

## DEPARTMENT OF HIGHER EDUCATION AND TRAINING

## NOTICE 620 OF 2021

**CONTINUING EDUCATION TRAINING ACT 2006 (ACT 16 OF 2006)****THE NATIONAL NORMS AND STANDARDS FOR FUNDING TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING COLLEGES**

I, Bonginkosi Emmanuel Nzimande, Minister of Higher Education, Science and Technology, with the concurrence of the Minister of Finance hereby publish the revised National Norms and Standards for Funding Technical and Vocational Education and Training Colleges (NNSF-TVET Colleges) in accordance with section 23 of the Continuing Education and Training (CET) Act, 2006 (Act No. 16 of 2006), as set out in the Schedule. The implementation of the funding norms will be effective from 01 April 2021.



**Dr BE Nzimande, MP**

**Minister of Higher Education, Science and Technology**

**Date: 14/12/2020**

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**ABBREVIATIONS AND ACRONYMS**

CoS	Centre of Specialisation
DHET	Department of Higher Education and Training
FET	Further Education and Training
GRAP	Generally Recognised Accounting Practice
HE	Higher Education
ILO	International Labour Organisation
MTEF	Medium Term Expenditure Framework
NATED	National Accredited Technical Diploma
NC(V)	National Certificate (Vocational)
FR	Funding Rate
NEDLAC	National Economic Development and Labour Council
NSFAS	National Student Financial Aid Scheme
NQF	National Qualifications Framework
PFMA	Public Finance Management Act
PPP	Public Private Partnership
SAIVCET	South African Institute of Vocational and Continuing Education and Training
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
TVET	Technical and Vocational Education and Training

**General definitions:**

**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 register of nationally approved TVET College programmes. A value of 0.20 would indicate that the DHET 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

**Assumed value of fee income:** This is the expected monetary value of college fee income.

**Certification Rate:** Refers to the number of students who successfully completed qualification that academic year, expressed as a percentage of the number of candidates who were eligible to complete qualifications and wrote the examinations.

**Formula funding of programmes:** This is the system for funding the nationally approved TVET College programmes. These programmes consume the great bulk of public funding destined for TVET Colleges. The system works basically as follows: The DHET determines a funding rate (programme cost), in rand terms, describing the costs of delivering TVET College programmes.

**Formula funding grid:** This is a schema used to organise formula funding of programmes. The formula funding grid appears in Appendix 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 TVET Colleges in the country. One formula funding grid, as presented in Appendix A, is designed to cover the formula-funded services of one institution during the course of one academic year. 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. The formula funding grid is a tool for the planning of public funded TVET 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 34 onwards

**Full-time equivalent students:** Full-time equivalent (FTE) students are the number of individual students multiplied by the programme duration. The formula is as follows:

$$FTE\ students = Individual\ students \times Programme\ duration\ in\ a\ year$$

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. The FTE calculations are based on subject enrolments. Take the example of a student who must enrol in 7 subjects for the NC(V). If the student enrolls for only 4 of the 7 subjects, the student enrolment is equal to 4/7 FTEs or 0.57 FTEs.

**Individual students:** This is the number of actual students enrolled in each programme entered in the formula funding grid. The determination of these numbers constitutes a crucial part of the DHET-College planning process. Where a student is enrolling for a number of subjects less than the total required by the programme e.g. seven subjects for NC(V) programmes a value of 1/7 per subject will be applied.

**Programme:** This refers to a nationally approved programme and is contained in the national register of programmes (see paragraph 38) approved by the Minister in terms of section 43(1) of the Continuing Education Training (CET) Act, 2006 (Act No. 16 of 2006). The definition of programme used in the formula funding grid and applicable to TVET Colleges is specific to this policy and is not necessarily the equivalent of the NQF definition of a programme.

## OVERVIEW OF THE TVET COLLEGE SECTOR FUNDING

**Where the word college is used in these norms, it refers to TVET College**

### **What services are funded?**

The emphasis is on a shift towards training that tackles skills and unemployment problems more aggressively through, for instance, more relevant training content and the cost effective use of college facilities and resources. The funding norms specify how Government, in collaboration with industry stakeholders, should determine what programmes should be offered where and to what extent, and how colleges must receive funding to respond to these needs.

### **Equity and redress**

The funding norms are pro-poor in that they accord access to those who cannot afford to pay fees through a bursary scheme that is administered by the National Student Financial Aid Scheme (NSFAS). A means test is conducted to determine the eligibility for bursary funding. A bursary provided by the state enables poorer and academically capable students not to pay college fees.

The funding norms 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 are 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 the Department of Higher Education and Training (DHET).

### **The size of the TVET College sector**

By international standards, the size of the Technical and Vocational Education and Training (TVET) College sector is too small for the size and level of development of South African economy. It is evident that in terms of both a proportion of the national education budget and as a percentage of GDP that TVET Colleges are underfunded especially in the light of the proposals in the *White Paper on Post-School Education and Training and the National Development Plan 2030*. Head-count enrolments increased from 345 566 in 2010, 688 028 in 2017 and have a target of 710 000 by 2024 though still expected to be 2.5 million by 2030. The education budget in 2018/19 financial year was divided as follows: Schooling 84%, University 11%, and TVET Colleges 4%. The correct balance between TVET College and University funding needs to be addressed incrementally over time.

Improved management of the sector flowing from the merger process, in conjunction with the TVET Colleges funding norms and an 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 level**

Currently, DHET strategic plan guide what happens in the public TVET 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 assign specific planning responsibilities and powers to the national and college levels. At all levels, collaboration with relevant government organs as well the private sector is emphasised. Specifically,

dedicated research into the cost of delivering programmes and into the optimal service delivery targets of the college sector as a whole is the responsibility of the DHET is to work closely with colleges to develop and implement three-year strategic and annual performance plans for each college. Through this mechanism national priorities are to be translated into funded activities run by the colleges.

### **The funding formula**

In terms of these funding norms and standards, the bulk of DHET funding of colleges is in the form of formula funding of programmes, where the formula takes into account a range of service delivery issues, including type of programme being offered (the NC(V), NATED Report 191 programmes, Pre-Vocational Learning programmes (PLP) and other Occupational programmes as approved in a national register), FTE students, cost of delivery including staff, capital infrastructure requirements, and the ability of colleges to utilise resources efficiently. The funding formula introduced a system of resourcing that is more sensitive to the actual cost of service delivery and takes into consideration outputs and quality.

As in many other countries, funding formulae should take into account the variable costs of programmes and the factors that disadvantage certain institutions and the students that populate them. Rural colleges clearly need a funding adjustment through an additional weighting on the formula.

### **Collaborative funding**

In the United Kingdom, main institutional forms of further education include further education colleges and tertiary colleges, specialist colleges (mainly colleges of agriculture and horticulture and of drama and dance) and private training companies which work with colleges and employers to provide practical training and qualifications in subjects such as engineering, construction, ICT and health and social care. They usually have strong links with companies and potential employers. They are autonomous statutory corporations invariably governed by independent boards of governors. Colleges are externally regulated and quality assured and must demonstrate accountability externally to learners, employers and communities.

### **College fees and affordability**

Three measures in the funding norms tackle the problem of excessive private cost for poorer students. Firstly, the funding formula and the college planning frameworks makes 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 are to be capped at levels that are in tune with the level of public funding and the estimated total cost of service delivery. Thirdly, a bursary will be allocated to colleges to cover college fees for academically capable students who cannot afford to pay college fees. This policy makes it the responsibility of the DHET to determine the bursary across colleges and allocate bursary funds accordingly.

