and human capital of colleges to deliver the specific services.	
18	Public FET colleges should continue to be responsible for the structuring of their college fees, including college fees charged for publicly funded programmes. This arrangement allows managers in colleges to be responsive to local cost pressures and pressures relating to the ability of students to pay fees. However, this policy assumes that it is important for the structuring of college fees, particularly fees charged for publicly funded programmes, to be subject to certain guidelines and restrictions aimed at advancing equity and efficiency in the delivery of public services.	
19	White Paper 4 does not preclude the possibility of FET colleges offering Higher Education programmes, though it opposes excessive mission drift in colleges away from the FET band. The White Paper furthermore states that HE programmes should be funded through the relevant HE funding policies, and not this policy. This policy, then, applies to FET services only.	**Discussion:** This is of course a critical point. If the existing N4 to N6 programmes are indeed formally classified as being at level 5 on the NQF, then we arguably have a serious policy and planning problem, because almost half the training offered at colleges is the N4 to N6 programmes. It seems difficult to apply the existing HE funding policies to a portion of the FET college services. The HE funding policies were not designed for this, and having two funding policies operating concurrently at the FET colleges would be very cumbersome. However, the N4 to N6 programmes have not been formally classified as HE

	Policy	*Comments*
		programmes (even though many documents refer to them as such), and there are a number of reasons against considering them as part of the HE band (see Appendix C below). If they were *not* formally classified as part of HE, and if actual HE services at colleges were limited to a very small margin, then this current paragraph is arguably not a problem.
	Research, monitoring and planning	
20	Public expenditure on research, monitoring and systems development is important for the success of the new funding system. The following clearly require ongoing funding.	
	(a) Research focussing on the effectiveness of public expenditure in the sector. In this respect, comparisons across programmes being offered, across public colleges, across provinces and between the public and private sectors would be important. Both the DoE and PEDs need to engage in this research. There should be a strong emphasis on the generation of time series data that can indicate whether the effectiveness of the system is improving. Tracer studies that gauge the success rates of graduates in the labour market should be undertaken. Paragraph 88 below deals with the important matter of the costing of FET college programmes.	
	(b) Monitoring of the sector, and the development of monitoring systems that can improve the relevance and reliability of data.	
	(c) The development and maintenance of national and provincial plans for enrolments, spending and college outputs. This work depends strongly on there being good research and effective monitoring systems. The DoE's role in determining national strategies for the volume and type of training to be offered, at an aggregate level, in FET colleges across the country is crucial.	
	(d) The development of information systems, including financial accounting systems. Given the need for nationally standardised systems, and the cost of developing these system, this responsibility should rest with the DoE at the	

	Policy	*Comments*
	national level. This policy has implications for the information systems that are required in the sector.	
21	At the national level, the functions described in paragraph 20 are principally the responsibility of the Department of Education. At the provincial level, responsibility rests with the Provincial Education Departments. Whilst this policy does not require the establishment of a separate national research and systems development agency, an option that has been pursued in a number of other countries, such options will receive further investigation by the DoE. The National Skills Authority, established in terms of the Skills Development Act of 1998, will continue to play an important role in aligning DoE and DoL strategies with respect to the funding of FET. Moreover, the National Board for Further Education and Training (NBFET) should be regarded as an important roleplayer in taking the new funding system forward, and proposing enhancements in the future.	**Background: NBFET.** Government notice 1043 of 1998 creates the National Board for Further Education and Training (NBFET). This body has a chairperson appointed by the Minister, and a maximum of 28 other members. The DoE is expected to provide staff for secretarial functions, but not for research capacity. Whilst the notice specifies that nominations for the Board should come from all stakeholder groups, the weight of representation of the various groups is a Ministerial prerogative. It is interesting to view the structure of the NBFET in terms of the recommendations of the 1997 Report. The Report presented two options. In the coalition model, national and provincial governments would sit together in one body. This was the preferred model from a funding perspective. In the concurrent model, there would be a national body and a second tier of nine provincial bodies. The NBFET is neither. There is just one national body, but provincial government participation is not guaranteed in the structure. **Background: National bodies in other countries.** Capacity at the national level to plan the TVET system is still very limited in South Africa. A country such as Australia has a large number of researchers and system planners working at the national level, though there is limited agreement over the optimal institutional arrangements (see Appendix F, and in particular the recent dissolution of ANTA). Our relatively 'blank slate' in South Africa offers the opportunity of avoiding the mistakes made in other countries.
	Policy development in the sector	
22	This funding policy can be expected to evolve as other, related policies evolve, and as new best practice emerges. Polices and frameworks that can be expected to shape this policy very directly in the future are the FET college curriculum, the learnership system maintained by the Department of Labour, and the policies governing the Sector Education and Training Authorities (SETAs).	

