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	qualifications) or in the Department of Labour register of learnerships.	
39	**National Qualifications Framework learning field:** This is the learning field of the programme. For DoE core programmes, this would appear on the national register of core DoE programmes.	
40	**National Qualifications Framework level:** This is the NQF level of the programme. For DoE core programmes, this would appear on the national register of core DoE programmes.	
41	**Programme name:** This is the name of the programme. Under 'CORE DOE', the name should be the one used in the national register of core FET programmes. In the rest of the formula funding grid, the correct SAQA or DoL names should be used. Abbreviation may occur, as long as the programme names remain unambiguous.	
42	**SAQA credits:** This is the number of credits that the programme carries within the NQF. For core programmes, this is indicated in the national register of core FET programmes.	
43	**Programme duration:** This is the duration of the programme in terms of the academic year. The value is a number expressed to two decimal places, and may be 1.00 or less than 1.00. A value of 1.00 indicates that the programme covers one academic year on a full-time basis, which in turn must cover 900 hours of contact time. A value that is less than 1.00 indicates that fewer than 900 hours of contact time are covered, and the value will be proportional to the hours of contact time. For example, a programme that covers only 300 hours of contact time, would have a programme duration of 0.33. A programme with a programme duration of 1.00 in one line of the formula funding grid may reappear in another line with a lower programme duration, if the same programme is also being offered part-time to another group of students. The programme duration should be filled in for all programmes, whether they receive formula funding or not.	**Background: Notional hours.** The NQF works on the basis of 'notional hours' and not contact hours. Notional hours would include time spent by the student on, for instance, homework and test preparation. Contact hours do not cover such activities. Each credit in the NQF is said to cover around 10 notional hours, and qualifications are generally required to cover at least 120 credits, i.e. 1,200 notional hours. **Background: Trimesters and semesters.** Currently in the college sector, trimesters are said to cover 300 hours of contact time (or one-third of an FTE), and semesters 450 hours (or one-half of an FTE). **Discussion: Use of FTEs.** The issues are perhaps, firstly, should we use contact hours and, secondly, should 900 hours of contact time be our yardstick? The choices that have been made here are informed by current practices in the college

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		sector. It should be noted that *The new FET professional* is strongly critical of the use of FTEs as a basis for resource need, because of the equivalence between FTEs and contact time. This, the report says, discourages important industry liaison work. In the current proposal, resources needed to carry out such work would be generated not through the FTE value, but through the funding weight (see next paragraph). It seems desirable to retain some statistic, the FTE, which focuses exclusively on contact time.
44	**Funding weights (by economic category):** This is a weight attached to each economic category of each programme to represent the cost of delivering the programme relative to the national funding base rate (explained in paragraph 89). The economic categories to be used are (1) personnel cost, (2) capital infrastructure cost and (3) non-personnel non-capital (or 'npnc' or non-personnel recurrent) cost. A specific programme may therefore have the funding weights 1.0, 1.1 and 1.3 for the personnel, capital and 'npnc' categories respectively. The funding weight is always expressed to one decimal point. A funding weight of 1.0 means that the cost of delivering the programme with respect to the economic category in question, is equal to the national funding base rate value for that category. A personnel funding weight of 1.1, to take an example, would mean that the actual delivery cost with respect to personnel is 10% higher than what is indicated in the national funding base rate for personnel. Funding weight values are specified on the national register of core FET programmes. All programmes under 'CORE DOE' would have funding weights specified. When a funding weight is multiplied by the corresponding economic category of the applied funding base rate (described in paragraph 56), the expected cost as determined by the PED is obtained.	**Motivation:** Allowing only one decimal place for the funding weight is a way of removing excessively detailed disputes and discussions around the cost of each individual programme. This is the practice in the British system. **Discussion:** It may be excessive to have funding weights for each of the three economic categories. However, having this division seems useful for a number of reasons. For example, it forces curriculum development staff to focus explicitly on the full range of inputs needed for a specific programme. This then makes it easier to come up with a more realistic monetary cost.
45	**Assumed fee level:** This is an indicator ranging in value from 0.00 to 1.00 that indicates the expected level of fee-charging for each programme on the national register of core FET programmes. A value of 0.20 would indicate that the DoE expected 20% of the full cost of the programme to be covered through college fees. The assumed fee level must be informed by clear analysis of historical trends with respect to college fees and the education and training market in general. It need not take into account poverty factors, as these are dealt with in the assumed	**Discussion: Differentiated fees for differentiated cost levels.** A key policy question is whether students enrolled in programmes costing the state more should be charged higher fees. There are arguments for and against this. The argument in favour says that more costly programmes tend to translate into better incomes on the labour market, so it is reasonable for private costs to be higher, because future private benefits will be higher. The counter-argument is very often based on the a priori assumption that students within one institution should be

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	exemptions level (see paragraph 57 below).	treated equally when it comes to fees, and that equity in this regard means equal fees. The way the assumed fee level is conceptualised, by programme, allows for either approach to be pursued. If the assumed fee level is made to be the same fraction across all programmes, then fees will be higher for certain programmes than for other. On the other hand, if the assumed fee level is made to be lower in more costly programmes, then equal fees could be achieved. The UK funding formula takes the approach of equal *fees* for every programme of a similar duration (see Appendix F). The question of whether all fees should be the same should be separated from the question of redress. Redress, in the system being proposed, is dealt with through fee exemptions. Thus having higher fees for more costly programmes does not necessarily imply it becomes more difficult for the poor to enter these programmes, as long as the exemptions rules were sensitive to this issue. **Discussion: Public funding for only those who cannot pay.** It is sometimes argued (though not often in South Africa), that the rich should pay for the full cost of TVET programmes, even if they are offered in public institutions, because they can afford to do this. It should be noted that this option is at least theoretically possible within the system being proposed here. This option would be realised if the assumed fee level were made 100% for all programmes, and all matters of student financial need were dealt with through the means test and the exemptions process.
46	**Actual total funding weight:** This is the weight that indicates the allocation that will be transferred to the college per programme and per full-time equivalent student, relative to the overall applied funding base rate (explained in paragraph 56 below). A value of 1.00 indicates that the allocation is expected to be equal to the overall applied funding base rate. The actual total funding weight takes into account several things: programme cost as reflected in the funding weights (FW_p, FW_c and FW_n); the applied funding base rates per economic category as determined by the PED ($AFBR_p$, $AFBR_c$, $AFBR_n$ and their sum $AFBR_{Tot}$); the assumed fee level for the programme (AFL); the assumed exemptions level for the college (AEL) (described in paragraph 57). Each funding weight is multiplied by the corresponding applied funding base rate, and the sum of the three values is	

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	then adjusted downwards according to the assumed fee level, and thereafter upwards according to the assumed exemptions level. The formula is as follows: $ATFW = \frac{(FW_p \times AFBR_p) + (FW_c \times AFBR_c) + (FW_n \times AFBR_n)}{AFBR_{Tot}} \times (1 - AFL + (AFL \times AEL))$	
47	**Individual students:** This is the number of actual students enrolled in each programme entered in the formula funding grid, regardless of funding source. The determination of these numbers constitutes a crucial part of the PED-college planning process.	**Background: Limitations on enrolments.** The approach whereby PEDs and colleges jointly agree on enrolment numbers means that PEDs may in effect place a maximum enrolment cap on the number of places to be offered for certain programmes. This would be a fairly new feature in the system, though not completely so. Reportedly, KwaZulu-Natal has in the past imposed maximum enrolment limitations on colleges.
48	**Full-time equivalent students:** This is the number of full-time equivalent students in a programme entered in the formula funding grid. Full-time equivalent (FTE) students is number of individual students multiplied by the programme duration. The formula is as follows: FTE students = Individual students × Programme duration The number of FTE students per programme is a key determinant of the funding that should flow to each programme that is offered by a college. This column is left blank where programmes do not receive formula funding.	**Background: What FTEs currently attract resources.** The criteria for FTEs in the post provisioning norms and (if they exist) provincial non-personnel funding formulas vary greatly from province to province. In KwaZulu-Natal a more conservative approach is followed whereby only formal NATED FTEs are used in the personnel and non-personnel resourcing determinations. This results in a situation in which non-NATED courses are funded through fees, though resourcing within one college is not strongly compartmentalised, meaning cross-subsidisation would in effect occur. In North West, both NATED and non-NATED FTEs generate resources for colleges. Reportedly, even FET schools learners in colleges are resourced via the FTE approach. In Western Cape, students in learnership programmes that are regarded as a provincial priority may be translated into FTEs for resourcing purposes.
49	**Programme weight:** This is the total weight of the programme, after the actual approved cost of service delivery, enrolment numbers and programme duration have been taken into account. The programme weight (*PW*) is expressed to one decimal place, and is the actual total funding weight (*ATFW*) multiplied by full-	