### **Services to other clients**

Colleges currently charge a variety of organisations, both public and private, for training services provided. There is currently no legal framework dealing specifically with college income from organisations other than the DHET. The use of DHET-funded capital infrastructure to cross-subsidise services for other clients has been a concern. The measures to deal with cross-subsidisation by public colleges are dealt with under Fee-for-Service in paragraph 75 - 78.

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 to agreements concluded with the

DHET. This policy outlines 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**

In terms of this policy, clear steps for planning and reporting in the sector are established. Moreover, the explicit linking of plans, budgets and service delivery through three-year performance agreements following a basic national format is intended to assist in a more transparent planning process that will involve a greater range of stakeholders.

### **Economy and Education**

Though education provides a foundation for development, its contribution to economic and social wellbeing depends on its quality (i.e. its ability to transmit skills and knowledge) and the responsiveness of the economy in ensuring a demand for educated labour. In the economic development context in South Africa, the role of technical and vocational education and training is particularly crucial to the development of the country's manufacturing sector which at this point is seriously underdeveloped given the country's level of development.

## **A. INTRODUCTION**

### **The purpose of this policy**

1. This policy governs all funding and expenditure by the Department of Higher Education and Training (DHET) of programmes listed in the register of nationally approved programme offered by public TVET colleges. Furthermore, this policy establishes certain approaches and procedures that the DHET and public colleges should follow to improve alignment between different streams of public and private funding in the area of technical and vocational education and training.
2. This policy emanates from section 23 of the *Continuing Education and Training (CET) Act, 2006 (Act No.16 of 2006)*, which requires the Minister of Higher Education and Training to determine norms and standards for the funding of public education and training colleges.
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; White Paper for Post School Education and Training (PSET), 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); the National Certificate (Vocational): A Qualification on Levels 2, 3 and 4 of the NQF (2006)*.
4. This policy further represents a major consolidation and refining of Government's position on the public funding of programmes offered at TVET College. 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 on-going debate and policy refinement with respect to the public funding of programmes offered at TVET College.



**People's education rights**

5. This funding policy is an important tool whereby Government supports and promotes the education rights of South Africa's people. The policy is explicitly designed to tackle the unequal access to technical and vocational education and training, 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 TVET Colleges serves to promote the fulfilment of people's constitutional 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.

**Specific challenges in the South African technical and vocational education and training sector**

8. This funding policy will be used to address the following challenges that still persist in the TVET College system:
  - (a) This policy aims to reverse the low enrolments in colleges as compared to universities so that a pyramid shaped education system is gradually established in which the TVET College sector serves more students.
  - (b) Quality problems linked to the history of under-funding of colleges are a serious threat to the education and training offered by TVET Colleges. In the past, this has impacted negatively on the ability of graduates to find employment. The NATED Report 191 and the NC(V) policy is designed to ensure that TVET Colleges offer high quality priority skills programmes that are relevant and responsive to the needs of a growing economy. This funding policy will help ensure that more youth are enrolled in high priority skills programmes.
  - (c) Effective educators at the TVET 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.

**B. A FRAMEWORK FOR THE PUBLIC FUNDING OF TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING****Positioning public funding of technical and vocational education and training at TVET Colleges**

9. Technical and vocational education and training 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 education and training programmes 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 not investing adequately in the necessary human resources development.

10. The goal of prioritising the poor 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 nation-building. To achieve this, the funding formula has three key components. The first is the government subsidy for which covers 80% of the programme costs. The second is placing a cap on college level fees, thus limiting the portion of programme cost which may be charged to 20% of the programme cost. The third is the establishment of a national bursary system to ensure that students who are academically capable but do not afford to pay fees are assisted to pay college fees.
11. The funding model for the TVET sector must ensure that baseline funding does not perpetuate past underfunding of the colleges in certain provinces. Additional allocations must be used to achieve a more equitable funding regime across the provinces
12. Intervention must be made to improve fiscal governance in TVET Colleges, including recruitment of appropriate skills, ongoing training, and credible financial systems and processes.
13. A plan for developing management capacity both in the short term and in longer term training programmes will need to be costed and linked to a much clearer specification of the funding principles for the adequate staffing of these institutions.
14. Research indicates that private funding of technical and vocational education and training outside of the school system in South Africa is high, probably higher than public funding. At the same time, private spending directed towards on-the-job training has been declining substantially. 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:
  - (a) The current practice in public TVET 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. 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. The issue of avoiding cross subsidisation is dealt with under Fee for Service in paragraph 78 onwards.
  - (b) Some public resources should be dedicated towards the monitoring and regulation of private TVET Colleges. This can provide government with important information that is needed in the planning of public funding in public TVET Colleges. In addition the regulation of private TVET College is an important public service that can combat illegal and unethical practices in the training market. Provision for this has been made in Chapter 6 of the CET Act.
  - (c) South Africa has a well-developed legal framework for public-private partnerships (PPPs). Options such as PPPs in terms of which private TVET College utilises public facilities to offer training that is needed by the economy should be explored as part of the joint DHET-college planning process referred to in paragraph 95 onwards.

### **Performance of TVET Colleges**

15. In the interests of quality TVET 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. This is made possible through the joint DHET-college planning process by administering input-output funding 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. 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. TVET College management must take accountability and responsibility for poor performance by a TVET College and therefore corrective measures to improve college performance should be taken against college management rather than close the college or reduce enrolment that will bring instability in staff establishment and adversely affect the respective communities which are not the cause for college inefficiency.

### **Role of the public TVET Colleges**

17. This policy considers public TVET 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. 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 TVET Colleges is envisaged as the procurement of specific training services by government, linked to a clear and three year joint DHET-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 TVET 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 TVET Colleges offering Higher Education programmes, though it opposes excessive mission drift in colleges away from the TVET sector. The White Paper further states that HE programmes should be funded through the relevant HE funding policies, and not this policy. This policy, therefore, applies to TVET services only. In this policy, all income received for HE training services in colleges is considered part of the fee-for-service income described in paragraph 76 onwards.
20. The Higher Education qualifications being taught at TVET Colleges (particularly Higher Certificates and Diplomas) need to articulate with further qualifications in Higher Education institutions and fair credit transfer be allowed.
21. Some specialised TVET colleges which are referred as centres of specialisation offer occupational trades that are included in the Ministerial Approved Programmes for state funding.