	Policy	*Comments*
	C: THE SYSTEM FOR FUNDING PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES	**Motivation:** The term 'college' is used, and not 'institution', as this is the term used most extensively in Government documents. It also seems a tighter description, and schools are also institutions.
	Redress principles for public funding	
23	Public funding of public FET colleges must contribute towards the redress of past inequalities. This means that the funding system must deal with two things. Firstly, it must ensure that students or potential students from socio-economically disadvantaged households receive funding at a favourable level, both to deal with additional costs relating to, for example, additional tuition time needed, and to deal with inability to pay college fees. Secondly, funding should be linked, even if it is indirectly, to targets dealing with the representativity of college student populations in terms of gender, race and disability.	**Background: Student representativity.** In 2002, 76% of college students were African, and 40% were female. Africans and females were thus somewhat under-represented. Informal reports indicate the situation has been changing in recent years, partly due to a sharp decline in the number of white students in colleges. There is an imbalance insofar as female students tend strongly to take business streams rather than engineering streams. It would thus be important to track not only aggregate statistics, but also statistics broken down by type of programme. There appear to be no statistics available on the number of special needs students.
24	The aim of government is for the FET college sector as a whole to be representative of the country's population in terms of gender, race and disability. Moreover, it is the aim of government to bring about better representativity within different programmes, for example a greater presence of female students in technical subjects. At the provincial and college level, the aim should be to promote the national representativity targets through better recruitment of under-represented groups.	
	Types of funding for public FET colleges	
25	The income of FET colleges can be divided into the following seven streams: (a) Formula funding of programmes (b) Earmarked capital funding (c) Earmarked recurrent funding	**Background: Funding breakdowns already agreed on.** WP4 and the FET Act provide breakdowns of income that are different from each other, though compatible with each other. This list is a slight reworking and a merging of the WP4 and FET Act breakdowns. See the sections that follow for more detailed cross-references to the earlier policies.

	Policy	*Comments*
	(d) College fees (e) Student financial aid (f) Private fee-for-service income (g) Other private funding	
26	Section C below deals with the formula funding of programmes stream. The remaining funding streams are dealt with in Section E.	
	D. FORMULA FUNDING OF PROGRAMMES	**Background: Formula funding theory made easy.** A paper by Crouch and Lombard (2000) explains how 'programme funding' (which is the same as the 'formula funding of programmes' referred to here) fits into the range of options for public funding of education and training. **Background: Existing formula funding recommendations.** This is one of the categories in WP4. It fall under 'funds allocated by the State' in the FET Act. This is the 'programme-based funding' that is widely referred to. The 1997 Report contains the most detailed set of recommendations for formula funding available, though it by no means provides a ready-made formula. Essentially, the 1997 Report recommends a formula that considers FTEs as the unit of activity, allows for 5% of funds to be determined according to successful completion of programmes (i.e. output), is mode-neutral (i.e. distance learning would not be funded differentially), uses costing to determine allocations per programme, allows market signals to determine the mix of programmes offered, and guarantees institutions that their total allocations will not drop beyond a particular level (10%) from one year to the next. The Report further recommends that 10% of all funding running through this channel be subjected to an open bid situation that would allow private and public providers to compete for funds. It is furthermore suggested that the higher cost of training less advantaged students should perhaps be taken into account in the formula. WP4 indicates that formula funding should be adaptable to secondary schools, so that Government can experiment with and possibly take to scale this form of funding in schools. There