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	time equivalent students (*FTE*): $PW = ATFW \times FTE$	
50	**Labour market segment:** This is the segment of the labour market receiving the chief focus of a programme entered in the formula funding grid. This specification occurs in the formula funding grid to encourage a focus on labour market imperatives. It does not influence the funding formula directly. The values in this column would refer to the following labour market segments: budding entrepreneurs; employed persons; operating entrepreneurs with employment potential; unemployed adults over age 35; unemployed youth up to age 35. Values are entered in the column to represent the most prevalent labour market status of enrolled students. If the same programme is being offered to different groups of students that are clearly distinct in terms of their labour market status, the same programme should be repeated in the formula funding grid. The determination of the labour market segment, which would often relate to anticipated, not actual, enrolment, must occur during the PED-college planning process described in paragraph 94 below.	
51	**Additional funding source:** This is the main source of financing for programmes not covered by formula funding of programmes. Possible additional funding sources are: Employers (learnerships); Employer (other); SETA (learnerships); SETA (other); State (education department); State (Department of Labour); State (other). The additional funding source is entered on the formula funding grid as important background information for the planning process. It is not required for any calculation, and should only be included where a programme does not receive formula funding.	**Motivation:** An earlier version of the proposed formula funding grid allowed for the possibility of a programme being funded partially through formula funding, and partially through some other source. This added much complexity to the grid. This complexity was regarded as unnecessary given that such mixing of funds is scarce or non-existent.
52	**Past successful completions:** This is the number of students who completed the programme in question during one or more past years. The precise number of years to be considered is determined during the annual PED-college planning process. Moreover, rules for how to deal with the double counting of students, where the same students completed different programmes in the same year, or the weighting of students, will be established during this planning process. Past	

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	successful completions, together with past enrolments (see the next paragraph) are used to gauge the efficiency of service delivery during previous years, and hence the eligibility of the college for output bonus funding in the bottom-line determinations.	
53	**Past enrolments:** This is the number of students who could have completed the programme in question, in other words the number of enrolled students, during the past one or more years. The years considered and the rules for counting students would be the same as for the past successful completions (see previous paragraph).	
	The bottom-line part of the formula funding grid	
54	**College programme weight:** This is the sum of all the programme weight values in the formula funding grid. This forms the basis of the formula funding for a college.	
55	**Sum of past successful completions and enrolments:** This is the sum of the values referred to in paragraphs 52 and 53. These totals are important inputs into the determination of the output bonus referred to in paragraph 62.	
56	**Applied funding base rate:** This is a rate, expressed in monetary rand terms, indicating what the PED actually intends spending on the basic low-cost programme underpinning the national funding base rate (described in paragraph 89). The applied funding base rate may be equal to the national funding base rate, or may deviate slightly from it. The applied funding base rate is set by the PED, and is updated on an annual basis, taking into account the annual changes to the national base rate. It must be expressed as one total, but should also be broken down into the three economic categories used for the national funding base rate. A PED may set an applied funding base rate that deviates from the national funding base rate without approval from the DoE if the deviation is within a 5% limit for all the three economic categories. Deviations that exceed this limit may be made after adequate reasons for the deviation have been supplied to the DoE and the DoE has approved of the deviation. These controls are aimed at promoting national conformity to minimum quality standards in the FET college services.	

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	However, they need to be applied in conjunction with more direct quality controls focussing on the competencies of graduates against standard benchmarks, in particular inter-provincial differences in this regard.	
57	**Assumed exemptions level:** This is an indicator ranging in value from 0.00 to 1.00 that indicates the expected level of fee exemptions for the college as a whole. As an example, a value of 0.30 would indicate that 30% of fees charged would need to be exempted due to income limitations and poverty factors. The assumed exemptions level is a PED determination arrived at after analysis of audited data from colleges relating to assessments of the financial needs of students using a national means test (means testing is dealt with in paragraph 74), and data relating to the repetition rates of the college (in support of the efficiency element referred to in paragraph 75). Each FET college in a province should have its own assumed exemptions level. FET colleges would be involved in the determination of the assumed exemptions level, in particular considering that the work involves using data collected at the college level. However, it is also important that the PED should conduct independent audits of the means test data, and should make the final determination regarding the assumed exemptions level. This is to counter possible fraud and bias aimed at attracting more funds to particular colleges. The assumed exemptions level must be sensitive to the assumed fee level described in paragraph 45. The higher the assumed fee level, the higher the assumed exemptions level should be. The DoE will investigate, on an ongoing basis, optimal combinations of the assumed fee level and the assumed exemptions level, given different college and socio-economic contexts, and will provide PEDs with guidelines in this regard.	
58	**Assumed value of fees charged:** This is a calculated value using values from the in-line part of the formula funding grid as well as the total applied funding base rate of the PED. Specifically, the programme weight values and the assumed fee level values from the in-line part of the grid are needed. The assumed value of fees charged should reflect the total monetary value of the assumed fee level, and is used as an important benchmark against which to measure the correctness of the fee-setting processes described in paragraph 73.	**Motivation:** The calculation required here is quite straightforward but lengthy to explain. Moreover, it is a calculation to calculate a benchmark, not to calculate the level of public funding. For this reason, the calculation method seems best communicated through implementation tools, as opposed to the policy itself.

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59	**Assumed value of fee exemptions:** This is the expected monetary value of fee exemptions to be granted, given the structure of the funding formula. The assumed value of fee exemptions is the assumed value of fees charged (referred to in paragraph 58) multiplied by the assumed exemptions level (referred to in paragraph 57). The expected monetary value of fee exemptions is an important benchmark needed to gauge the correct implementation of the fee exemptions processes referred to in paragraph 76.	
60	**Assumed value of fee income:** This is the expected monetary value of college fee income. It is the assumed value of fees charged minus the assumed value of fee exemptions.	
61	**College allocation before output bonus:** This is the total monetary allocation for the college before the addition of a possible output bonus. The college allocation before output bonus ($CA1$) is the college programme weight (CPW) referred to in paragraph 54 multiplied by the total applied funding base rate ($AFBR_{Tot}$) of the PED. $CA1 = CPW \times AFBR_{Tot}$ The sub-totals for each of the three economic categories should be calculated using the category-specific applied funding base rate from the bottom-line part fo the grid and the assumed fee level, full-time equivalent students and category-specific funding weight from the in-line part of the grid. The sub-totals for the three economic categories should not be the total college allocation simply split up in proportion to the category-specific applied funding base rates, as this would not yield an accurate result.	
62	**Output bonus:** This is a monetary bonus which the college receives in recognition of efficient or outstanding service delivery. The methodology for calculating the bonus is a PED determination. However, in arriving at the methodology, the following should be considered:	**Motivation:** A previous version of this document presented a formula for the calculation of the output bonus. The approach was subsequently adopted of laying down criteria for the calculation, rather than one formula. There are a number of problems associated with having one national formula: (1) Insufficient research has been conducted into the matter to suggest strongly that one approach stands out as the best one. (2) Province-specific circumstances may make different

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		approaches to the output bonus desirable. (3) The *process* of arriving at an output formula, within the PED-college planning process, can be regarded as an important step in bringing a critical degree of focus in colleges and the PED to the performance issues. **Discussion: Getting the output bonus right.** The matter of the output bonus is strategically important and complex. It should be subjected to closer scrutiny. Three key questions stand out. The first question is whether there should be a national formula – this could be a formula that would be partly deterministic and partly open to province-specific adjustment. The second question is whether the output bonus should only be above cost, or whether it should be permitted to cover some of the cost. The UK system only pays out the final 10% of the cost of delivering a programme after the student has successfully completed the year in question. This is clearly a form of output bonus that covers some of the cost. The UK system implies that institutions must absorb the cost of the 10% where students do not complete the year successfully. (The UK 10% output bonus is perhaps something we would want to make explicit in the SA policy. Before we do, however, it would be necessary to clarify how the throughput rate frequently referred to in the DoE-NBI reports is calculated, and whether this constitutes a good basis for an output bonus formula.) However, the UK system also has a performance bonus for colleges that plan well generally, and this provides funding above cost. It is not made clear in the UK system what this additional funding is intended for, but one can assume that it is intended for developmental activities such as research and HRD. The third question is what output issues the South African output bonus should deal with. Essentially there are four such output issues: (a) Successful completion by students of the programme; (b) The average scores attained by students in standardised examinations; (c) The degree of success of graduates in the labour market; (d) The attainment of particular developmental goals, for instance the successful implementation of new monitoring systems. There seems to be strong support for dealing with (a), (b) and (d) in the output bonus, but doubts about translating (c) into monetary rewards for institutions. The doubts are based on the understanding that there are many factors extraneous to the college that affect labour market success and that it is difficult to statistically adjust for those extraneous factors. There is no doubt

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		that the labour market performance of graduates should be a key trend that is monitored, but this is not the same as saying that colleges should be rewarded in monetary terms in this regard. Rather, it is argued, PEDs should use labour market performance as a key determining factor when deciding which colleges to upscale and which colleges to downscale through higher or lower formula funding in future years. **Background: Inefficiencies in colleges.** Efficiency comes through as a major problem in the analyses of the colleges. Pass rates at around 57% are lower than in schools. The throughput rate is said to be only 50%, in other words only half of students complete their qualifications. This has been equated to a wastage of 50% of funding (this may be a bit of an extreme assertion as we do not clearly know the destination of non-qualified students). These criticisms need to be viewed in the light of an apparently better benefit cost ratio for colleges. It was not possible to assess the degree to which similar programmes differ greatly in per FTE expenditure between colleges or provinces. There are great disparities in the aggregate per FTE expenditure figures (R4,000 versus R10,000), but this is said to be a result of different programme mixes at different colleges.
	(a) The ratio of past successful completions to past enrolments, and previous versions of this ratio, applicable to previous years (see paragraphs 52 and 53). Both absolute levels of this ratio, and improvements in this ratio over time, should be taken into account.	
	(b) Attainment of development targets in the strategic plan of the college.	
	(c) Average examination scores attained by students.	
	The methodology must be transparent to all colleges within a province. Moreover, it should be determined at a sufficiently early point in time to allow colleges to adjust their planning and management towards the attainment of the identified outputs.	