**Programme types funded at TVET Colleges**

22. The TVET colleges focuses on four types of programme offerings:

- (a) The National Certificate: (Vocational) NC(V) introduced in 2007 with a wide range of variants to choose from. Grade 9 is a minimum qualification to enter into the NC(V), although a growing proportion of students have Grade 12. A certificate can be obtained for each year of three years of technical/vocation orientated study at NQF levels 2, 3 and 4. NC(V) level 2 to 4 are equivalent to grades 10 to 12 respectively and are at NQF levels 2, 3 and 4. After completing the NC(V), students are required to do approximately two years of work experience. They may then sit the national trade test skills in their field of specialisation.
- (b) The NATED Report 191 lists national programmes N1 - N6 which are largely theoretical in nature and require candidates to complete an extended apprenticeship before sitting the national trade test to become a qualified artisan. Artisan qualifications include plumbing, welding, carpentry, boiler-making and many others. Grade 9 is a minimum qualification to enter into the NC(V) or N1-N3 programmes, although a growing proportion of students have Grade 12. The N1 – N3 programmes have never been directly aligned with the NQF, but N3 broadly equates to grade 12. N4 – N6 programmes correspond to three years of study post-grade 12, culminating in a National Diploma at NQF level 6.
- (c) Occupational Programmes which some are offered by Centres of Specialisation and by the Sector Education and Training Authorities (SETAs). These are typically skills based programmes with structured work integration.
- (d) Pre-Vocational Learning Programmes (PLP).
  - i. Bridging and foundation programmes were developed to assist underprepared students who enter TVET colleges. These programmes are fully government-funded. The cost of these offerings will be offset by the savings made through improved efficiency as a result of better throughput rates and fewer repeaters in the system.
  - ii. The task teams involved in the development of the national plan for post-school education is considering recommending the offering of foundation programmes with compulsory elements on work readiness, ICT skills, life orientation as well as fundamental foundations for mathematics, science and language. These programmes should be coordinated across the colleges.

**Other programme types**

23. TVET colleges may offer highly skilled short programmes which must be approved by the Minister and may be publicly or privately funded. Other programmes other than the four Ministerial approved published in the National register must not constitute more than 20% of the programmes offered at TVET Colleges.

### Research, monitoring and planning

24. Public expenditure on research, monitoring and systems development is important for the success of the new funding system. The following clearly require on-going funding.

- (a) Research focussing on the effectiveness of public expenditure in the sector.

In this respect, comparisons by DHET across programmes being offered, across public colleges, across provinces and between the public and private sectors are important. 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. Paragraphs 85 - 87 below deal with the important matter of the costing of TVET 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 a national plan for college enrolments, spending and outputs.

This work depends strongly on there being good research and effective monitoring systems. The DHET's role in determining national strategies for the volume and type of training to be offered, at an aggregate level, in TVET 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 systems, this responsibility should rest with the DHET at the national level. This policy has implications for the information systems that are required in the sector.

25. The National Skills Authority, established in terms of the *Skills Development Act, 1998*, will continue to play an important role in guiding DHET strategies with respect to the funding of TVET. Moreover, the South African Institute of Vocational and Continuing Education and Training (SAIVCET) will, amongst others, provide a much needed support to TVET colleges and the skills development system.

### Policy development in the sector

26. This funding policy is expected to evolve as other related policies evolve, and as new best practices emerge. Policies and frameworks that can be expected to shape this policy very directly in the future are the TVET College curriculum, the learnership system maintained by the DHET, and the policies governing the Sector Education and Training Authorities (SETAs).

## C. THE SYSTEM FOR FUNDING PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES

### Redress principles for public funding

27. Public funding of public TVET 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 indirectly, to targets dealing with the representativity of college student populations in terms of gender, race and disability.
28. The aim of government is to ensure that the TVET College sector as a whole is 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 Engineering, Finance and ICT programmes. At the college level, the aim should be to promote the national representativity targets through better recruitment of under-represented groups

### Input – output funding mix

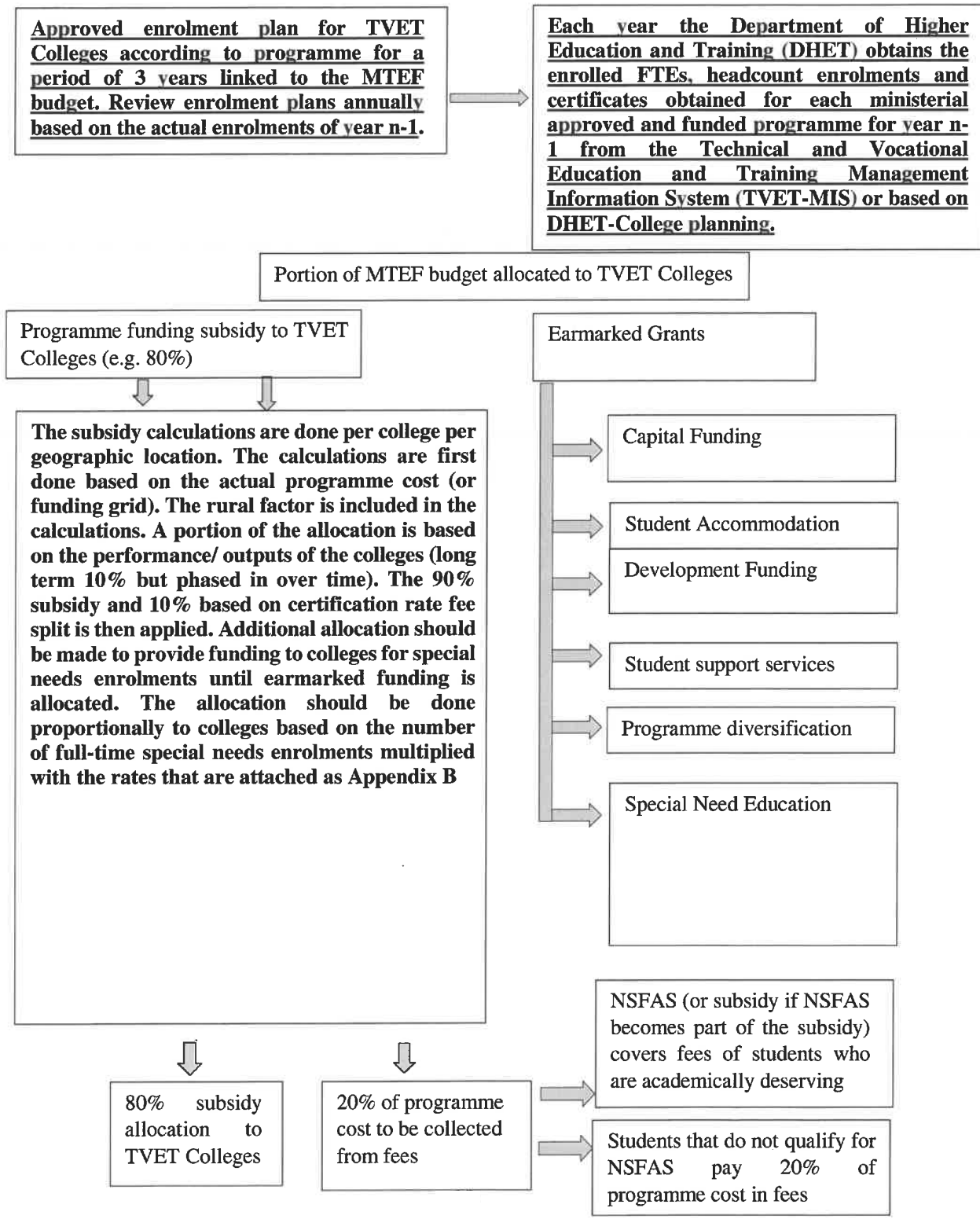
29. Funding mechanism for TVET colleges is changed from the current system of “input-funding” to one based on both inputs and outputs. A 90:10 input-output mix is recommended that up to 10% of the programme subsidy for year n +1 be based on the certificate rate of year n-1 to allow for data collection.