	Policy	*Comments*
		is some confusion in WP4 regarding the co-existence of post provisioning and programme-based funding, but in one part (section 4.42) it is made clear that personnel funding should occur through the programme-based funding route. The 1997 Report does not deal at all with the matter of aligning post provisioning to formula funding. **Background: Funding modalities in other countries.** There is a bit of a gap between what our policy documents have regarded as the ideal in terms of formula funding of programmes, and what has actually been proven to work in other countries. This should not stop us from becoming a pioneer, but we need to be aware of the unproven track record of much of what we want to do. Australia follows a formula approach, built around student contact hours (SCH), but it lacks many of the features envisaged in our policies. For example, Australia has no pro-poor mechanism in its system. The link between state funds per programme and actual cost of programme delivery is weak. There has been a marked drop in the per programme funding levels over the years, and this has led to tensions. There is no national formula in Australia, so 'provinces' devise their own approaches. Whether this is wasteful when we weigh satisfying local needs against research capacity is not clear. The 'provinces' are permitted to fund the same programmes at vastly different levels – sometimes the differential is as high as 100%. There are serious concerns, moreover, that within each 'province', the formula does not properly cater for differences between the costs of different types of programmes. Accounting rules require a clear separation of publicly funded and privately funded programmes, making perverse cross-subsidisation difficult. The mix of programmes in each college to be funded publicly is determined jointly between the institution and the public funder through a process of negotiation and business planning. The policy of allowing a small proportion (around 10%) of formula funding to be biddable on the open market is followed in Australia, and is regarded as important for encouraging some competitiveness amongst public institutions.
	What the funding system is designed to do	

	Policy	*Comments*
27	Formula funding of programmes, as captured in the formula funding grid, is designed to promote particular goals in service delivery. The intention is for the formula funding grid to be only as complex as is necessary for the promotion of these goals. The goals are as follows:	**Motivation:** The formula funding of programmes proposed here is fairly complex. This is because the policy requirements are rather complex. What should be remembered, however, is that although these funding norms would be a public document for accountability reasons, it is expected that a small number of financial and planning people from the 9 PEDs and the 50 colleges would be the principal users of the policy.
	(a) To promote transparency and easy comparability between provinces and colleges in terms of what programmes are being offered, the number and categories of people reached by programmes, how programmes are funded and success rates.	
	(b) To promote compatibility with the NQF.	
	(c) To promote predictability over the medium term whilst providing the necessary space for flexibility. It is important to interpret the formula funding grid together with the paragraphs in this policy that allow for flexibility in the implementation process, particularly during the transition to the new system (see paragraph 118). The funding system should promote good planning, whilst not stifling effective management.	
	(d) To promote equity through the preferential funding of colleges with students who are less able to pay college fees.	
	(e) To promote quality and efficiency in a manner that is sensitive to historical inequities through an incentive system that takes into account both absolute success rates and improvements over historical success rates.	
28	Formula funding of programmes is intended to cover the recurrent costs of delivering particular training programmes, but also certain capital costs associated with those programmes, specifically costs relating to the replacement of the facilities and equipment used. Moreover, the formula funding of programmes is intended to cover college overhead costs, specifically those relating to administration and student support. Overhead costs have been incorporated within	**Motivation:** This matter has been discussed in some depth. The advantage with placing the bulk of overhead costs within the formula funding system is that this will tend to promote efficiency. For example, if it is known that there is not a fixed sum in every future year to cover IT maintenance, and that available funds will be dependent on shrinkage or growth of the institution, colleges will be inclined to avoid inflexible maintenance contracts, and will prefer contracts that