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63	**College allocation:** This is the total allocation to the college after all adjustments have been made. This is the final allocation provided by the formula funding grid. However, it may not be equal to the total funding for the college received from the PED if (1) there is funding other than formula funding that is to be paid to the college (see Section E) or (2) there are funds allocated during a previous year that were not utilised and should thus be deducted off the allocation (see paragraph 104).	
	E. OTHER FUNDING STREAMS	
	Earmarked capital funding	**Background: What's already in policy.** This category is an offshoot of 'formula funding of programmes' in WP4. WP4 seems to envisage the inclusion of capital investment in the formula funding stream. The position taken here is that capital investment, or at least a major part of it, should be separated out for various reasons (legacy of unequal physical infrastructure, practice in other countries). This category falls under 'funds allocated by the State' in the FET Act. The 1997 Report makes reference to information systems and specialised plant as part of the capital requirements of institutions. It envisages some earmarked funding (capital and recurrent) flowing from a combination of matching conditional grants determined nationally and provincial funds that match the national funds. **Background: Capital expenditure on colleges.** In 2004, PED capital expenditure on colleges was R39m, or 2.9% of total PED expenditure on colleges (the corresponding figure for schools would be 4.4%). In addition, colleges reported in 2002 'depreciation' amounting to R30m as expenditure, though this was not a cash expense. It seems there was no capital expenditure from own funds at colleges in 2002. In response to a question about the state of their teaching and learning facilities, half of college heads said it was good, 15% said it was excellent, and around a third said it was poor. This is almost certainly a more positive response than one would find for schools. We should note, however, that these responses may simply be a result of low expectations about the services colleges should offer. 40% of heads said their college teaching equipment does not comply with occupational safety regulations.

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64	This public funding stream covers items not covered by the capital infrastructure portion of the national funding base rate (see paragraph 89 below). Hence this stream covers two types of capital expenditure: (1) Capital expenditure to expand the infrastructure of existing campuses, or to construct new campuses; (2) Capital expenditure required to address capital infrastructure backlogs inherited from unequal spending in the past.	
65	Earmarked capital funding may take a variety of forms, for example conditional grants declared in terms of the Division of Revenue Act, or matching grants involving joint investment with the private sector. Moreover, this type of funding is always conditional in the sense that it is earmarked for specific capital investments, where these investments are integrated into the strategic plans of colleges.	
66	PEDs must ensure that transparent and fair procedures are followed in the allocation of earmarked capital funding to colleges. However, it is not a requirement that all colleges be funded equitably with respect to this stream in every financial year. Targeting of particular colleges during particular years is thus permissible. However, in the medium to long term, the distribution of earmarked capital funding across colleges must be equitably pro-poor.	
67	Earmarked capital funding is an important means for making colleges more accessible for the physically disabled. PEDs should ensure that sufficient earmarked capital funding is made available to adapt existing infrastructure in such a way that full access in this regard becomes possible.	
	Earmarked recurrent funding	
68	This public funding stream is similar to the earmarked capital funding stream, except that it deals with recurrent items. It is earmarked for projects of a developmental nature, in particular staff development, development and implementation of computerised systems, and college-level research. In addition, the earmarked recurrent funding stream covers inputs that are considered part of a basic minimum package of recurrent inputs required more or less equally by all	**Background: What's already in policy.** This equates more or less to 'funding for special purposes' in WP4 and falls under 'funds allocated by the State' in the FET Act. The 1997 Report emphasises this funding as a means of steering colleges in new directions. It also envisages some earmarked recurrent funding being granted on a competitive bidding basis.

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	colleges.	**Discussion: The web presence of colleges.** What is striking is how much easier it is to obtain information about individual colleges in the cases of Australia and Brazil, than in the case of South Africa. This is simply because colleges in those countries have websites on which they post business plans, annual reports, programmes offered, registration procedures, and so on. Even relatively small Brazilian colleges in poor 'provinces' have a web presence. South African colleges, apart from Central Johannesburg FET college, have very minimal or zero web presence. It should be regarded as particularly problematic for an FET college to have no web presence given, firstly, the existence of technical skills amongst staff and students and, secondly, the importance of providing information to a diverse group of potential clients.
69	PEDs may determine a basic minimum package required by all colleges to cover basic overhead expenses outside of the formula funding of programmes stream. Such a package, which should be considered earmarked recurrent funding, could take the form of a financial transfer, employee posts, or goods and services. Regardless of its form, the monetary value of the basic minimum package should be clearly reflected in the financial statements of colleges. PEDs may vary the size of the basic minimum package by college, based on criteria that are fair and fully transparent.	**Motivation:** Currently, it is argued that a basic package of college management posts would be subject to this paragraph.
70	Transparency and equity requirements for earmarked recurrent grants directed towards development projects are the same as those applicable to earmarked capital grants and described in paragraph 66.	
	College fees	
71	The Further Education and Training Act makes it clear that public FET colleges may raise revenue through the charging of college fees. For the purposes of this policy, college fees are fees charged to students by public FET colleges to cover the portion of the training cost not covered by formula funding of programmes. For the purposes of this policy, then, college fees do not include hostel fees, or fees charged for programmes receiving no public funding at all.	**Background: What's already in policy.** This falls under 'private funding' in WP4 and in the FET Act under 'money payable by students for further education and training programmes provided by the institution'. The 1997 Report recommends that fees should constitute some 20% of college funding. **Background: Fees in SA colleges.** In 2002 fees averaged around R2,600 per FTE and around R930 per head. Increases in recent years seem to have exceeded

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		inflation, but only slightly. Given that school fees in 2001 averaged at around R380 per learner (around R1,700 for learners in 'quintile 5' schools), fees at colleges seem relatively high, suggesting that fees would be a stronger exclusionary factor in colleges than in schools (this seems to be the finding from the analysis appearing in Appendix E). Moreover, college attendance is often associated with hostel accommodation and hence hostel fees. There is no exemption system in colleges as there is in schools, though some provinces (e.g. North West) offer bursaries to college students after students have passed their first programme of study (they must pay the fees upfront for the first programme). College stakeholders report that fees do indeed constitute a barrier for access to colleges. The analysis in Appendix E seems to support this. **Background: Hostel fees.** College hostels are becoming increasingly governed by a total cost recovery approach, meaning students are expected to pay for the full costs of the hostel accommodation. **Background: College fees in other countries.** In Australia, around 10% of the income at the TAFE colleges is from fees. An extensive fee exemptions system is in place which results in around 25% of students being at least partially exempted. In most 'provinces', government caps the fee that may be charged. This cap is generally at around one Australian dollar per student contact hour. The effects of income forfeited due to exemptions must be borne by the college concerned. The existence of exemptions makes a comprehensive student financial aid scheme unnecessary. In the UK, the assumption is made that 25% of the training cost would be covered by fees. However, there is an extensive system of exemptions (called 'remissions') whereby certain categories of students (those age 18 and below, socio-economically disadvantaged students, etc.) are completely exempt from the payment of fees, and the state compensates fully for this in the transfers to institutions. The UK system is designed in such a way that the fee (if paid) is standardised meaning students taking programmes costing more to offer (due to resource intensity) do not pay higher fees. **Motivation:** Though a lot of the literature uses the term 'user fees', this has become a little liked term. 'College fees' is a term people are probably

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		accustomed to.
72	The formula funding of programmes, described from paragraph 27, has implications for what may be considered fair practice with respect to college fees. In particular, the level of the college fees charged should not deviate substantially from what is implied by the assumed fee level described in paragraph 45. Moreover, exemptions should be granted to a level implied by the assumed value of exemptions described in paragraph 59.	
73	In accordance with paragraph 18, the responsibility for structuring college fees charged for programmes receiving formula funding rests with colleges. However, the net effect of this structuring should be that the total planned income from college fees, before exemptions have been taken into account, should be more or less equal to the what is implied by the assumed fee levels per programme. The total planned income from college fees may be up to 10% higher than the assumed fee level described in paragraph 45, without there being a need for PED approval. Moreover, the college fee charged to a student for any particular programme subject to formula funding should not deviate substantially from the rand amount implied by the assumed fee level for that programme. The fee may be up to 10% higher than what is implied by the assumed fee level without there being a need for PED approval. Any deviation outside of the bands referred to here require PED approval, within the PED-college planning process. The way the transition occurs from the outgoing fee structures of colleges to the new fee structures implied by this policy is linked to how the transition to more normalised per student spending is achieved across colleges. This transition matter is referred to in paragraph 120.	**Motivation:** There are some good reasons for allowing this 10% leeway. The assumed fee level may ignore college-specific cost issues, and college-specific socio-economic issues.
74	The DoE will establish and maintain a national means test designed to gauge the financial needs of public FET college students, as well as the necessary tools required to implement the means test. The DoE will furthermore formulate rules and guidelines regarding the awarding of fee exemptions by FET colleges on the basis of student need. The systems will be aimed at ensuring that an inability to pay college fees should not constitute a barrier to a student's enrolment in a formula funded programme at a public FET college. The means test and accompanying rules and guidelines will be based on best practice and research	**Discussion: Means tests in the South African context.** Valuable lessons can be learnt from the NSFAS experience in the design and implementation of means tests.