### Types of funding for public TVET Colleges.

30. The income of TVET Colleges can be divided into the following seven streams:
  - (a) Formula funding of programmes
  - (b) Earmarked capital funding
  - (c) College fees
  - (d) Student financial aid
  - (e) Fee-for-service income
  - (f) Other private funding
  - (g) Other earmarked grants.
31. Section D below deals with the formula funding of programmes stream. The remaining funding streams are dealt with in Section E

**D. FORMULA FUNDING OF PROGRAMMES**

**Funding Framework for TVET Colleges**



**32. The earmarked grants should be allocated as follows:**

- (a) Capital funding was allocated as Capital Infrastructure Efficiency Grant (CIEG) on a project basis addressing national priority areas as well as needs and it is explained in paragraph 61 onwards.
- (b) There should be a special funding for student accommodation to fund all the cost of managing residences which cover all the three economic categories.
- (c) Development funding, this public funding stream is similar to the earmarked capital stream, except that it deals with development items:
  - i. It is earmarked for projects of a developmental nature, in particular staff development and implementation of computerised systems, and college-level research. In addition, the earmarked development funding stream covers inputs that are considered part of a basic minimum package of recurrent inputs required more or less equally by all colleges.
  - ii. DHET 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. DHET may vary the size of the basic minimum package by college, based on criteria that are fair and fully transparent.
  - iii. 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 59 onwards.
- (d) Student support services can be allocated on the basis of full-time equivalents of government funded programmes.
- (e) Programme diversification must be allocated on a project basis at colleges earmarked for the establishment of centres of excellence and need to establish new programmes in certain colleges.
- (f) Special needs education to provide additional funding to colleges for special needs enrolments.

Subsidy Calculation is proposed as followed:

- (a) If a college did not deviate more than 3% from the planned enrolment targets, the DHET should fund the college based on all the enrolled FTEs.
- (b) If the actual enrolments deviate more than 3% from the target, the DHET must adjust the enrolment targets for year n+1.
- (c) If there is no adequate additional funding, over enrolments should not be funded, since it affects the subsidy allocations of other colleges that have managed their enrolments within the targets. This implies that the college will have to fund the over enrolment itself from its own coffers.



- (d) The DHET should allocate a portion of the programme funding based on the performance/outputs of the colleges. In the longer term this should constitute a maximum of 10% of the allocation but to ensure financial stability it could be phased in over a period of time.
- i. A simple way of implementing such an output subsidy is to allocate output weights to various types of certificates and diplomas awarded by Colleges based on either the duration or credits of the programmes. One could for example allocate an output credit of 1 to one full year of study (1 full-time equivalent) and then allocate credits to other programmes in relation to a full year of study. This approach would allow for the determination of output weights for a variety of programmes as new programmes are introduced in TVET Colleges. Only certificates awarded for ministerial funded programmes should qualify for output subsidy. All certificates and diplomas obtained in year n-1 then gets an output credit weight. The total for the system is calculated and the portion obtained by each college is calculated. The total amount set aside for output funding is then allocated to each college based on their share of the total weighted outputs. As noted, the percentage of the programme funding set aside for this could be a small percentage in the beginning of implementation but it should be increased over time.
- (e) The DHET should introduce an additional funding weight for Rural Colleges, e.g. a 10% additional weight or multiplying their unweighted full-time equivalents with 1.1. There is a need to identify the cost drivers and distance appear to be the most important factor. Rurality contributes to additional delivery and travel costs, accommodation costs, and need for rural allowances for travel and accommodation costs for staff, etc. The classification of colleges/campuses of colleges as urban and rural is needed to identify those that qualify for a rural funding weight. If only certain campuses of a TVET College are rural then the weighting should only be applied to the FTEs of those campuses. Rural costs need to be benchmarked against urban cost. Rural colleges will also attract more disadvantaged students that will require more student support to be successful. There would probably have to be a weight for peri-rural (e.g. 5% additional unweighted FTEs). The exact additional FTEs need to be determined by a technical exercise that will focus on determining the cost differentials for the three groupings of colleges. This will be catered for in the funding rates or in the programme costing.
- (f) Additional funding for Special education needs (SNE) in TVET must be catered for and funded by adding weightings for SNE per category on the funding grid. The amount needed could be calculated on the basis of the indicative category given in Appendix B (Attached) per special needs education student in the funding grid.
33. The funding formulae must take into account variables, including: Performance-based funding for student success, weighting for disability, staff development and academic support.

#### **What the funding system is designed to do**

34. 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:
- (a) To promote transparency and easy comparability in 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 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. The funding system should promote good planning, whilst not stifling effective management.
  - (c) To promote equity through the provision of bursary funding to colleges for students who are academically capable but cannot afford to pay college fees.
  - (d) 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.
35. Formula funding of programmes is intended to cover the recurrent costs of delivering TVET programmes, but also certain capital costs associated with those programmes, specifically costs is intended to cover college overhead costs, specifically those relating to administration and student support. Overhead costs have been incorporated within 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.
36. The funding system does not envisage a different level of funding for distance education. This position is in line with White Paper 4, which stipulates that funding should not be differentiated by mode or locus of training. Where the offering of distance programmes by a college results in financial savings, this should be adequately reported on, and the alternative utilisation of the funds should be made clear in the relevant reports. A priority should be given to distance education, e-learning or any other online education students in the alternative utilisation of funds by providing for learning devices such as laptops or tablets as well as provision of data.
37. It is recognised that delivering services to special needs students may entail a higher unit cost. This additional cost is not explicitly linked to enrolment figures by special needs categories and per college, partly because of the information difficulties associated with such an approach. Instead, the cost of an expected level of special needs coverage is incorporated within the funding rate referred to in paragraph 90 and used where enrolment targets for these students are set. Moreover, attainment of enrolment targets by colleges, including enrolment targets for special needs students, receives explicit attention in the annual joint DHET-college planning process referred to in paragraphs 95 - 100.

#### **The register of nationally approved TVET College programmes**

38. The formula funding grid uses information provided in the register of nationally approved TVET College programmes. The national register must contain details relating to the nationally approved TVET College programmes. The DHET maintains this register, and makes it available to the public and stakeholders in the TVET College sector on an annual basis.
39. The register of nationally approved TVET College programmes must, as a minimum, include the following information relating to each programme (see paragraphs 40 - 58 for definitions of the various pieces of information):
- (a) Programme name

- (b) Programme type
- (c) NQF level
- (d) NQF Sub-framework
- (e) DHET programme code
- (f) NQF organising field
- (g) SAQA credits
- (h) Funding weights for personnel
- (i) Funding weights for capital expenditure
- (j) Funding weights for non-personnel non-capital

Details on the determination of funding weights are provided in paragraph 87. In addition, the national register should indicate the typical programme duration, for example whether the programme is typically trimester, semester or a one-year programme. The national register does not indicate hard and fast programme duration, as this aspect of service delivery requires some flexibility.

#### **The in-line part of the formula funding grid**

- 40. 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 indicates the programme choice and information from the national register of approved TVET College programmes. The information in the columns influences the formula funding of the college.
- 41. **DHET programme code:** This is the unique identifier of a programme included in the register of nationally approved TVET College programmes.
- 42. **National Qualifications Framework Organising field:** This is the organising field of the programme. (i.e. 06: Manufacturing, Engineering and Technology)
- 43. **National Qualifications Framework level:** This is the NQF level of the programme (i.e. NQF Level 02)
- 44. **SAQA credits:** This is the number of credits that the programme carries within the NQF. This is indicated in the register of nationally approved TVET College programmes. (i.e. 130 credits)
- 45. **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. In the case of the approved National Certificate (Vocational) (NC(V)) TVET programmes, each programme has by definition a programme duration of 1.00. With respect to other programmes, SAQA specifications, relating for instance to the contact time required for the programme, should guide the determination of the programme duration wherever possible. In the absence of some other benchmark stipulated in policy, the applicable benchmark is that a full-time programme is one that involves 1200 hours of contact time. For example, a programme that covers only 300 hours of contact time would have programme duration of 0.4. A programme with programme duration of 1.00 in one line of the formula

funding grid may reappear in another line with lower programme duration, if the same programme is also being offered part-time to another group of students.