	Policy	*Comments*
	the formula funding of programmes based on the understanding that most overhead costs are sensitive to college size. The approach taken in the policy is aimed at encouraging efficient practices with respect to the organisation of administration, student support services, college marketing, management and other activities associated with overhead costs. An exception from this approach is accommodated within the earmarked recurrent funding stream (see paragraph 69).	adjust to the volume of training services offered by the college. It should be remembered that the new merged colleges are all likely to be of a scale where enrolment-linked overhead spending should be sufficient.
	General definitions	
29	**Programme:** This is a unit of training offered by a college to a group of students for the duration of a whole academic year or part of an academic year. Programmes are differentiated by their NQF learning field and level, by their general content, and by historical or institutional origins, for instance whether they are inherited NATED programmes or linked to DoL learnerships. The definition of programme used in the formula funding grid and applicable to FET colleges is specific to this policy and is not necessarily the equivalent of the NQF definition of a programme. Thus a qualification or a unit standard registered with SAQA may be considered a programme for the purposes of the formula funding grid.	**Background: NQF programmes.** Programmes are not one of the key elements in the NQF architecture. Programmes are not defined in the SAQA legislation, though on their website SAQA does offer some loose definitions of programmes which would fit them into a level between qualifications and unit standards. (The equating of NQF programmes to the vocational programmes of NATED is something loosely proposed by the 2002 *Quantitative Overview*, i.e. this is not something established by SAQA.) **Discussion: Programmes and other curriculum elements.** In NATED, either courses or instructional offerings might equal programmes. Appendix C provides some information on the NATED curriculum. Though there are a large number of courses (346) and instructional offerings (626), we need to remember that enrolment is concentrated in very few of them. An average of 187 instructional offerings per college are offered, according to the 2002 *Quantitative Overview*. Turning to training other than NATED training, the SAQA database of qualifications includes over 800 qualifications and 5,600 unit standards at the FET band. All of these include descriptions and are strongly industry-focussed. Approved unit standards on the SAQA website tend to cover 3 to 15 credits each, implying 30 to 150 notional hours. This is much shorter than a year's course. Approved qualifications tend to have between 120 and 140 credits, meaning 1,200 to 1,400 notional hours (a qualification must contain at least 120 credits). This amounts to a year of full-time studies (or the 900 hours of *contact* time of the FTE). It seems there are good reasons for using *both* unit standards or qualifications as row items, i.e. programmes, in the funding grid. Learnership programmes tend to cover one year only, and they are comprised of unit

	Policy	*Comments*
		standards. Each learnership must lead to a qualification. In the case of learnerships, it seems either the whole learnership or the underlying unit standards should be permissible as 'programmes' in the funding grid.
30	**Formula funding of programmes:** This is the system for providing the bulk of public funding for FET colleges. The system works basically as follows: The DoE sets a ***national funding base rate***, in rand terms, describing the cost of a very basic FET college programme. The DoE also sets a ***funding weight*** for each programme eligible for formula funding, where this weight indicates how much more than the national funding base rate it costs to deliver a particular programme. Each programme is also assigned an ***assumed fee level*** representing the cost that college fees can be expected to cover. The PED is permitted to adjust the national funding base rate upward or downward within a margin, to suit provincial circumstances. This results in an ***applied funding base rate*** in each province. Each PED also assigns an ***assumed exemptions level*** for each college in the province, representing the proportion of fees that must be exempted, on the basis of the financial needs of students. For each programme within a college, ***individual students*** is multiplied by the ***programme duration*** in order to obtain the ***full-time equivalent students***. An ***applied total funding weight*** is calculated for each programme in each college, representing public funding to be received for each full-time equivalent student. This weight takes into account expected fees and expected exemptions. The weight is multiplied by the full-time equivalent students to obtain the ***programme weight*** of each programme. The sum of all programme weights, the ***college programme weight***, is multiplied by the province's applied funding base rate in order to obtain a ***college allocation***. To this allocation is added an ***output bonus***, giving the final amount to be transferred to the college.	**SEE Appendix B FOR A DIAGRAMMATIC REPRESENTATION OF THE PROPOSED FORMULA FUNDING OF PROGRAMMES.**
31	**Formula funding grid:** This is a schema used to organise formula funding of programmes. The formula funding grid appears in Annexure A of this policy. The schema, which appears in a blank version and a version with dummy data, should be used to illustrate the funding policy contained in the paragraphs that follow. The same formula funding grid applies to all public FET colleges in the country. One formula funding grid, as presented in Annexure A, is designed to cover the formula-funded services of one institution during the course of one academic year.	**Motivation:** There are obviously a range of options for what should be included and what should be excluded from the formula funding grid. The approach taken here is to avoid the complexity of capturing *all* the financial details of the college in one single format – what exactly constitutes formula funding might then be lost. Clearly, the overall financial planning of colleges is important, but the formula funding grid is not intended to be the tool for this.