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	findings, and will be aimed at providing public FET colleges with a system within which responsiveness to student need and programme cost can be managed by the college. It is important that the DoE requirements and guidelines should be sufficiently detailed and binding to establish a transparent system and to enforce key policy imperatives, but that they should also provide sufficient space to allow colleges to respond to local need. In particular, the means test should be sufficiently standardised within provinces to allow for the use of the data in the determination of the assumed exemptions level (see paragraph 57). As far as is possible and practical, there should be synergy between the means test for public FET colleges and the means test being used in the higher education system.	
75	The rules and guidelines regarding fee exemptions referred to in the previous paragraph should incorporate an efficiency element whereby students who repeat programmes should be less eligible for fee exemptions than students who enrol for programmes for the first time.	
76	Colleges must manage college fee exemptions in accordance with paragraph 74. The total value of the college fees exempted in one year should not be less than the assumed value of exemptions described in paragraph 59. If it is, the part of the fee subsidy that exceeds the value of total exemptions may be claimed by PED in the following year through the clawback mechanism referred to paragraph 104 below.	
	Student financial aid	
77	In this policy, student financial aid is funding, in the form of grants or loans, provided by the state or private organisations to students, possibly through the public FET college, to deal with costs such as hostel and subsistence costs. For the purposes of this policy, the funded exemptions referred to in paragraph 59 are not considered student financial aid, though they have an aim that is similar to that of student financial aid.	**Background: What's already in policy.** This is one of the categories in WP4. Depending on how this works out, it could fall under 'funds allocated by the State' in the FET Act. None of the existing policy provides much direction with respect to this stream of funding. The 1997 Report provides some options, but is not optimistic, partly because of the poor economic rationale and international track record for student loans at the FET level, and partly because there is no institutional history in the country for student financial aid in FET.

	Policy	*Comments*
78	The DoE and PEDs should monitor the situation with respect to needs-based funding over and above the fee subsidy, and make proposals for systems and partnerships where necessary. Options involving agreements between the state and public and private lending institutions should be explored.	**Discussion: Covering subsistence and textbook costs of students.** It has been proposed that the funding policy should deal directly with non-fee private costs incurred by students. NSFAS deals with such costs in Higher Education, though there is no guarantee that the NSFAS award will be sufficient to cover all these costs. There seems to be a strong indication in the international literature that loans to cover FET college fees are not effective. But no discussion of the effectiveness of loans for subsistence and textbook costs could be found.
	Private fee-for-service income	
79	This private stream of funding is income derived by public FET colleges from training services offered on a purely private and market basis.	**Background: What's already in policy.** This is one item under the category of 'private funding' in WP4. In the Act this is 'money received for services rendered to any other institution or person'.
80	Paragraph 14 of this policy explains the need to ensure that fee-for-service prices are not cross-subsidised by public funds intended for formula funded programmes. In other words, fee-for-service prices should reflect the true cost of offering the service. To enforce this, what will be monitored are the prices of private services offered, relative to the cost of formula funded training as reflected in the national register of FET college programmes (see paragraph 34). The requirement is that privately offered services should not be offered at a price that is lower than the predicted cost of an equivalent formula funded programme.	**Background: Funding of learnership training and 'double-dipping'.** College stakeholders report that there is a high level of awareness in PEDs that using any PED-funded college resources to run SETA-funded learnership programmes is 'double-dipping' and wrong. However, it is very likely that this kind of double-dipping is occurring, especially given that accounting practices are not geared towards detecting this.
81	Clearer information in the training market relating to the cost of delivering training programmes, can greatly assist private and public employers in planning their human resource development activities. Given that the DoE will be engaged in extensive research work relating to the costing of training programmes, in order to realise the system of formula funding of programmes, the DoE will be well placed to provide the market with valuable information and guidance relating to training costs. The DoE, in collaboration with the Department of Trade and Industry and the Department of Labour, will develop pricing manuals that can be used by public FET colleges, other providers, and employers, to assist in the provision and procurement of training.	

	Policy	*Comments*
82	The DoE will investigate the feasibility of developing and maintaining a national list of recommended prices for training programmes other than those training programmes appearing in the national register of FET programmes. Such a list could assist in the monitoring of prices referred to in paragraph 80, and could be used by employers to plan their procurement of services offered by various providers, but in particular public FET colleges.	
	Other private funding	
83	This stream of private funding is all private funding not covered in the preceding paragraphs of Section E. This stream would include, amongst other things, development funding from international and local donor agencies, and income derived from the sale of goods produced by students as part of a training programme.	**Background: What's already in policy.** In WP4 this would fall under 'private funding', and in the Act this more or less corresponds to 'other funds from any other source'. **Background: Production income in other countries.** According to the 1997 Report, many countries earn considerable income from production activities undertaken by students. In Swaziland, the proportion of income earned from production activities is said to be 80%!
	F. FINANCIAL MANAGEMENT AT PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES	
84	It is not the purpose of this policy to provide general financial management rules for public FET colleges. Financial management practices at colleges have been improving through a number of steps that have been taken by government. In several provinces, financial management in colleges are now in line with the requirements of the PFMA. Some MECs have issued comprehensive accounting procedures documents specifically aimed at public FET colleges, and issued in terms of Section 21 of the Further Education and Training Act. The use of GAAP and external auditors has become entrenched across all colleges. College management toolkits developed by the DoE are being used in a number of colleges. It is important for this work to continue, and for financial management requirements to become nationally standardised.	**Background: Current accounting practices in colleges.** Although colleges are not governed by the PFMA, in certain provinces colleges have been instructed to use the PFMA as their financial management and accounting guide. Section 21 of the FET Act requires the MEC to determine accounting procedures for colleges. This has occurred in some provinces, but apparently not in all of them. Nevertheless, it seems as if the use of GAAP and external auditors is a feature of all colleges, according to college stakeholders. The college management toolkit developed by KPMG for the DoE, which includes accounting guidelines, is used by some but not all colleges.

	Policy	*Comments*
85	The DoE and PEDs must pay particular attention to the development of accounting structures and practices that allow for a clear separation of public and private costs. Financial accounts must be arranged in such a way that the utilisation of publicly financed infrastructure for private fee-for-service programmes is reflected as such, so that the financial cost of this is clear. Similarly, the utilisation of the same staff members for the offering of public and private training services should result in separate public and private accounting of the related expenditure.	
86	The DoE and PEDs will need to pay special attention to the matter of the financial reserves of colleges, and private loans taken by colleges to fund infrastructural and other development. Practices in this regard should not place the sustainability of colleges at risk, nor should they result in excessive mission drift away from the role of colleges as public providers of FET.	**Background: The FET Act on loans.** Section 20 of the Act specifies that the MEC must approve of any loan taken by an FET college. **Background: Financial investments by colleges.** There were four merged colleges (two in GP and one each in NW and WC) where the value of investments plus cash on hand came to over R10m (but under R20m) in 2002. To take an example, the Johannesburg Central investment plus cash figure came to around 33% of its annual running cost. At the other end of the spectrum, three colleges in EC were over R2m in debt. **Discussion: How should the new funding system take into account historical advantages with regard to financial reserves?** It has been suggested that the new funding system somehow differentiate between colleges on the basis of their financial reserves. It is argued that colleges with larger reserves (which tend to be the historically advantaged ones) should be given less formula funding, at least for a limited time. The 33% level of liquidity referred to above is not very high, and it is moreover exceptional. The situation does not appear to warrant any special provisions in the funding policy. However, it is clearly important for colleges to have financial reserves, and colleges with low reserves should perhaps be provided with an additional and initial injection through the earmarked recurrent funding stream.
	G. NATIONAL AND PROVINCIAL PLANNING	

	Policy	*Comments*
	Maintenance of the national register of core FET programmes	
87	The national register of core FET programmes, as described in paragraph 34, must be maintained by the DoE. The DoE must ensure that this register is easily accessible to public FET colleges, as well as to other stakeholders in the vocational education and training market.	
	The national funding base rate and the costing of programmes	
88	Much the maintenance of the national register of core FET programmes will involve updating the estimated costs of delivering the core FET programmes. During the initial implementation of this policy, substantial work will be required to establish an initial set of cost information on core FET programmes. Thereafter, most work will concentrate on updating costs in line with inflation rates that are applicable to the inputs in question, and on the costing of new or revised training programmes.	
89	A national funding base rate must be maintained and be used as a benchmark for the costing of all other core FET programmes. The national funding base rate is a rate, expressed in monetary rand terms, indicating the cost of delivering a basic one-year full-time programme. The national funding base rate is split into the three economic categories of (1) personnel, (2) capital infrastructure and (3) non-personnel non-capital. The costing of the national base rate must use analysis into the costs of inputs at colleges, and existing college expenditure trends. The national funding base rate should describe the cost of delivering the least costly programme that exists or might exist. This means that the national base rate may describe a hypothetical low-cost programme, rather than an existing programme. A large class size, and a minimal requirement for equipment and infrastructure should be assumed. Minimal administration and student support overhead costs, and no industry liaison costs, should moreover be assumed. The rate must cover annual depreciation in capital stock. In other words, the national funding base rate should be adequate to build reserves needed for periodic replacement of facilities and equipment. It need not cover infrastructure backlogs and infrastructure expansion costs. The hypothetical programme must be a useful point of departure	**Motivation:** The use of a low-cost programme as a benchmark for costing other programmes is taken from the British system. The inclusion of capital infrastructure in the national funding base rate is the result of some discussion. It was felt that the inclusion was justified as college management (as opposed to the PED) was best placed to plan for the replacement of existing capital stock, and as transacting between the PED and colleges with regard to facilities and equipment was to be minimised. It should be remembered that if capital infrastructure were excluded from the national funding base rate (and hence from formula funding), it would be necessary for the PED to become involved in matters such as the replacement of plumbing systems and purchasing of computers. It was felt that it would be preferable for PEDs to monitor that adequate saving and capital replacement was taking place at an aggregate level within each college, more or less in line with the value of the capital infrastructure portion of the funding rate and the funding weights. The capital infrastructure portion of the national funding base rate should be distinguished from the earmarked capital funding stream (paragraph 64), which deals with *new* capital stock and replacement of capital stock as part of the apartheid backlogs issue.