46. **Funding weights (by economic category):** This is a weight attached to each economic category of each nationally approved TVET programme to represent the cost of delivering the programme relative to the funding rate (explained in paragraph 87). 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 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 funding base rate for personnel. Funding weight values are specified on the register of nationally approved TVET College programmes. All programmes would have funding weights specified. When a funding weight is multiplied by the corresponding economic category of the funding base rate (described in paragraph 86), the expected cost as determined by the DHET is obtained.
47. **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 register of nationally approved TVET College programmes. A value of 0.20 would indicate that the DHET 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.
48. **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 funding rate (explained in paragraph 88). A value of 1.00 indicates that the allocation is expected to be equal to the overall funding base rate. The actual total funding weight (ATFW) takes into account several things: programme cost as reflected in the funding weights ( $FW_p$ ,  $FW_c$  and  $FW_n$ ); the funding base rates per economic category as determined by the DHET ( $FR_p$ ,  $FR_c$ ,  $FR_n$  and their sum  $FR_{Tot}$ ); and the assumed fee level for the programme ( $AFL$ ). Each funding weight is multiplied by the corresponding funding base rate, and the sum of the three values is then adjusted downwards according to the assumed fee level. The formula is as follows:

$$T = \frac{(FW_p \times FR_p) + (FW_c \times FR_c) + (FW_n \times FR_n)}{FR_{Tot}} \times (1 - AFL) \quad (\text{where } T \text{ represents ATFW})$$

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  $T$  is the actual total funding weight (ATFW) multiplied by full-time equivalent students ( $FTE$ ):

$$PW = T \times FTE; (\text{where } T \text{ represents ATFW})$$

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: employed persons; unemployed persons 15-24 years of age, unemployed persons 25-34 years of age; unemployed adults over 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 joint DHET-college planning process described in paragraph 95 below.

51. **Past successful completions:** This is the number of students who successfully completed the programme in question during one or more past years. The precise number of past years to be considered is determined during the medium-term joint DHET-college planning process. Past 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.
52. **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

53. **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.
54. **Sum of past successful completions and enrolments:** This is the sum of the values referred to in paragraphs 51 and 52. These totals are important inputs into the determination of the output bonus referred to in paragraph 57.
55. **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 funding base rate of the DHET. 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 69
56. **College allocation before output funding:** This is the total monetary allocation for the college before the addition of a possible output bonus. The college allocation before output bonus (*CAI*) is the college programme weight (*CPW*) referred to in paragraph 53 multiplied by the total funding base rate (*FR<sub>Tot</sub>*) of the DHET.

$$CAI = CPW \times FR_{Tot}$$

57. **Output funding:** 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 DHET determination. However, in arriving at the methodology, the following should be considered:
- The ratio of past successful completions to past enrolments, and previous versions of this ratio, applicable to previous years (see paragraphs 50 and 52). Both absolute levels of this ratio, and improvements in this ratio over time, should be taken into account.
  - Attainment of development targets in the strategic plan of the college, including targets relating to the representativity of students.

- c) Average examination scores attained by students.
- d) Certification rate: TVET Colleges will be entitled to a 10% portion of the total budget allocation which will be allocated in proportion to the certification rate. TVET Colleges with higher certification rate will receive more allocation

The methodology must be transparent to all colleges in the country. 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.

58. **College allocation:** This is the total allocation to the college by the state 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 DHET 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 109).

## E. OTHER FUNDING STREAMS

### Earmarked capital funding

59. This public funding stream covers items not covered by the capital infrastructure portion of the funding rate (see paragraph 86 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 spending in the past.
60. The Capital Infrastructure Efficiency Grant (CIEG) was introduced as earmarked grant by National Treasury for college new building and refurbishment as student numbers rise, as well as the increased maintenance costs consequent on rising numbers given the expansion in the college system. The maintenance situation (including the repair and updating of equipment) needs to be carefully monitored and funds for it specifically earmarked. Special conditions will be developed by DHET on the expenditure of CIEG. The CIEG allocation must be dedicated to an average of 10% for TVET College infrastructure to be compliant to disability needs.
61. DHET 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.
62. Earmarked capital funding is an important means for making colleges more accessible for the physically disabled. DHET 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.

### Student Accommodation

63. There should be an earmarked grant for student accommodation as per paragraph 32(b). In the absence of this earmarked grant, students in college accommodation will be expected to pay the student accommodation fee.
64. Student residence should be funded through separate earmarked grant on a project basis. Development finance institutions and the banking sector should be encouraged to partner with institutions to provide loans matching the funding from the Ministry. Local government sponsorship may also be needed as well as private/public sponsors must also be considered

### College fees

65. The CET Act makes it clear that public TVET 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 TVET 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 that do not receive public TVET funding.
66. Considered that fees are an important income stream for TVET Colleges, students that can afford tuition fee should pay. Students with academic potential should not be excluded because they cannot afford fees as per NSFAS guidelines.
67. According to CET Act 2006 , section 5(2) (g), a College Council “determines tuition fees, accommodation fees and any other fees payable by students as well as accommodation fees payable by employees.” However, students who are eligible to NSFAS bursary funding are not expected to be charged student fees by the college.
68. The formula funding of programmes, described from paragraph 35 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 47.
69. 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 should be more or less equal to 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, without there being a need for DHET 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. Any deviation outside of the bands referred to here require DHET approval, within the DHET-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.
70. The DHET must establish and maintain a national TVET College bursary system. The administration of this bursary scheme will be managed by NSFAS. This must include a means test designed to gauge the financial needs and academic capability of public TVET College students, as well as the necessary tools required to implement the means test. The DHET must further formulate rules and guidelines regarding the allocation of bursaries to colleges, as well the awarding of such bursaries. The bursary

systems shall be aimed at ensuring that an inability to pay college fees does not constitute a barrier to academically capable student's access to a formula funded programme at a public TVET College. The means test and accompanying rules and guidelines must be based on best practice and research findings, and be aimed at providing public TVET Colleges with a system within which responsiveness to student need and programme cost can be managed by the college. The DHET requirements and guidelines shall be sufficiently detailed and binding to establish a transparent system and to enforce key policy imperatives.

71. The rules and guidelines regarding bursaries referred to in the previous paragraph should incorporate an efficiency element whereby students who repeat programmes should be less eligible for bursaries than students who enrol for programmes for the first time.
72. Colleges must manage bursaries in accordance with paragraph 70 to 71.

#### **Student financial aid**

73. In this policy, student financial aid is funding, in the form bursaries or loans, provided by the state or private organisations to students, possibly through the public TVET College, to deal with costs such as college fees, accommodation, and transport as well as subsistence costs.
74. The DHET should monitor the situation with respect to needs-based funding over and above the bursaries, and make proposals for systems and partnerships where necessary. Options involving agreements between the state and public and private lending institutions should be explored.