	Policy	*Comments*
	Several versions of the grid should be used to cover several years in the planning cycle. The formula funding grid does not deal with the private income of colleges or public funding other than formula funding of programmes. However, it does capture enrolment and programme duration details on all the training offered by a college in one year, regardless of funding source. The formula funding grid is thus a tool for the planning of all services delivered by a college, plus a tool for determining how much formula funding of programmes a college should receive. Further details on how the formula funding grid should be used are provided from paragraph 27 onwards.	
32	**In-line issues:** These are planning issues relating to individual programmes offered by a college. They are captured in the top part of the formula funding grid. Each line in the top part of the formula funding grid would normally contain a different programme. Only where the same programme is being offered to different groups of students on different time bases, for example part-time and full-time, may a programme be repeated. All programmes offered by a college within a year, regardless of funding source, must be entered in the in-line part of the formula funding grid.	
33	**Bottom-line issues:** These are global planning issues that apply to a college as a whole. They are captured in the bottom part of the formula funding grid.	
	The national register of core FET programmes	
34	The formula funding grid uses information that would be provided by a national register of core FET programmes. This national register must contain certain details relating to those FET college programmes that the DoE regards as core programmes for this sector. The DoE maintains the national register of core FET programmes, and makes it available to the public and stakeholders in the FET college sector. The core programmes in the national register are programmes that government believes should receive a particularly strong emphasis in the funding of FET colleges. The core programmes would not, however, be the only programmes that the state would fund. Core programmes may be programmes registered with SAQA by the DoE, or programmes registered with SAQA by other	**Motivation:** This section is informed by the plans of the DoE to transform NATED into an improved basic set of TVET programmes that should be at the heart of the expansion of the FET college sector.

	Policy	*Comments*
	organisations, where the DoE considers these programmes sufficiently important to qualify as core programmes.	
35	The national register of core FET programmes must, as a minimum, include the following information relating to each programme (see paragraphs 36 onwards for definitions of the various pieces of information): DoE programme identifier; SAQA/DoL identifier; NQF learning field; NQF level; Programme type; Programme name; SAQA credits; Funding weight for personnel; Funding weight for capital expenditure; Funding weight for non-personnel non-capital. (Details on the determination of funding weights are provided in paragraph 90.) In addition, the national register should indicate the typical programme duration, for example whether the programme is typically a one-year programme or a trimester programme. The national register will not indicate a hard and fast programme duration, as this aspect of service delivery requires some flexibility.	
	The in-line part of the formula funding grid	
36	The following paragraphs describe the meaning of each of the columns, from left to right, of the in-line part of the formula funding grid appearing in Annexure A. The in-line part of the formula funding grid is divided horizontally by four headings: 'CORE DOE'; 'SAQA UNIT STANDARDS', 'SAQA QUALIFICATIONS'; 'REGISTERED LEARNERSHIPS'. The lines appearing under 'CORE DOE' influence the formula funding of the college. The lines under the headings do not influence the formula funding of the college in any direct way. However, they contain important ancillary information needed for the planning process.	
37	**DoE programme identifier:** This is the unique identifier of a programme included in the national register of core FET programmes. Only programmes under the heading 'CORE DOE' will carry the DoE programme identifier.	
38	**SAQA/DoL programme identifier:** This is the unique identifier of a programme as it would appear in the SAQA database (for SAQA unit standards and	