	Policy	*Comments*
	from which to gauge the cost of other programmes, which would all be more costly or equally costly.	stock as part of the apartheid backlogs issue.
90	In addition to costing the basic hypothetical services implied by the national funding base rate, the DoE must indicate the costs of all programmes on the national register of core FET programmes relative to the national base rate. This must lead to the funding weights required for the formula funding grid (see paragraph 44). These funding weights must include industry liaison time, as well as all the cost aspects covered by the national funding base rate (see previous paragraph). The programme-specific funding weights should take into account the fact that actual class size is often lower than the theoretical class size, due to the fact that colleges may not achieve economies of scale, or because one college may not be able to fill several classes offering the same programme to maximum capacity. The average additional cost implied by these issues should be worked into the funding weights. An important part of the costing work is the formulation of the costing methodology. A sound methodology can greatly reduce the attention that must be paid to each separate training programme, and can bring a greater degree of consistency to the entire costing exercise.	
	Finalisation of public funding strategies	
91	On the basis of the research referred to in paragraph 20, and through an appropriate consultation process, certain national and provincial targets must be formulated relating to the number of graduates for various programmes needed from the public colleges. It is important that these targets should only be as specific as credible research allows. Experience in other countries has shown that an excessively detailed level of national planning, often referred to as 'manpower planning', is not feasible, given the complexity of the training demand trends, and also the system that supplies the graduates. At the same time, however, there needs to be a critical level of national and provincial planning, and target-setting, particularly where it is very clear that there is an under-supply or an over-supply of particular types of graduates.	**Discussion: The re-capitalisation grant for FET colleges.** The Minister announced in her 2005 Budget Speech that R1bn in additional funding would be made available for the 2006/07 to 2007/08 financial years. Given the broad specifications for this additional funding, it would span several of the funding streams described in this policy, in particular formula funding of programmes, earmarked capital funding, earmarked recurrent funding, and student financial aid. These budget commitments need to be translated into fairly specific national and provincial training priorities.

	Policy	*Comments*
92	Public funding strategies, including targets relating to the output of the FET college sector, should be shaped within a planning horizon that is longer than one year. Five to twenty year plans are common in other countries. However, it is important for targets, both national and provincial, to be confirmed on an annual basis, so that the annual PED-college planning process can be guided by a clear and unambiguous set of priorities. For this reason, the DoE and PEDs must jointly confirm training targets for publicly funded FET college training by March of each year. These training targets would focus in particular on overall output increases required, and increases in the outputs of specific types of graduates.	
93	The development of public funding strategies for technical and vocational FET must involve a critical level of participation by various government stakeholders, and non-government stakeholders. The DoE will ensure that a major series of national consultations occurs at least every three years to deal specifically with public funding priorities in technical and vocational FET, including the public funding of FET colleges. These consultations must include, as a minimum, representatives from the Department of Labour, the Department of Trade and Industry, National Treasury, the Provincial Departments of Education, several major employer and employee organisations, several Higher Education institutions, several public FET colleges, and private FET provider organisations. Prior to these consultations, the DoE will provide stakeholders with the basic information packages and research outputs necessary for successful consultations to occur. The DoE will also ensure that on an annual basis the National Economic Development and Labour Council (NEDLAC) becomes involved in the finalisation of public spending strategies for FET.	
	H. THE ANNUAL PED-COLLEGE PLANNING PROCESS	
	Basic elements	
94	For the purposes of the paragraphs that follow, the 'medium term' means the coming three college years for which planning must occur. This is partially in accordance with the Medium Term Expenditure Framework (MTEF) of the Public Finance Management Act, the difference being that the college year begins in	**Motivation:** The FET Act stipulates that the financial year for FET institutions is the same as the calendar year.

	Policy	*Comments*
	January, whilst the government's financial year begins in April. The term 'first MTEF year' refers to the first college year within the medium term. The term 'current year' refers to the college year immediately prior to the medium term. And 'previous year' refers to the college year prior to the current year.	
95	The Further Education and Training Act, in Section 9, requires public FET colleges to develop strategic plans. This requirement is being fulfilled across all colleges, though the PED-college planning process described here has wide-ranging implications for the formats and contents of the college strategic plans, and the annual processes that lead to the finalisation of strategic plans. For example, the formula funding grid in Annexure A of this policy should form part of the strategic plan of each college.	
96	It is vital that various stakeholders apart from the PED and the college should make inputs into the annual PED-college planning process. Each PED must hence ensure that a minimum level of broad consultation occurs with a range of stakeholders, which should include, as a minimum, employers, employees, and private providers of FET training. At least one provincial consultation, and at least one college-specific consultation per college should occur in each year. These consultations should be strongly guided by the national strategic priorities referred to in paragraph 91.	
97	Below, the annual PED-college planning process is described with reference to, firstly, capital investment planning, secondly, a review of past formula funding and, thirdly, the forward planning of formula funding. All these activities should be scheduled in such a way that strategic plans, with finalised funding components approved by the PED, are ready by 30 October of each year. The resultant plans must cover, as a minimum, the medium term.	
	Capital investment planning	
98	This planning links strongly to earmarked capital and recurrent funding described in paragraphs 64 and 68. Capital investment planning should in other words focus strongly on the physical capital needed to address infrastructure backlogs and	

	Policy	*Comments*
	expansion, but also investment in systems and the human capital of college staff.	
99	Capital investment planning should start with an assessment of the adequacy of the physical and human capital to deliver on government training requirements in the past. This assessment should include an analysis of how the college balances the offering of publicly funded and privately funded training programmes. If infrastructure inadequacies with respect to the offering of publicly funded programmes can be resolved through a reduction in the level of private services offered, then such a reduction should be regarded as optimal.	
100	The assessment should lead to college-specific proposals, which will be prioritised by the PED in accordance with the earlier paragraphs on earmarked funding. The result will be an updating of provincial plans for the capitalisation of the public FET college sector.	
	Review of past formula funding	
101	The planning of the formula funding for the new medium term must begin with a review of past years, and developments in the current year. The specifications relating to the formula funding grid, and described in Section D of this policy, should inform the review process.	
102	The review should include an assessment of the deviation between the economic category breakdown of previous allocations, and the economic category breakdown reflected in accounts of actual expenditure. It is not a requirement that colleges must comply with the economic category breakdown of the allocation calculated in the formula funding grid. However, a substantial deviation should be analysed to assess whether the funding weights in the national register of core FET programmes are inappropriate, or whether a college is allocating funds inefficiently across the three economic categories. In particular, the review must assess whether the college is investing sufficient funds from the formula funding stream into the maintenance and replacement of capital equipment and facilities, given that the funding weights cover this cost.	

	Policy	*Comments*
103	Though not explicitly linked to the formula funding grid, representativity of students must be considered in terms of the redress principles described in paragraph 23. The level of compliance with past targets should receive attention, and reasons for non-compliance should be assessed.	
104	A clawback mechanism must be applied where one or two of the following have occurred: (1) Less training took place in the previous year, in terms of FTE students, than was planned for in the formula funding grid applicable to the previous year. (2) Exemptions granted to students were less than the assumed value of exemptions referred to in paragraph 59. In the case of (1), under-enrolment in certain programmes can be compensated for by over-enrolment in certain other programmes. However, under-enrolment where actual enrolment is less than 97% of the planned enrolment, in terms of full-time equivalent students, must lead to the enforcement of the clawback mechanism. The PED, with the college, should calculate the clawback amount applicable to the previous year, and should deduct this amount from the funding in the first MTEF year.	
105	PEDs must assess prices determining the private fee-for-service income of colleges and determine whether there is evidence of cross-subsidisation of privately offered services through the use of funds intended for public services. Financial accounts with a separation between public and private services, as specified in paragraph 85, should also be scrutinised to assess whether cross-subsidisation has occurred. If this has occurred, plans for the future should correct this and continual and deliberate cross-subsidisation by a college can result in a financial clawback using the mechanism referred to in paragraph 104.	
	Forward planning of formula funding	
106	Planning for the three years of the medium term should pay particular attention to bringing enrolments in core FET programmes (as described in paragraph 34) in line with provincial and national strategies and targets in this regard. Moreover, the planning process should deal with the labour market segment focus, and the representativity of students. Future targets for the representativity of the student population must be set, in particular where it is clear that student groups are under-	