#### **Fee-for-service income**

75. This stream of funding is income derived by public TVET Colleges from training services offered on a market basis to private and public clients outside of the formula funding system. Income received for HE training services offered under the auspices of HE institutions in terms of CET Act, is considered as part of the fee-for-service income.
76. Paragraph 19 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, the DHET will monitor the prices of fee-for-service training offered, relative to the cost of formula funded training as reflected in the national register of TVET College programmes (see paragraph 38). The requirement is that fee-for-service training should not be offered at a price that is lower than the cost of an equivalent formula funded programme.
77. 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 DHET 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 DHET will be well placed to provide the market with valuable information and guidance relating to training costs. The DHET, in collaboration with the Department of Trade and Industry, may develop pricing manuals that can be used by public TVET Colleges, other providers, and employers, to assist in the provision and procurement of training.
78. The DHET must 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 TVET programmes. Such a list could assist in the monitoring of prices referred to in paragraph 74, and could be used by employers to plan their procurement of services offered by various providers, but in particular public TVET Colleges.

#### **Other State funding**

79. SETAs should invite employers to apply for grants and these applications must be approved before college enrolment planning begins. The employer responses must be based on occupational categories (trades) that permit aggregation across sectors. Aggregated data of all employers in a geographical area willing to take learners for workplace learning for a given trade(s) must be provided to the colleges in that area. This will set the broad quantum of learners that can be enrolled by that college in that programme. In time employers should enter into contracts with learners before they enrol in programmes.

TVET colleges may enter into agreements with National Skills Fund (NSF) for funding of certain projects and/or programmes.

#### **Other private funding**

80. 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.

### **F. FINANCIAL MANAGEMENT AT PUBLIC TVET COLLEGES**

81. It is not the purpose of this policy to provide general financial management rules for public TVET Colleges. The use of GRAP, external auditors, internal audit and risk management will become entrenched across all colleges. College financial management system developed by the DHET is being used in a number of colleges. It is important for this work to continue, and for financial management requirements to become nationally standardised.
82. The DHET must pay particular attention to the development of accounting structures and practices that allow for a clear separation of public and private income and expenditure. Financial accounts must be arranged in such a way that the utilisation of publicly financed infrastructure for 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 income and expenditure.
83. The DHET must 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 TVET.

While section 24 (2) of the CET Act, says: "*A public college may not raise money by means of loans or overdraft without approval of the Minister,*" these norms and standards do not provide the criteria and conditions under which the Minister may approve the raising of loans. The DHET in consultation with the National Treasury will develop procedures, criteria and conditions under which the Minister may consider approval.

## **G. NATIONAL PLANNING**

### **Maintenance of the register of nationally approved TVET College programmes**

84. The register of nationally approved TVET College programmes as described in paragraph 38, must be maintained by the DHET. The DHET must ensure that this register is easily accessible to public TVET Colleges, as well as to other stakeholders in the vocational education and training market.

### **The Funding Rate (FR) and the costing of programmes**

85. Much of the maintenance of the register of nationally approved TVET College programmes involves updating the estimated costs of delivering the nationally approved TVET programmes. DHET must concentrate on updating costs on nationally approved TVET programmes in line with inflation rates and other incremental cost if applicable that are applicable to the inputs in question, and on the costing of new or revised training programmes.
86. A funding rate (FR) must be maintained and be used as a benchmark for the costing of all other nationally approved TVET programmes. The funding rate is split into the three economic categories of (1) personnel, (2) capital expenditure and (3) non-personnel non-capital. Capital expenditure will be meant for replacement of office furniture and workshop equipment as well as address emergency maintenance and repairs. The Department will develop a costing model that will determine the programme costs which are funding rates. These programmes costs and student enrolment will determine college budgets.
87. DHET must indicate the costs of all programmes on the register of nationally approved TVET College programmes relative to the funding rate.

### **Finalisation of public funding strategies**

88. On the basis of the research referred to in paragraph 24, and through an appropriate consultation process, national 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 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.
89. Public funding strategies, including targets relating to the output of the TVET College sector, will be shaped within a planning horizon that is at least 3 years (MTEF). Five to twenty year plans are common in other countries. However, it is important for national targets, to be confirmed on an annual basis, so that the annual DHET-college planning process can be guided by a clear and unambiguous set of priorities. For this reason, the DHET must confirm training targets for publicly funded TVET 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.
90. The development of public funding strategies for technical and vocational education and training must involve a critical level of participation by various government stakeholders, and non-government stakeholders. The DHET 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 education and training, including the public funding of TVET Colleges. These consultations must include, as a minimum, representatives from the Department of Trade and Industry, National Treasury, several major employer and employee organisations, several Higher Education institutions, and several public TVET Colleges, and private TVET provider organisations. Prior to these consultations, the DHET will provide stakeholders with the basic information packages and research outputs necessary for successful consultations to occur. The DHET 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 TVET.

#### **Special needs education (SNE)**

91. Additional funding for Students with disabilities in TVET sector must be provided for and funded by factoring weights for SNE per category. The amount needed is calculated on the basis of the indicative category given in Appendix B per special needs education student in the funding grid.
92. The special needs education students will be part of the funding grid to determine the budget allocation of a TVET College.

#### **Compensation of Council members**

93. Council members should be compensated for their daily allowance, travel and subsistence allowances. Apart from those who are already in state employ, compensation for meeting attendance should be set at the standard hourly or daily rates and should be capped at an annual maximum amount. DHET uses the rates determined by National Treasury regulations on annual basis for TVET colleges.

#### **Funding of foreign students**

94. Foreign students are not entitled to the bursary allocation, they should pay the full programme cost i.e. 80% plus 20%. The full programme cost is composed of the 80% that is paid through state subsidy to the college and the 20% that should be recovered from the student fee. Foreign students from Southern African Development Community (SADC) qualify for the 80% state subsidy as per the agreed upon protocol by the State.

### **H. THE ANNUAL JOINT DHET-COLLEGE PLANNING PROCESS**

#### **Basic elements**

95. For the purposes of the paragraphs that follow, the 'medium term' means the coming three (3) 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 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.
96. Section 10 of the CET Act, requires public TVET Colleges to develop strategic plans. This requirement is being fulfilled across all colleges, though the medium-term joint DHET-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 Appendix A of this policy should form part of the strategic plan of each college.

97. It is vital that various stakeholders apart from the DHET and colleges should comment on the medium-term joint DHET-college planning process. DHET 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 TVET training. At least one regional 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 and 92.
98. It is crucial for the medium-term joint DHET-college planning process to be informed by reliable and timely data. This implies major improvements to information systems which, as indicated in paragraph 24 require national funding. In particular, existing unit record systems that house data on individual college students would need to be enhanced, partly to deal adequately with student-level data relating to socio-economic status and with the aggregation of part-time students to full-time equivalent students.
99. The medium-term joint DHET-college planning process is partly about learning from experience, and thereby improving the capacity of colleges to deliver quality training efficiently and equitably. It is therefore important that this process should be characterised by honest and informed assessments of past performance. Such assessments should include analyses based on the available financial and non-financial data, as well as the consideration of the qualitative inputs of the various TVET College stakeholders. There should be a strong focus on building relationships of trust and mutual respect between stakeholders for this process to be successful.
100. Below, the medium-term joint DHET-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 DHET, are ready by 31 October of each year. The resultant plans must cover, as a minimum, the medium term.