	Policy	*Comments*
	represented.	
107	The enrolment targets per programme must be consulted, but ultimately the PED approves of the programmes and enrolments that are subject to formula funding. The process may involve reprioritising the emphasis placed on private services. For example, the need to increase the utilisation of college infrastructure for the offering of core FET programmes may require a college to reduce private training. Planning in this regard should occur with care, taking cognisance of contracts between the college and private clients.	
	Reporting requirements	
108	In terms of section 21 of the Further Education and Training Act, public FET colleges are required to produce annual financial reports, and to comply with any reasonable additional reporting requirement established by the MEC. Moreover, section 40 of the Act requires the Director-General of the DoE to produce an annual report on the quality of further education and training in the country, and Heads of PEDs to produce a similar report for their provinces. In this respect, the DoE will ensure that the core national set of service delivery indicators and reporting requirements developed with National Treasury in terms of the Public Finance Management Act, and partly applicable to the FET college sector, are applied at the province and college level in order to advance an integrated quality monitoring system embracing financial and non-financial data.	**Background: What's already in policy.** Section 40 of the FET Act requires the DoE and each PED to produce an annual report on the 'quality of further education and training. Moreover, section 21 requires institutions themselves to produce annual financial reports, and gives the MEC the right to specify additional reporting requirements. **Practices in other countries:** In Brazil, in order to improve efficiency awareness, colleges are required, as part of their annual reporting process, to calculate and interpret a standard set of indicators including the standard ones such as student/ teacher ratio, plus some fairly unusual but interesting ones such as electricity consumption per student, students registered as a proportion of all students who applied (to gain a picture of supply versus demand), and classroom occupancy rate.
	The annual cycle of public resourcing	
109	The following paragraphs establish the reporting and planning obligations of the DoE, PEDs and FET colleges in terms of the annual cycle.	
110	By the last day of February of each year, final annual reports of FET colleges must be submitted to the PED. These reports, which are referred to in section 21 of the Further Education and Training Act, must include audited financial statements and	

	Policy	*Comments*
	any additional information required by the MEC in terms of the Act.	
111	By 31 March of each year, the DoE must release agreed upon national targets and priorities relating to number of students and types of training required in future years, in terms of paragraph 91. This step may involve the confirmation of targets set in previous years, as opposed to the setting of new targets.	
112	By 30 April of each year, PEDs and FET colleges must have begun the annual PED-college planning process, described elsewhere in this policy. This process always begins with a review of past trends, in particular as regards formula funding, enrolments, representativity and capital investments.	
113	By 31 July of each year, the DoE must have finalised the national funding base rate applicable for the next college year, and described in paragraph 89. Moreover, funding weights and the assumed fee levels for new programmes, if any, on the national register of core FET programmes should be confirmed by this date.	
114	Also by 31 July of each year, means test data collected during the current year on the socio-economic status of students must have been processed and used to develop the assumed exemptions level for each college referred to in paragraph 57.	
115	By 31 August of each year, PEDs must have finalised their applied funding base rate, as described in paragraph 56.	
116	By 31 October of each year, the annual PED-college planning process must have been completed. By this date, medium to long term strategic plans of colleges, which must include the formula funding grids for the following three years, agreed to in accordance with paragraph 107, must be submitted to the PED by colleges.	
117	By 30 November of each year, the PED must provide colleges with a schedule of payments to be made to colleges for services to be rendered during the following college year. This schedule must agree with the budgets and plans applicable to the following year . Payments to colleges should occur in line with this schedule,	

	Policy	*Comments*
	except where deviations from MTEF budgets for the PED as a whole, or serious cashflow problems within the PED, make it impossible for PEDs to comply with the payment schedule. Where compliance with the schedule is not possible, PEDs must ensure that disruption to college services is minimised.	
	I: TRANSITION TO THE NEW SYSTEM	
118	The transition from the various outgoing systems, some national, some specific to individual provinces or even colleges, to the new system established by this policy, implies a number of key challenges, and possible solutions. A successful transition depends on a solid understanding of recent trends and practices, and the building of a common understanding of and commitment to the new system.	
	The transition challenges and solutions	
119	Historically, staffing at public FET colleges has involved the attaching of large post establishments to colleges. These post establishments have been prescriptive with respect to the mix of employee types. They severely limit the ability of colleges to respond to changing demands in the training market, and hence to generate the quantity and type of skills needed by the country's youths and adults. This policy envisages a situation in which the staffing of colleges occurs within the ambit of the formula funding of programmes described in this policy. This goal must be realised in stages, however, partly through careful negotiation with the relevant employee organisations. Given that the college sector is an expanding one, and given that the new service delivery system brings with it exciting opportunities for college staff, a collaborative partnership approach between the employer and the employee is envisaged. Specifically, it is envisaged that as a first step, the monetary value of the existing post establishments will be brought in line with the formula funding of programmes. By means of careful analysis of existing employment modalities and negotiation with relevant stakeholders, and guided by the need to address the skills needs of the country, the DoE and PEDs will assume a leadership role in dealing with this challenge.	

	Policy	*Comments*
120	Average spending on each full-time equivalent student, as well as the breakdown of spending across the three economic categories referred to in paragraph 89, varies greatly from college to college. The same applies to fees charged, and the way in which private and public funding is combined. Much of the variation is related to the fact that spending is inadequate in some colleges, and inefficient and excessive in some other colleges. Inadequate spending is associated with poor quality training, but even colleges with high spending levels are, in some cases, delivering a service below an acceptable level. The challenge is to bring spending in colleges in line with what it actually costs to delivery a quality service. Changes in spending levels that are too abrupt, can result in instability in the sector, and an inability to spend new funds efficiently. It is thus important that the normalisation of spending levels should occur gradually, yet as rapidly as circumstances permit. It is envisaged that the per spending levels implied by the formula funding of programmes will be made clear from the outset, but that the convergence of historical spending patterns with the new spending patterns will take some years. During the transitional period, then, certain provinces or colleges may on average spend more or less per full-time equivalent student than what is implied by the new policy. The DoE and PEDs will develop and manage plans that will align the system with the funding norms of this policy.	
	Dry runs and implementation dates	
121	White Paper 4 outlines the need for colleges to begin the transition to the new system by running the outgoing system at the same time as they implement 'dry runs' of the new system. Dry runs mean the drawing up of plans and budgets in accordance with the new policy, even if the outgoing system is still used to determine funding and resourcing in general. From 1 January 2007, all colleges, in collaboration with PEDs, must have started performing dry runs of the new system.	
122	From 1 January 2007, the annual cycle referred to in the paragraphs beginning with paragraph 109 must begin to operate, even if some or all colleges are implementing the new system as a dry run.	

	Policy	*Comments*
123	The DoE and PEDs will jointly manage a dynamic implementation schedule which will specify which colleges will move from a dry run to a full implementation of the new funding system at which point in time. Colleges with the greatest readiness for the new system will begin full implementation first, and these colleges will be regarded as pilots for the purposes of colleges entering full implementation at a later stage.	

Appendix A The formula funding grid (Annexure A in final policy)

The programmes appearing in the formula funding grid are not formally defined as programmes for the purposes of the FET funding system (at least not yet). However, they are actual courses appearing in the Central Johannesburg College website, and in the websites of the DoL and SAQA.

THE FORMULA FUNDING GRID – EXAMPLE WITH VALUES (see separate table for explanations of column headings)

(Values in **bold** are obtained externally and are used to calculate other values. All values in *italics* are calculated within the grid.)

DoE ID	*SAQA/ DoL ID*	*NQF LF*	*NQF level*	*Programme name*	*SAQA cred*	*Prog dur*	*FW pers*	*FW cap*	*FW npnc*	*AFL*	*ATFW*	*Stud*	*FTE*	*PW*	*LMS*	*AFS*	*Past SC*	*Past enrol*
				CORE DOE														
				SAQA UNIT STANDARDS														
				SAQA QUALIFICATIONS														
				REGISTERED LEARNERSHIPS														

In-line issues here.

Bottom-line calculations

Totals from above

College programme weight (*CPW*)

Sum of past successful completions and past enrolments

National funding base rate

pers	*cap*	*npnc*	*Tot*

Values needed for in-line calculations

Applied funding base rate (*AFBR*)

Assumed exemptions level (*AEL*)

Bottom-line issues here.

Totals relating to fees and exemptions (all calculated from in-line part)

Assumed value of fees charged

Assumed value of fee exemptions

Assumed value of fee income

Final allocation

pers	*cap*	*npnc*	*Tot*
College allocation before output bonus (*CA1*)				
Output bonus (*OB*)				
College allocation after output bonus (*CA2*)				