### **Capital and Human Resource Investment Planning**

101. This planning links strongly to earmarked capital and recurrent funding described in paragraphs 59 and paragraph 32 (c). This investment planning should in other words focus strongly on the physical capital needed to address infrastructure backlogs and expansion, and also on investment in systems and the college staff.
102. This 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.
103. The assessment should lead to college-specific proposals, which will be prioritised by the DHET in accordance with the earlier paragraphs on earmarked funding. The result will be an updating of national plans for the capitalisation of the public TVET College sector.

### **Enrolment Planning**

104. An enrolment plan for TVET colleges needs to be developed and linked to available funding provided in the Medium Term Expenditure Framework (MTEF). Enrolment should be based on a three-year rolling plan and should include the projected growth in the number of graduates.
105. SETAs must develop a three year plan of programmes that they want the colleges to offer and this should inform the enrolment planning process of the colleges. This needs to form the basis of guaranteed funding from the SETAs to the colleges. The DHET should also develop a long term plan for a college (for instance 3-5 years) to ensure the financial sustainability of colleges informed by agreed-upon enrolment plans.
106. Enrolments at colleges for those programmes that require workplace learning should be premised on the colleges having access to workplaces for the learners based on the consolidated information provided by the SETAs for that area. The SETA offices in colleges should therefore be primarily centres of data management derived from data consolidated centrally.

### **Review of past formula funding**

107. 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 register of nationally approved TVET College 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.
108. Though not explicitly linked to the formula funding grid, representatively of students in terms of gender, race and disability must be considered in terms of the redress principles described in paragraph 27. The level of compliance with past targets should receive attention, and reasons for non-compliance should be assessed.
109. A clawback mechanism must be applied where the following has occurred: 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. In this case, 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. Where the college has been over funded and the Department cannot recoup the funds, DHET, should calculate the clawback amount applicable, and should deduct this amount from the funding of the first year of the next MTEF.
110. DHET must assess prices to determine 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 82, 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 109.

### **Forward planning of formula funding**

111. Planning for the three years of the medium term should pay particular attention to bringing enrolments in nationally approved TVET programmes (as described in paragraph 38) in line with 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-represented.
112. The enrolment targets per programme must be consulted, but ultimately the DHET 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 nationally approved TVET 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**

113. In terms of section 25 (3) of the CET Act, public TVET Colleges are required to produce annual financial reports, and to comply with any reasonable additional reporting requirement established by the Minister. Moreover, section 42 of the Act requires the Director-General of the DHET to produce an annual report on the quality of Technical and Vocational Education and Training in the country. This would include both Public and Private TVET Colleges which have been respectively declared or registered in terms of Act 16 of 2006. The DHET must 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 TVET College sector, are applied at the college level in order to advance an integrated quality monitoring system embracing financial and non-financial data.

### **The annual cycle and medium-term of public resourcing**

114. The following paragraphs establish the reporting and planning obligations of the DHET and TVET Colleges in terms of the annual cycle.
115. By the last day of September of each year, final annual reports of TVET Colleges must be submitted to the DHET. These reports, which are referred to in section 25 (3) of the CET Act, must include audited financial statements and any additional information required by the Minister in terms of the Act.
116. By 31 March of each year, the DHET 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 88. This step may involve the confirmation of targets set in previous years, as opposed to the setting of new targets.
117. By 30 April of each year, DHET and TVET Colleges must have begun the medium-term DHET-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.

118. By 31 July of each year, the DHET must have finalised the funding rate applicable for the next college year, as described in paragraph 86. Moreover, funding weights and the assumed fee levels for new programmes, if any, on the register of nationally approved TVET College programmes should be confirmed by this date.
119. 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 by the DHET to determine the bursary needs for each college.
120. By 31 October of each year, the medium-term DHET-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 113 must be submitted to the DHET by colleges.
121. By 30 November of each year, the DHET must provide colleges with a schedule of payments to be made to colleges for services to be rendered in the medium-term. This schedule must agree with the budgets and plans applicable to the medium-term. Payments to colleges should occur in line with this schedule, except where corrective measures such as clawback must be implemented. The schedule must be compiled based on the cash flow drawings as advised by National Treasury for payment of tranches to the TVET Colleges for the academic year. Any correction or adjustments such as clawback must be made from the second last two tranches at this time. Any clawback action must be made after due consultation with the affected college.
122. At the time of the adjustments budget, the DHET will apply to Parliament to have any corrections made to the CoE for TVET Colleges, should the need arise to make such changes, given that CoE is specifically and exclusively allocated in the Appropriation Act.
  - (a) In terms of the CET Act, the staff of public colleges consists of persons appointed by the Minister in posts that the Minister establishes for the respective colleges and council established posts. The Minister is required to remunerate staff appointed by the Minister from funds allocated to the respective colleges in accordance with these norms and standards.
  - (b) In terms of Section 22 of the CET Act, the Minister must from money appropriated for this purpose by Parliament fund public colleges on a fair, equitable and transparent basis and the Minister may, subject to the norms and standards, impose any condition in respect of an allocation of funding and different conditions in respect of different public colleges, different technical and vocational education and training programmes or different allocations, if there is a reasonable basis for such differentiation. Also subject to the requirements in these minimum norms and standards, the Minister must determine further appropriate measures for the redress of past inequalities.
  - (c) In terms of Section 24 of the CET Act, the funds of a public college consist of funds allocated by the state and other sources of funding, such as donations or contributions received, money raised by the college, money raised by loans, subject to Ministerial approval as guided by conditions referred to in paragraph 83, income from investment, income from services rendered, student fees, student and employee accommodation and any other source.
  - (d) In terms of Section 25 of the CET Act, the public college must, keep complete accounting records of all assets, liabilities, income and expenses and any other financial transactions, adhere to standards not inferior to the requirements of the Public Finance Management Act.

- (e) In terms of Section 26 of the CET Act, if the management staff (or council) of a public college fails to comply with any provision of this Act under which an allocation from money appropriated by Parliament is paid to the college, or with any condition subject to which any allocation is paid to the public college, the Minister may call upon the management staff (or council) to comply with the provision or condition within a specified period. If the management staff (or council) thereafter fails to comply with the provision or condition timeously, the Minister may withhold payment of any portion of any allocation appropriated by Parliament in respect of the public college concerned.
123. The Department will retain funds, annually, from the subsidy allocation to public TVET Colleges, in order to remunerate the employees in posts established by the Minister for the TVET Colleges. The portion of the subsidy allocation to be retained by DHET will be set at 63% of the FULL cost of the funded programmes or as per the Post Provision Norms (PPN). Some identified TVET colleges may spend to a maximum of 70% on CoE of their total college allocation as per PPN staff requirements. The full cost of the funded programmes consists of 80% of government subsidy allocation and 20% of assumed college fee level as explained in paragraph 10.
124. In terms of the CET Act, the Minister must, on an annual basis, provide sufficient information to public colleges regarding the funding referred to in paragraph 122(b) to enable the colleges to prepare their budgets for the next financial year.

#### **Academic performance**

125. A student may be funded for a maximum of n+1 by the state at the same NQF Level in a nationally approved qualification unless a motivation by the college is made by means of a special request to the DHET for an extension for funding. A student will therefore be expected to pay the full programme cost if no longer funded by the state. A student with disability may be funded for up to a maximum of n+2.