THE FORMULA FUNDING GRID: Explanation of in-line column headings		
DoE ID	Department of Education programme identifier	This is the identifier of the DoE used to identify one of the core programmes of the FET colleges. Identifiers appear in this column only under the heading 'DOE CORE'.
SAQA/ DoL ID	South African Qualifications Authority/ Department of Labour identifier	Wherever a programme is a SAQA unit standard or a SAQA qualification, this identifier is the official identifier determined by SAQA (and available on the SAQA website). Wherever a programme is a registered learnership, this is the identifier determined by the Department of Labour – the first four digits of the DoL, which refer to the SETA in question, are left out, meaning only the last eight digits are included. It is possible for a programme to have a value in this column as well as the column *DoE ID*. This would occur if, for example, a SAQA-registered qualification was included in the list of core DoE programmes.
NQF LF	National Qualifications Framework learning field	One of the twelve NQF learning fields. Values are from '01' to '12', as specified in regulation 452 of SAQA of 1998. These values are reproduced here: 01: Agriculture and Nature Conservation 02 :Culture and Arts 03 :Business, Commerce and Management Studies 04: Communication Studies and Language 05: Education, Training and Development 06: Manufacturing, Engineering and Technology 07: Human and Social Studies 08: Law, Military Science and Security 09: Health Sciences and Social Services 10: Physical, Mathematical, Computer and Life Sciences 11: Services 12: Physical Planning and Construction
NQF level	National Qualifications Framework level	NQF level. Permissible values are any of the values 1 to 8, as specified in regulation 452. However, likely values are 2 to 4, which are the levels corresponding to the FET band.
Prog name	Programme name	The name of the programme.
SAQA cred	SAQA credits	The number of credits assigned to a unit standard or a qualification by SAQA.
Prog dur	Programme duration	The proportion of a college year that is needed for the completion of the programme. This value is expressed as a number to two decimal points. The value can be equal to or less than 1.00, but not greater than 1.00. As an example, a programme conducted over a trimester would have the value 0.33 (or 0.34 for the third in a series of three trimesters).
FW pers	Funding weight for personnel	The funding weight for personnel applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
FW cap	Funding weight for capital expenditure	The funding weight for capital items applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
FW npnc	Funding weight for non-personnel non-capital	The funding weight for items other than personnel and capital items applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
AFL	Assumed fee level	The proportion of total cost that is assumed to be covered by college fees. The value is a number to two decimal points. The value is taken from the national register of core programmes.
ATFW	Actual total funding weight	The overall funding weight for the programme before the programme duration and enrolment adjustments but after considering the assumed fee level (*AFL*) and the assumed exemptions level (*AEL*) from the bottom-line part of the grid. The formula is described in paragraph 46 of the policy.
Stud	Individual students	The number of individual students enrolled in the programme. This value is determined through the PED-college planning process.

FTE	Full-time equivalent students	The number of full-time equivalent students in the programme. This value is calculated as follows: *FTE = Stud* x *Prog dur.*
PW	Programme weight	The total weight assigned to the programme, with funding weights, assumed fees and exemptions, enrolment and duration taken into account. This value is calculated as follows: *PW = ATFW* x *FTE* .
LMS	Labour market segment	The segment of the labour market receiving the chief focus of this service. Values, which are determined through the PED-college planning process, are: 'BE' for mainly budding entrepreneurs 'EE' for mainly employed persons 'OE' for mainly operating entrepreneurs with employment potential 'UA' for mainly unemployed adults over age 35 'UY' for mainly unemployed youth up to age 35 These values are not used for any calculation. They are simply illustrative of the college plan.
AFS	Alternative funding source	The source of funding other than formula funding of programmes. Values can be: 'EL' for employers (learnerships) 'EO' for employers (other) 'SL' for SETA (learnerships) 'GE' for state (education department) 'GL' for Department of Labour 'GO' for state (other) These values are illustrative, and are not used in any calculation.
Past SC	Past successful completions	The number of successful completions amongst past enrolments. The value is a number calculated according to an agreement between the PED and the college relating to the number of past years to take into account.
Past enrol	Past enrolments	The number of students enrolled in past years, where that number is comparable to past successful completions.

THE FORMULA FUNDING GRID – EXAMPLE WITH VALUES (see separate table for explanations of column headings)

(Values in **bold** are obtained externally and are used to calculate other values. All values in *italics* are calculated within the grid.)

DoE ID	*SAQA/ DoL ID*	*NQF LF*	*NQF level*	*Programme name*	*SAQA cred*	*Prog dur*	*FW pers*	*FW cap*	*FW npnc*	*AFL*	*ATFW*	*Stud*	*FTE*	*PW*	*LMS*	*AFS*	*Past SC*	*Past enrol*
				CORE DOE														
3.001	20908	03	4	Customer Management L4	243	**1.00**	**1.0**	**1.0**	**1.0**	**0.20**	*0.87*	**65**	*65.0*	*56.7*	UY		42	78
3.002		03	2	Event Support		**1.00**	**1.0**	**1.0**	**1.0**	**0.20**	*0.87*	**65**	*65.0*	*56.7*	UY		49	72
6.078	21008	06	2	Iron and Steel Manufacturing L2	126	**0.27**	**1.0**	**2.0**	**1.5**	**0.20**	*1.00*	**120**	*32.4*	*32.4*	UY		78	169
6.108	48695	06	2	Measurement, Control and Instrumentation L2	137	**0.33**	**1.3**	**2.0**	**2.0**	**0.15**	*1.31*	**70**	*23.1*	*30.2*	UY		46	80
6.109	21005	06	3	Automotive Component Manufacturing and Assembly L3	139	**0.33**	**1.3**	**2.0**	**2.0**	**0.15**	*1.31*	**60**	*19.8*	*25.9*	UY		32	63
6.110	21006	06	4	Automotive Component Manufacturing and Assembly L4	128	**0.34**	**1.3**	**2.0**	**2.0**	**0.15**	*1.31*	**50**	*17.0*	*22.2*	UY		25	37
				SAQA UNIT STANDARDS														
	119075	06	2	Understand and describe basic plumbing principles	8	**0.05**						**20**			UY	EO		
	11795	06	3	Maintain and repair plumbing systems	12	**0.05**						**30**			UY	EO		
				SAQA QUALIFICATIONS														
	36008	03		Marketing and entrepreneurial studies	124	**1.00**						**37**			OE	GL		
	22916	11	3	International tourism	120	**1.00**						**21**			UY	GL		
				REGISTERED LEARNERSHIPS														
	47351302	11	2	Hairdressing (level 2)		**0.20**						**35**			BE	EL		
	05221264	11	4	Event support (level 4)		**0.20**						**10**			UY	EL		

Bottom-line calculations

Totals from above

College programme weight (*CPW*) — *224.2*

Sum of past successful completions and past enrolments — *146* *256*

	pers	*cap*	*npnc*	*Tot*
National funding base rate	7,500	1,000	1,300	*9,800*
Values needed for in-line calculations				
Applied funding base rate (*AFBR*)	**7,500**	**800**	**1,200**	*9,500*
Assumed exemptions level (*AEL*)				**0.36**

Totals relating to fees and exemptions (all calculated from in-line part)

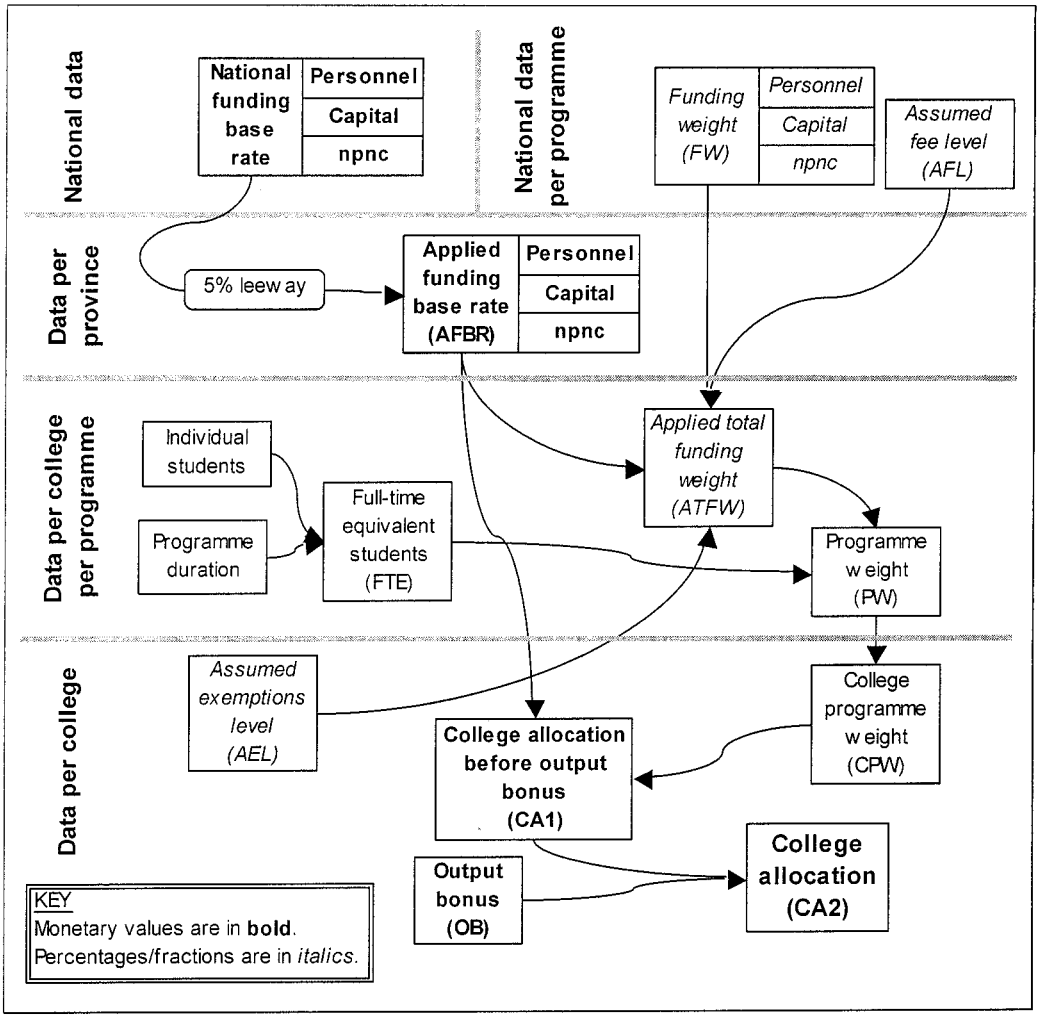
Assumed value of fees charged	*477,611*
Assumed value of fee exemptions	*171,940*
Assumed value of fee income	*305,671*

Final allocation

	pers	*cap*	*npnc*	*Tot*
College allocation before output bonus (*CA1*)	*1,590,055*	*222,532*	*316,846*	*2,129,433*
Output bonus (*OB*)				**232,000**
College allocation after output bonus (*CA2*)				*2,361,433*

Appendix B Diagrammatic representation of the formula funding system

Below, a diagrammatic representation of the formula funding of programmes.



Appendix C The curriculum framework

It is important to understand the correspondences between the predominant FET college curriculum, i.e. NATED, and the post-1994 curriculum system. This has serious implications for the funding of FET colleges, in particular given the fact that FET is a provincial service, whilst HE is a national service.

The diagram below illustrates the linkages and elements.

- There are six **vocational fields** in the NATED system. Two, business studies and engineering, stand out as they account for 90% of FTEs. The NATED vocational fields are more or less like the twelve **learning fields** (or organising fields) of the NQF. For example, the vocational field 'business studies' is more or less the equivalent of the Learning Field 'business, commerce and management studies'. Just as the learning fields of the NQF are broken down into sub-fields, so the vocational fields of NATED are broken down into 32 **vocational programmes** (also called sub-fields). These elements simply describe

- In the NQF, the smallest bit of learning is the **unit standard**, and several of these comprise a **qualification**. These terms are very clearly defined in the policies of SAQA. A **programme** is only loosely defined in the SAQA policies, as something larger than a unit standard and smaller than a qualification. Programmes are not used as an important organising element in the NQF, although 'programme' is a term often used in educational debates, for instance in 'programme-based funding'.

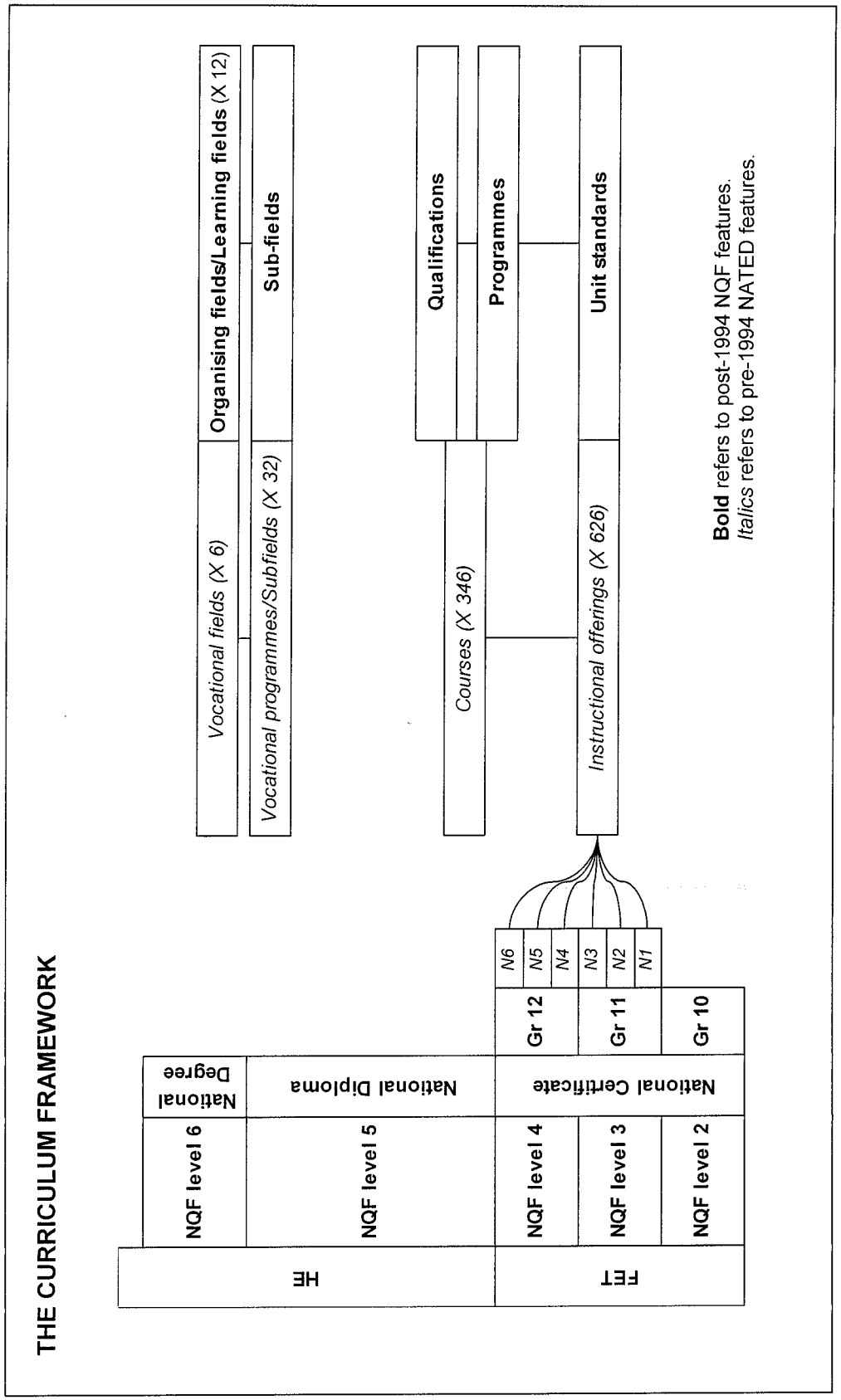
- In NATED, the smallest bit of learning is the **instructional offering** (there are 626 of them), and these fall within **courses** (there are 346 of these). A course may be something like 'N2 in electrical engineering'. NATED courses could be equated with either programmes or qualifications in the NQF. Equating them with qualifications makes sense insofar as NATED courses lead to National Certificates, and qualifications (at the FET band) lead to National Certificates. However, there is a disjuncture here, because NQF qualifications must embody at least 1,200 notional hours of study (this is about one year), whilst the National Certificates of NATED are often based on much shorter trimester courses. This then strengthens the argument for equating NATED courses with NQF programmes, instead of NQF qualifications.

- NATED courses are either N1, N2, N3, N4, N5 or N6, depending on how advanced they are. In the engineering vocational field, the general practice with regard to full-time students is for N1, N2 and N3 courses to be covered within one year – each 'N' is referred to as a 'trimester'. The same applies to the N4 to N6 courses. The general practice is for students to be admitted into N1 after they have completed Grade 10. However, completion of Grade 9 is also a legitimate basis for entry into N1. It can be seen that in terms of the duration of the courses, completion of N6 corresponds to completion of Grade 12. Things work slightly differently in different vocational fields, but generally the pattern is as explained here. This pattern has informed the diagram that follows below.

N4 to N6 courses are often referred to as being above the FET band, in other words within the Higher Education band (see for instance the 2004 *Quantitative Overview* of colleges). Others argue that only N6 courses fall into the HE band. This in turn has led to debates as to whether the HE courses should be offered in colleges at all, given that they are FET colleges. Some Technikons implicitly regard N5 and N6 as post-FET by accepting students into HE who have only completed N4. On the other hand, the fact that colleges themselves issue National Certificates on completion of any of the N courses suggests that these courses all do belong within the FET band. According to the NQF, National Certificates are issued within the FET

band, and National Diplomas at the NQF level 5 part of HE. Colleges do issue some National Diplomas, but only for courses higher than N6.

NOTE THAT THERE IS NO PAGE 74. PAGE 75 FOLLOWS THIS PAGE.


THE CURRICULUM FRAMEWORK
HE
FET
NQF level 6
NQF level 5
NQF level 4
NQF level 3
NQF level 2
National Degree
National Diploma
National Certificate
Gr 12
Gr 11
Gr 10
N6
N5
N4
N3
N2
N1
Vocational fields (X 6)
Organising fields/Learning fields (X 12)
Vocational programmes/Subfields (X 32)
Sub-fields
Courses (X 346)
Qualifications
Programmes
Instructional offerings (X 626)
Unit standards
Bold refers to post-1994 NQF features.
Italics refers to pre-1994 NATED features.

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Appendix D The skills levy and FET colleges

By 2004/05, the revenue raised by the skills levy defined in the Skills Development Levies Act of 1999 had reached over R4.5bn. This is more than half of what gets spent annually on Higher Education in the country, and over three times what is spent annually on the FET college sector. The FET college policy documents all make it clear that colleges should to a much greater degree than in the past participate in the skills development market created by the skills levy funds. How this participation should occur should be based partly on a clear understanding of the how this market operates. At the same time, however, past and present practices should not place an undue restriction on innovation in the utilisation of these funds.

This appendix provides an overview of the skills development system in the country, firstly be focussing on the various elements in the system, and secondly by focussing on processes that one would expect colleges to participate in. After the overview, some remarks are made with regard to opportunities and challenges for FET colleges.

The information was obtained largely through an examination of documents and web pages of the Department of Labour and the following SETAs: W&RSETA, SERVICESETA, ETDPSETA, THETA and MERSETA. The first four SETAs were chosen because some colleges report that they have worked extensively with them, and MERSETA because it is the largest SETA in the country in terms of levies received, and also represents the sector in which colleges conclude the most partnerships.