#### **I. THE TVET FUNDING SYSTEM**

126. The transition from the various outgoing systems, some national, and 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.

#### **General challenges and solutions**

127. Average spending on each full-time equivalent student, as well as the breakdown of spending across the three economic categories referred to in paragraph 86, 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 deliver 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 colleges may on average spend more or less per full-time equivalent student than what is implied by the new policy. The DHET will develop and manage plans that will align the system with the funding norms of this policy. Moreover, there will be engagement with Treasury by the DHET aimed at ensuring that the MTEF budgets relating to TVET Colleges are harmonised with the readiness of the sector to implement the new funding norms, and to increase student enrolment levels.



<b>THE FORMULA FUNDING GRID: Explanation of in-line column headings</b>	
<i>DHET code</i>	Department of Higher Education and Training programme code
<i>Reg of Nat Appr Prog</i>	Register of nationally approved TVET College programmes
<i>NQF OF</i>	National Qualifications Framework Organising field
<i>NQF level</i>	National Qualifications Framework level
<i>Prog name SAQA cred</i>	Programme name SAQA credits
	This is the 9-digit code of the DHET used to identify one of the nationally approved programmes of the TVET Colleges. Codes appear in this column only under the heading 'DHET CORE'.
	The register consists of the following: (a) Programme name (b) Programme type (c) NQF level (d) NQF Sub-framework (e) DHET programme code (f) NQF organising field (g) SAQA credits (h) Funding weights for personnel (i) Funding weights for capital expenditure (j) Funding weights for non-personnel non-capital
	One of the twelve NQF Organising 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. 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.
	The name of the programme. The number of credits assigned to a unit standard or a qualification by SAQA.

<i>Prog dur</i>	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).
<i>FW pers</i>	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.
<i>FW cap</i>	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.
<i>FW npnc</i>	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.
<i>AFL</i>	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.
<i>ATFW</i>	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 ( <i>AFL</i> ) from the bottom-line part of the grid. The formula is described in paragraph 48 of the policy.
<i>Stud</i>	Individual students	The number of individual students enrolled in the programme. This value is determined through the joint DHET-college planning process.
<i>FTE</i>	Full-time equivalent students	The number of full-time equivalent students in the programme. This value is calculated as follows: $FTE = Stud \times Prog dur$ .
<i>PW</i>	Programme weight	The total weight assigned to the programme, with funding weights, assumed fees and bursaries, enrolment and duration taken into account. This value is calculated as follows: $PW = T \times FTE$ , where <i>T</i> represents the actual total funding weight ( <i>ATFW</i> ).
<i>LMS</i>	Labour market segment	The segment of the labour market receiving the chief focus of this service. Values, which are determined through the DHET-college planning process, are: <ul style="list-style-type: none"> <li>'BE' for mainly budding entrepreneurs</li> <li>'EE' for mainly employed persons</li> <li>'OE' for mainly operating entrepreneurs with employment potential</li> <li>'UA' for mainly unemployed adults over age 35</li> <li>'UY' for mainly unemployed youth up to age 35</li> </ul> These values are not used for any calculation. They are simply illustrative of the college plan.
<i>AFS</i>	Alternative funding source	The source of funding other than formula funding of programmes. Values can be: <ul style="list-style-type: none"> <li>'EL' for employers (learnerships)</li> <li>'EO' for employers (other)</li> <li>'SL' for SETA (learnerships)</li> <li>'GE' for state (education department)</li> <li>'GO' for state (other)</li> </ul> These values are illustrative, and are not used in any calculation.

<i>Past SC</i>	Past successful completions	The number of successful completions amongst past enrolments. The value is a number calculated according to an agreement between the DHET and the college relating to the number of past years to take into account.
<i>Past enrol</i>	Past enrolments	The number of students enrolled in past years, where that number is comparable to past successful completions.

<b>THE FORMULA FUNDING GRID – EXAMPLE WITH VALUES</b> (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.)																	
DHET code	NQF L/F	NQF level	Programme name	SAQA cred	Prog dur	FW pers	FW cap	FW npnc	AFL	T	Stud	FTE	PW	LMS	AFS	Past SC	Past enrol
524030409	3	4	Marketing L4	130	1,00	1,0	1,1	1,0	0,20	0,81	65	65	52,3	UY		42	78
523030205	3	2	Management L3	130	1,00	1,2	1,3	1,1	0,20	0,95	65	65	61,8	UY		49	72
522060101	6	2	Engineering and Related Design L2	130	1,00	1,1	3,5	4,1	0,20	1,45	120	120	174,0	UY		78	169
522110101	11	2	Hospitality L2	130	1,00	1,3	2,0	2,4	0,20	1,24	24	24	29,8	UY		25	30
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
										0,00	0	0	0,0				
<b>Bottom-line calculations</b>																	
<b>Totals from above</b>																	
College programme weight (CPW)																	
Sum of past successful completions and past enrolments																	
<b>Funding Base Rate</b>																	
						pers	cap	npnc			Total						
						18 000	1 500	4 500			24 000						
											194						
											349						
											317,8						
<b>Totals relating to fees and bursaries (all calculated from in-line part)</b>																	
Assumed value of college fees charged																	
Assumed value of college fees income																	
Indicative bursary requirement																	
<b>Final allocation</b>																	
College allocation before output funding (CA1)																	
College allocations retained by DHET in terms of paragraph 117 = (5 721 030 × (100/80))																	
Output bonus (OB)																	
College allocation after output bonus (CA2)																	
						pers	cap	npnc			Tot						
						5 721 030	476 753	1 430 258			7 628 040						
											7 151 288						
											434 798						
											911 551						
											1 525 608						
											976 389						
											549 219						

**Appendix B – Indicative cost per year for Special Needs Education for NC(V) and Report 191**

(NATED) programmes for the 2017 to 2019 MTEF

Category Code	Category of Special Needs Education (SNE)	Rating	MTEF SNE Cost per year additional to the Programme Cost		
			2 017	2 018	2 019
CPIX				1.059	1.056
<b>NC(V) programmes</b>					
3	Physical Disability	2.5	22 690	24 029	25 375
	Behavioural/conduct disorder (including severe behavioural problems)	2.5			
	Mild to moderate intellectual disability	2.5			
	Specific learning disability	2.5			
	Attention deficit disorder with/without	2.5			
2	Cerebral Palsy	4	36 305	38 447	40 600
	Autistic spectrum disorders	4			
	Psychiatric disorder	4			
	Epilepsy	4			
1	Blindness	5	45 381	48 058	50 750
	Deafness	5			
	Deaf-blindness	5			
	Partial sightedness/Low Vision	5			

	Hard of hearing	5			
<b>Report 191 (NATED) programmes</b>					
3	Physical Disability	2.5	15 993	16 937	17 886
	Behavioural/conduct disorder (including severe behavioural problems)	2.5			
	Mild to moderate intellectual disability	2.5			
	Specific learning disability	2.5			
	Attention deficit disorder with/without	2.5			
2	Cerebral Palsy	4	25 589	27 099	28 617
	Autistic spectrum disorders	4			
	Psychiatric disorder	4			
	Epilepsy	4			
1	Blindness	5	31 987	33 874	35 771
	Deafness	5			
	Deaf-blindness	5			
	Partial sightedness/Low Vision	5			
	Hard of hearing	5			

Note: Rating 5 is 80% of average programme cost as disability is severe and requires an additional staff member.